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**Social Cohesion through  
Market Democratization**  
Alleviating Legitimation Deficits  
through Co-operation

ROBERT DOBROHOCZKI

Occasional Paper Series

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CENTRE FOR THE STUDY OF CO-OPERATIVES



UNIVERSITY OF  
SASKATCHEWAN

SOCIAL COHESION THROUGH  
MARKET DEMOCRATIZATION

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MARKET DEMOCRATIZATION

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ROBERT DOBROHOCZKI

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CO-OPERATIVES



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Centre for the Study of Co-operatives  
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Centre for the Study of Co-operatives  
101 Diefenbaker Place  
University of Saskatchewan  
Saskatoon SK Canada S7N 5B8  
Phone: (306) 966-8509 / Fax: (306) 966-8517  
E-mail: [coop.studies@usask.ca](mailto:coop.studies@usask.ca)  
Website: <http://www.usaskstudies.coop>

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## INTRODUCTION

CO-OPERATIVES, AND THE CO-OPERATIVE BUSINESS STRUCTURE, can have a positive influence on the promotion of social cohesion. In order for them to have this influence, however, they must fully engage their democratic potential. This paper examines precisely what is meant by the term “social cohesion,” the reasons why it needs to be promoted, and the consequences for society if it is not. The paper uses German sociologist Jurgen Habermas’s theory of communicative action to illustrate the close linkages between co-operative principles and modern morality, and the ideas behind social economy and social capital. Extending this analysis, it is argued that co-operatives can contribute to the notion of a healthy public sphere and alleviate the “legitimation deficits.” The concept of legitimation crisis is used to analyse social cohesion from a systems-theory perspective and explain the decline of social cohesion as a result of the “colonization of the *lifeworld*,” or the dominance of instrumentalism over modes of communicative interaction among citizens. This paper will examine the future needs in society that co-operatives may increasingly fill and the benefits to social cohesion that would accrue from such co-operation. The focus will be on democratization as a means of legitimation, positing the use of the co-operative model as one method for democratizing the market system. This would contribute to legitimizing the system by promoting social cohesion and alleviating the negative effects of globalization. Finally, the paper will offer some recommendations for co-operatives and policy makers and will conclude with questions for further research.



## SOCIAL COHESION IN THE POST-INDUSTRIAL STATE

THE TERM “SOCIAL COHESION” IS A NEBULOUS CONCEPT THAT has found its way into the forefront of policy research. It incorporates a number of ideas, from the notion of “social capital” found in economics, sociology, and political science literature, to the more profound sense of loss identified in academic and popular commentaries on crises in pluralist, neoliberal, capitalist societies. Social cohesion is seen as progressively threatened by factors such as technological revolution, demographic changes, multiculturalism, and globalization, with their associated industrial and labour-market restructuring and public policy changes (Featherstone 1990; Featherstone et al. 1995; Tomlinson 1999).

Social cohesion deals with notions of shared values, community identity, and solidarity. Everyone who studies it agrees that these ideas are in flux, given the economic, political, and social processes at work in contemporary society. The Government of Canada’s Policy Research Sub-Committee on Social Cohesion defines it as “the ongoing process of developing a community of shared values, shared challenges, and equal opportunity within Canada, based on a sense of trust, hope, and reciprocity among all Canadians” (Jenson 1998, 4).<sup>\*</sup> Literature that discusses social cohesion is focussed on the tension between the individual and the community — between the role and position of the individual in society and the sense of belonging to the community. This sense of belonging and identity, it is believed, is being lost in an era of pluralism, liberalism, and the market forces of globalization (Featherstone 1990; Featherstone et al. 1995; Taylor et al. 1994).

The literature suggests that co-operatives arise from some unfulfilled need in society that a co-operative partnership will alleviate. Co-operatives have usually developed in con-

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<sup>\*</sup> Jenson’s paper is an excellent review of the literature on social cohesion and its development as a policy concern in Canada.

nection with some market failure (Fairbairn et al. 1991). As economic forces lead to larger and larger transnational corporations, the loss of local ownership and control is yielding a loss of community identity and distinctiveness. The corporate-driven economy is increasingly one of global homogeneity and pluralism (Friedman 1999). This loss of community is a key aspect of the policy concern over social cohesion. Co-operatives promote themselves as community minded and community orientated — as promoters of social cohesion.

However, the concept of social cohesion is not necessarily the benevolent term found in the policy initiatives of government bureaucracies or in academic literature on the social economy. Like many things in life, it has a darker side. In some respects, the desire for a socially cohesive society reflects a wish to recover some presumed lost state of innocence and harmony — a nostalgia for the comforts and securities of a past, or an imagined past, since lost. Like many forms of nostalgia, however, it is a desire for a harmony that never was, at least not for everyone, given the inequalities and repressions of the past. The breakdown of the social fabric, or the cohesiveness of the society, it could be argued, has as much to do with a loss of cultural homogeneity and repression as with technology or globalization. This is due partly to growing cultural conflicts as different groups come into closer contact with each other. New definitions of gender roles, with the liberation of women and the acceptance of gay, lesbian, or transgendered individuals into the mainstream, have challenged traditional belief structures. Similarly, immigration has called into question the hegemony of the dominant culture, a process accentuated by increasing urbanization, as has the renaissance in recognition of Aboriginal peoples after long periods of attempted assimilation and colonialism (Griffiths 2002; Razack 2002; Borrows 2002). Disabled peoples have also made gains in overcoming societal prejudices. Political debate is no longer structured by the safe and predictable cold-war politics of the West against the “evil empire” of the East Block. Racial, ethnic, physical, political, and cultural stereotypes have all been challenged in post-modernity, and few would entertain thoughts of a return to the cultural hegemony and repression of the past, even if it offered the illusion of a socially cohesive society. Nostalgia often blinds us to the truth of our past. As the Canadian Human Rights Commission wrote about post-World War Two Canada:

Anti-semitism was socially acceptable.... Women were subject to discriminatory family and property laws.... Aboriginal people were ignored.... Yet

there are those who will conjure up the image of postwar Canada as a time of great social cohesion; when everyone saluted the Red Ensign, sang God Save the Queen at school and tuned their radios to “Hockey Night in Canada.” There was only one problem: this vision of social cohesion excluded everyone who was not British in origin, Christian in religion, and male in gender (quoted in Jenson 1998, 36).

