Key Take Home Messages: Imagine 2012 and the International Summit of Co-operatives

Sonja Novkovic, SMU
www.imagine2012.coop
Imagine 2012 speakers and topics

* Tom Webb. Why Are We Here?
* Stefano Zamagni. Why Did Cooperatives Disappear From Economic Thought?
* Manfred Max-Neef. Economics Unmasked: Can we develop more meaningful economics?
* Neva Goodwin. What is the new economy and why do we need it?
* Ron Colman. What Is Progress and How Do We Measure It?
* Richard Wilkinson. How Bad Is Income Inequality and Why Does It Matter?
* William Rees. Are Prosperity and Sustainability Compatible?
* Peter Victor. Are there Limits to Growth?
* Thomas Homer-Dixon. Resilience: What promotes Innovation and Adaptation?
• *Avner Ben-Ner. * Do co-ops need a different type of employees and organizational design than conventional firms? Lessons from behavioral economics
• *David Erdal. * How Is Worker Ownership Related to the Health of Communities?
• *Vera Negri Zamagni* Is bigger better? New opportunities for cooperatives.
• John Fullerton *What Is the Role of Financial Capital In the New Economy?*
• *Claudia Sanchez-Bajo* Is the Debt Trap Avoidable?
• *Stephen C. Smith* What Is the Role of Co-operatives In the New Economy?
• Dr. Barbara Allen tribute to Dr. Elinor Ostrom. *What are the Commons and how Should We Manage Them?*
• *Sonja Novkovic* Co-operative economics? Key directions from the new economics and implications for co-operatives
Imagine 2012 message

It is time for a **new economic paradigm**

We need a shift in **values**

**Co-operatives** can play a leadership role in this shift
Key lessons

• **Limits** to growth and to what the economy has been about in the last 50 years: resource limitations; a finite planet
  - Ecological overshoot
  - Exponential growth with reliance on fossil fuels cannot be sustained

• **Outcomes** of the last 50 years
  - concentrated wealth and entrenched power;
  - inequality;
  - poverty;
  - damage to the planet and society;
  - political instability and conflict
The Global Picture

Source: Bill Rees

global biocapacity: 12.0 billion hectares

current human eco-footprint: 18.0 billion hectares
Ours is a world in ‘overshoot’

- Human demand has more than doubled since 1961 and already exceeds global carrying capacity by 50%.
- We reached ‘overshoot day’ for 2012 by 22 August.
- Since then humanity has been living by depleting natural capital.

Source: Bill Rees
Followed by a financial overshoot
What’s wrong with this picture?

Finance

Economy

Planet

Source: John Fullerton
Desired Outcome

Planet

Economy

Finance

Source: John Fullerton
In summary... bigger income gaps lead to deteriorations in:-

**Social Relations**
- Child conflict
- Homicide
- Imprisonment
- Social capital
- Trust

**Health**
- Drug abuse
- Infant mortality
- Life expectancy
- Mental illness
- Obesity

**Human Capital**
- Child wellbeing
- High school drop outs
- Math & literacy scores
- Social mobility
- Teenage births

Exceptions: suicide?
Limitations of neoclassical economics

- Supporting these economic developments; training future leaders to do more of the same;
  - Assumed economic behaviour; purely monetary incentives; focus on private ownership and allocative efficiency
  - Measuring success that followed from this logic; GDP growth as one of the most important indicators of progress
    - Growth has limits; development does not
  - Financial capital as an end in itself.
  - Debt trap (government debt; household debt; private sector debt)
GDP growth does not equal well-being

Source: Ron Colman
### Challenges from the New Economy to Economic Theory

<table>
<thead>
<tr>
<th>The New: 21st Century Contextual Economics</th>
<th>The Old: 20th Century Economics</th>
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<tbody>
<tr>
<td>1. Any economy must have goals: e.g. that it be <strong>socially &amp; environmentally just, sustainable</strong> and satisfying.</td>
<td>The economy’s goals are growth and maximizing consumption.</td>
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<td>2. Economic scale must remain within <strong>ecological limits</strong>.</td>
<td>Economic growth is always desirable.</td>
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<td>3. Understand the economy in its <strong>social and ecological context</strong>.</td>
<td>An economy is a stand-alone system.</td>
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<td>4. Knowledge of <strong>future constraints</strong> must influence economic behaviour.</td>
<td>Prices are always the best guide to economic behaviour.</td>
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<td>5. Using markets and other means, set prices that will <strong>appropriately recognize human values</strong>.</td>
<td>All economically important human values are automatically represented in market prices.</td>
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<td>6. Work incentives and rewards should recognize <strong>work’s social value</strong> as well as the worker’s experience.</td>
<td>Markets always give workers just what they deserve according to their marginal contribution to the value of their outputs.</td>
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</tbody>
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Source: Neva Goodwin
Our challenge, should we choose to accept it:
Write a new, more adaptive cultural narrative

- The economic policy emphasis must shift from efficiency and growth (merely getting bigger) toward equity and development (qualitative improvement, getting better).
- The underpinning values of society must shift from competitive individualism, greed, and narrow self-interest, toward community, cooperation, and our collective interest in survival.

Source: Bill Rees
Context: New (renewed?) social movements

- **Social justice**: Occupying spaces; occupying jobs and the right to work; Re-drafting the social contract and redefining the role of government
- **Democracy**: Political and economic democracy. People (and the planet) before capital and concentrated power (limit the voice based on wealth; increase the voice based on representation)
- **Different economic and political institutions**: People-centered economies and systems; the commons – natural resources are limited; private ownership does not result in socially optimal solutions;
Cooperatives

- Why have co-ops disappeared from economics?
  - Anthropological error and
  - Methodological error
- Evidence that humans do not behave as *homo economicus*
  - Policy implications; incentives
- Misinterpreted by economists in the 20th century due to prevailing assumptions in neoclassical economics and inadequate methodology to capture their socio-economic character
Co-operative economics?

Towards the development of socio-ecological economic theory and policy
What do co-ops have to offer?

- Economic *self-help*.
- *Cooperation*.
- Governing by *self-defined rules*.
  - Developing governance methods and tools to assist democratic governance processes.
What do co-ops have to offer?

- Joint ownership; common pool resources;
  - **solidarity** principle – building non divisible reserves to mitigate risks
- Limiting the return on financial investment.
  - Financial capital as a *means* to a different end.
- Internalizing the externalities
  - avoiding ecological and social costs (negative externalities), as opposed to inflicting them and paying a penalty (the market solution);
  - coupling economic goals with social benefits (positive externalities)
What do co-ops have to offer?

- Small and locally entrenched – full cost accounting;
- Spin-off growth model;
- Networking for scale economies;
  - **Subsidiarity** principle (decisions are taken as closely as possible to the member)
- Influence new measures of progress at the micro-level (3-bottom line) that feed into macro level measures such as the GPI, GNH.
  - Measures built on the values and principles of cooperation.
Challenges

• Internal
  – Effective democratic co-operative governance
  – Capitalization = access to the right kind of capital

• External
  – Regulation
  – Misconceptions; awareness, promotion
The co-operative movement, lead by the ICA, is well placed to impact:

- **Global co-operative development** – resources, tools and methods
  - Increase co-op ‘density’
  - Expertize in democratic governance and coordination
- **Independent co-operative capital** reserves
  - Patient capital; ethical investments;
- **Regulation** in support of the cooperative model
- **Redefining economic success** on a finite planet
• Thank you!