

Capital and the Financing of Cooperatives

Foro Internacional de Derecho Cooperativo, Montevideo,

18th November 2016

Introduction

- The importance of capital, why we are here
- The legal and technical features of cooperative capital
 - The needs of the cooperative
 - The needs of those providing capital
- Upholding cooperative identity; challenging investor capital
- The bigger picture: what is the cooperative capital deal?





Reframing the debate about Cooperative Capital

Cliff Mills

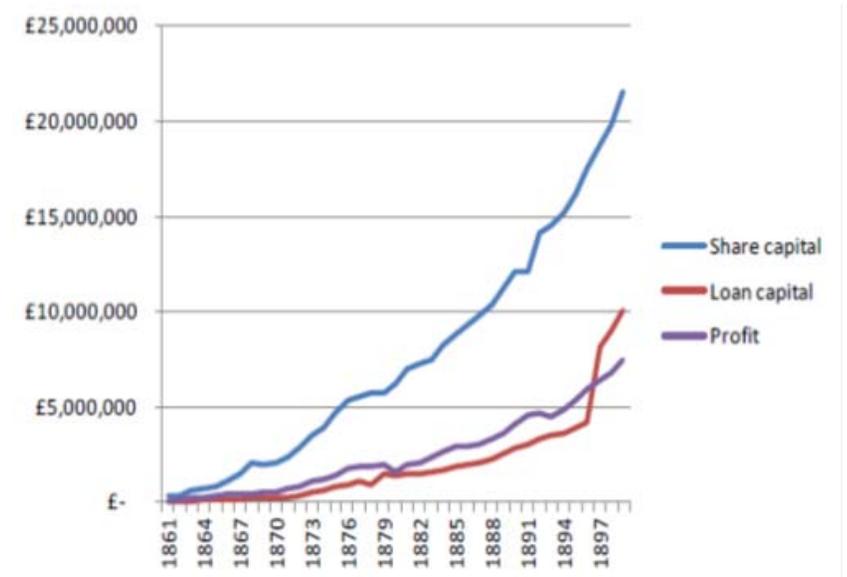
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Capital

- Financial capital; equity/shares
- The capital of all incorporated bodies
 - Does not belong to the body
 - But is used by the body
 - The owners have some rights
- Providing capital is a relationship – for what purpose?
- UK company law now states the purpose: private benefit – threatening the future of the planet
- What is the alternative cooperative capital proposition?

Historical perspective

- Cooperative trading from 1844
- Self-help response to exploitation
- Capital commitments: 4 x £1 shares
- Required savings of 10% of weekly income
- Capital grew from £28 to £23 million



How had this happened?

1. A clever method of trading
 - Owned and democratically controlled by customers
 - Kept money local
 - A way for people to save money
 2. New law introduced in 1852 to permit people with small amounts of money to combine
 3. A “grand vision” for a better, fairer world
- Effect: transformation of society through political empowerment

Relevance today?

- Need for a “grand vision” – for citizens to recover control
- Call for political engagement and cooperation by faith/other leaders
 - Pope Francis
 - The Church of England (before 2015 general election)
 - Rise of solidarity movements, social enterprise
- A grand vision to reconnect citizens, give them significance
- In what sectors? Equivalent to 1844?
 - Care – health, social, vulnerable
 - Utilities – energy, telecommunications, public transport

Capital opportunities

- We don't have the same needs today as in 1850
- We DO need different options for savings for retirement, pensions
 - Realistically no choice in UK: investor ownership
 - It's our capital; but its in the wrong place, supporting the wrong purpose, and the wrong economy
- We need cooperatives, providing mainstream goods and services
 - Well governed, and a safe place for us to entrust our capital
 - Where as users, consumers, workers, citizens we can have meaningful membership
- But what is the cooperative promise, the financial instrument?

Cooperative capital today

- **The cooperative capital promise – to trade for the common good**
 - On a fair and just basis
 - In a way which avoids exploitation, oppression or harm
- Member participation and governance to enforce the promise
- The financial instrument
 - Equity shares, fully loss absorbing (members taking the risk)
 - Members entitled to fair compensation for use of capital, subject to trading results
 - Members can “exit” (redeem shares) at specified intervals so that the cooperative to plan its capital requirements

To conclude

- At a time of great concern, there is much hope
- We need to be careful with language, and find our own
- We must nurture cooperatives on this journey

“Throughout its history, the co-operative movement has constantly changed; it will continuously do so in the future. Beneath the changes, however, lies a fundamental respect for all human beings and a belief in their capacity to improve themselves economically and socially through mutual self-help. Further, the co-operative movement believes that democratic procedures applied to economic activities are feasible, desirable, and efficient. It believes democratically-controlled economic organisations make a contribution to the common good.”

Professor Ian MacPherson



Thanks for listening
cliff@mutuo.coop

Acting on Principle: how cooperatives became legal <http://www.archive.coop/hive/acting-on-principle>

The Capital Conundrum, ICA February 2016
<https://ica.coop/en/media/library/publications/capital-conundrum>

Industrial and Provident Societies Act 1852

Section 172 Companies Act 2006

Thanks to the Cooperative Archive www.archive.coop

