

Evolutionary and Historical Considerations, by John R. Whitman

Learning objectives

1. To learn that the evolutionary basis for human interactions developed around intimate, face-to-face exchanges is challenged by new forms of distant and impersonal exchange.
2. To learn about the historical development of cooperatives from a time prior to the Industrial Revolution to the present.

The first point to convey is that humans have spent virtually all of their evolutionary history based on intimate, face-to-face relationships in open, sparsely populated and natural spaces, and thus we are particularly well adapted to negotiate such relationships. The evolutionary development of humans in groups was based on relations in a hunter-gatherer mode, succeeded only very recently (less than 10,000 years) by relatively fixed communities built around an agrarian culture in patterns that still prevail, followed by massive movements of populations to highly concentrated urban communities beginning with the Industrial Revolution only little more than 200 years ago and now intimately interconnected by the worldwide Internet.

Only relatively recently did human interactions begin to engage in increasingly distant and impersonal forms of trade, for which we have not had sufficient time to develop an evolutionary mechanism for coping (North, 2005, pp. 65-102). In other words, the social institutions in which we interact today create conditions that go beyond our evolutionary predispositions designed for survival.

In his treatment of the evolutionary implications for how humans cope with political and economic change, North invokes work by Coleman (1988) to describe how we create social capital through certain organizational forms based on intimate linkages;

work by Greif (2006) to describe how different cultures have created organizational structures that favor individualist versus collectivist beliefs; and work by Putnam (1993) that describes how the region in the north of Italy has produced a culture of cooperatives and that in the south a culture of hierarchical mistrust and mafia control, based on centuries-old contrasting patterns of social interaction that either engender trust (in the north) or inhibit it (in the south).

The challenge to our evolutionary capacity to ensure face-to-face trust, according to Greif (2006), arose when impersonal exchange grew in practice as trade over long distances increased (see also Bernstein, 2008), creating a need for new institutions to mediate trust. Here is how Greif presents the predicament:

Institutions that support impersonal exchange characterized by a separation between the *quid* and the *quo* over time and space have to mitigate the contractual problem intrinsic to it: the need to commit ex ante not to breach contractual obligations ex post despite the separation between the *quid* and the *quo*. A borrower, for example, can enrich himself after obtaining a loan by not repaying the debt. Expecting such behavior ex post, a lender will not lend ex ante in the absence of institutions that enable the borrower to commit to repay the loan. For such commitment to be undertaken in impersonal exchange, trading partners have to be able to commit to one another even though they do not expect to trade again, lack information about their partners' conduct, and are not able to credibly commit to report misconduct to future trading partners. (p. 314)

Different societies created different institutions to respond to this new need, some perhaps better than others (see Kuran, 2009 for a discussion of Islamic institutions). Greif argues that in medieval times prior to the establishment of states, regions of Europe created community responsibility systems that ensured trust, and that these norms eventually converted into modern institutional status as states emerged with legal systems. In contrast, "In the Muslim world, ... communities were not self-governed ... and

the prevailing religious law rejected the notion of collective responsibility central to the community responsibility system” (Greif, 2006, p. 347).

Since the rise of mercantilism and heightened further since the Industrial Revolution we have been creating new organizations to manage more distant and impersonal relationships of exchange. In the absence of governmental regulation, it is not surprising that many enterprises emerged that profited talented individuals at the expense of many workers. Inevitably, some such workers would have to fend for themselves, and in doing so, perhaps draw on ingrained instincts of mutual trust.

One chronology of the early cooperative movement places the origins of the first producer cooperatives (of cheesemakers) in France in the 1750s (Shaffer, 1999, p. 1). In the same era mutual fire insurance societies emerged in London and Philadelphia, representing the first cooperatives respectively in the United Kingdom and what would become the United States of America. The legacy of the community responsibility system and its practice of collective responsibility may well have been conducive to organizing cooperatives in Europe, and indeed Greif (2006) notes the role of 19th century German cooperatives in advancing industrial economies (p. 348).

In the modern cooperative era, which, according to convention began with the establishment of the Rochdale Equitable Pioneers Society in 1844 (Thompson, 1994), deplorable and exploitative economic and political conditions have propelled innovators to create organizations with the characteristics of early cooperatives that reflect interactions like communal sharing and exchange relationships. The consequences of the Industrial Revolution were building as early as the 1800s. In England, according to Thompson,

Hundreds of thousands of people were on the move looking for work. A rural nation was transformed almost overnight into an urban society. Power looms were replacing the hand looms. The factory owners were consolidating production, and the weavers in their cottage were losing it. Conditions were ripe for revolt. Unemployment, near starvation, the poorhouse, disease and epidemics, child labor—all these were the lot of working people. The machinery went ever faster, the pay was never enough, the price of everything went up, and food was always too expensive. As a later chapter will show, these were the worst of times. England was often on the edge of an explosion. (pp. 4-5)

According to one account (Grosskopf, Münkner, & Ringle, 2009), the hardships surrounding the emergence of cooperatives in Germany appear to be more muted, with the emphasis on self-help rather than on prevailing economic or social travails:

In Germany, the cooperative age began in the middle of the 19th century. There were cooperative-like organizations before (e.g., guilds of craftsmen). These were predecessors of the so called “modern” cooperatives, which were established around 1850 for different reasons:

- agricultural cooperatives were formed as a means against usurers and money-lenders in the rural areas,
- urban credit cooperatives were formed to give craftsmen access to credit without collateral security,
- supply cooperatives of traders and craftsmen were established as a means against high prices of goods and inputs,
- consumer cooperatives were formed to organize and increase the purchasing power of the consumer, by offering goods of good quality at low prices,
- housing cooperatives were formed to alleviate the housing problems of workers in the cities.

During the early days of cooperative development cooperators were united by one common goal: to solve their economic and social problems relying on their own strength by working together and remaining independent. These ideas characterize the mission of cooperatives until today. (p. 13)

The cooperative movement in English Canada between 1900 and 1945 also emerged in a time of economic and social dislocation. According to MacPherson (MacPherson, 1979):

The social costs of past and present growth had been high, and regardless of how the country was perceived—by region, by class, by national groupings, by occupations, even by religion—there were distressing inequalities. Housing was frequently inadequate, not only in large urban centers but in rural areas and on the lumbering and mining frontiers as well. Provisions for the elderly, the insane, the orphaned, and the poor varied immensely and were rarely sufficient. The trades union movement had few numbers and limited stability, meaning that most laborers were defenseless in the marketplace. Similarly, in the countryside, many farmers struggled against rising costs, difficulties in marketing, and shortages of labor. There were, in short, behind the outward prosperity of the late Victorian and Edwardian years, sufficient economic and social grievances to give momentum to the reform causes that appeared. (pp. 1-2)

While the paradigmatic Mondragón worker cooperative complex, which originated in 1956, is largely seen as an outgrowth of difficult economic times during the Franco dictatorship in Spain (1939-1975), the leading case study on the company (Whyte & Whyte, 1991/1988) offers some evidence that the “Basque country had been a fertile field for the growth of cooperatives before the Civil War” (p. 20):

The cooperative movement in the Basque country developed in intimate association with the labor movement, political parties, and the Catholic Church (Olivarri 1984) and appears to have arisen out of the formalization of practices of cooperative labor traditional in the countryside and guilds of craftsmen. Olibarri has reported that there may have been several consumer, production, fishing, housing, and mutual aid cooperatives as early as 1870. The first documented founding of a consumer cooperative was in 1884, organized among the steel mill workers in Baracaldo. The first documented agricultural cooperative was formed in 1906. (p. 18)

We have so far seen that certain traditions of collective responsibility and mutual aid, where practiced, have laid the basis for the eventual creation of cooperatives

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especially in times when prevailing markets were poorly serving social and economic needs, or not at all. While some areas, such as the Basque region of Spain, Northern Italy, and Quebec Province, are teeming with cooperatives, we may well ask, why are cooperatives not more uniformly prevalent today? The explanation, likely rooted in the relatively short-term success of highly competitive, hierarchical, capitalist enterprise (to be seen as extraordinarily costly to both society and the environment) may be complex. New research, however, is revealing that a culture of cooperation may play a greater role than realized in stimulating entrepreneurship around the world. In a novel empirical examination of the relationship between culture and entrepreneurship in a relatively large sample of 40 countries, Stephan and Uhlaner have found that “cooperation and social support (vs. competitive aggressiveness) may be the key levers to stimulate entrepreneurship rates worldwide” (Stephan & Uhlaner, 2010, p. 14). The researchers appear to favor Fukuyama’s definition of social capital as “an instantiated informal norm that promotes co-operation between two or more individuals” (Fukuyama, 2001, p. 7). Contrasting descriptive norms of what they term “socially supportive culture” versus “performance-based culture,” the researchers find considerable support for the role of social capital to explain the entrepreneurship rate across countries. They note that, “policymakers wishing to influence entrepreneurship in the long term may have to address the basic social institutions influencing society, fostering cooperativeness and helpfulness through education institutions, via the media and/or the workplace” (p. 13).

For an exercise, ask students to interview their parents and grandparents if possible and prepare a five-page paper on the family’s history of working for different types of organizations going as far back as anyone can remember. Ask students to reflect

on the nature of these organizations, and how they relate to trust and either cooperation or competition. You may select from examples to read in class.

Background reading

Bernstein, *A Splendid Exchange: How Trade Shaped the World*
(Bernstein, 2008).

Campbell, *A Mind of Her Own: The Evolutionary Psychology of Women*
(Campbell, 2002).

Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (Greif, 2006).

Kuran, "Explaining the Economic Trajectories of Civilizations: The Systemic Approach" (Kuran, 2009).

North, *Understanding the Process of Economic Change*, chapters 3-6
(North, 2005).

Stephan and Uhlaner, "Performance-based vs socially supportive culture: A cross-national study of descriptive norms and entrepreneurship"
(Stephan & Uhlaner, 2010)

Required reading

Zeuli and Cropp, Chapters 1 and 2.

Corcoran and Wilson, "The Worker Co-operative Movements in Italy, Mondragon and France: Context, Success Factors and Lessons" (Corcoran & Wilson, 2010).

Optional reading

None.

Exercises

Compile a family history of work in organizations, described above.

Reflect on your own preferences. Would you feel more comfortable working with peers in an equal, democratic fashion? Or competing with them for power and influence, perhaps because your judgment is superior?