This is not to suggest, however, that those who espouse the term social cohesion are seeking to reimpose various modes of repression, nor are they neoconservatives attempting to restore the old colonial world order of allegiance to God, King, Country, and Empire. The debate, in fact, is on far more enlightened grounds. Those who advocate the importance of social cohesion imply, either consciously or unconsciously, that what society needs is to create something new, not to restore something old.

Social cohesion is an ambiguous concept because it can be used by those seeking to accomplish a variety of things. It is sometimes deployed in right-wing and populist politics by those who long for the “good old days” when life seemed easier, safer, and less threatening. But social cohesion can also be used by those who fear the consequences of excessively marketised visions of the future. There is no question that those within Canada and much of the international policy community who evoke “social cohesion” do so because they fear the results of structural adjustments that ignore social and political needs (Jenson 1998, 37).

### **The Post–Cold-War Dichotomy**

Since the collapse of the Berlin Wall and the predictable politics of the Cold War, capitalism has declared itself victorious and market forces are now seen as dominating state action in the process known generally as globalization. The changing demographics and advancement of technology in the post-industrial, post-Fordist age have led to the prevalence of large transnational corporations and agencies that are frequently seen as wielding power supra the state (Korten 1995, 1999). The insecurities of the post-Fordist labour market have left many at the whims of the business cycle (Rifkin 1995). Gone are the assurances of job security. No longer are individuals rooted in communities. Job flexibility, specialization, and increased

mobility across provincial and even national boundaries have diminished the prospect of staying in the same home or location for a long period of time. Such insecurity is especially true for small rural towns and communities (Tönnies 1963). Increased educational opportunities for young people have provided more of a choice, and many opt for careers in larger urban centres, either for financial reasons or from lack of opportunities at home. Where one lives is increasingly dictated by labour-market demands, not the social fabric. This has a profound effect on social cohesion.

The welfare state in post–Cold-War capitalist economies has declined due to the failure of Keynesian economics and the fiscal austerity measures of the 1980s and 1990s. This resulted from two circumstances: the inability to tax corporate capital in a free-market environment that had to maintain its competitiveness, and the debt inherited from previous administrations following Keynesian prescriptions that required massive government spending and deficit financing during the oil shocks of the 1970s to stimulate economic growth and prevent recession. The rise of corporate power was accentuated by a corresponding decline in the activist role of the state in the economy (Korten 1995; Dobbin 1998). Officials repeated ad nauseam that free trade was linked not only to economic growth but also to human rights and democracy. This idea was manifested nowhere more clearly than in the words of former US president George Bush, when he said in his 1989 inaugural presidential address, we “know how to secure a more just and prosperous life for man on earth: through free markets, free speech, free elections and the exercise of free will unhampered by the state” (Bush 1989). This tenuous connection between freedom and markets left an inherent contradiction in the psyche of Western civilization. On the one hand, the emergence of capitalism as a predominant ideology was paralleled with a rise in democratic values, the collapse of the Soviet block having left a strong desire for the democratic ideal. On the other hand, the growing market-oriented structure of the economy, the feeling that national governments were powerless in the face of market forces, the emphasis on freer trade as a necessity to prevent financial calamity, and the mantras of competitiveness and efficiency have left populations feeling increasingly disempowered. There is a suspicion that the forces of the market, not the forces of democracy, will inevitably govern us. It is a contradiction inherent in market capitalism that can lead to a potential *legitimation crisis*.

## Culture and Economy

There is a natural connection between social cohesion and the legitimacy of the state. The state has always acted as a bulwark against the forces that threaten society — it's been the defender of the social fabric, the embodiment of the *body politic* — since the nation-state took form in the seventeenth century. The more the processes of globalization shape a global culture of liberal capitalism, the more culture itself becomes homogenized and community identity is lost. Simultaneously, however, the more homogenized the world becomes, the greater the demand placed on the state to become the defender of the national or regional culture. Yet the state in post-industrial societies increasingly carries the responsibility of promoting economic growth, wealth and job creation, and prosperity. Removing the obstacles that hinder the invisible hand of the market, the state is seen as a good steward by encouraging free trade and capitalism, even as the market becomes more and more involved in dictating and defining the social fabric and mediating cultural interaction within society. With the underlying equality principle, however, the state is also regarded as a defender of individual, minority, and group rights. As the state withdraws from an active role in the economy, anxiety increases over the loss of social cohesion as forces of globalization tear away at old societal structures and identities. “The modern paradox is the co-existence of economic growth with widening societal divisions” (Burke and Shields 2000, 99).

[T]he globalization of markets will indeed bring about remarkable economic advances, but at the same time, globalization might fray the social fabric. The fear then is that insecurity and dislocation, even in the context of generally rising prosperity, will lead people to mobilize against the manifestations of globalization, thereby quashing the prosperity it brings (Dayton-Johnson 2001).

Globalization and global capitalism are often referred to as American imperialism. Yet America sees itself under siege as well. Aspects of traditional American cultural life are being threatened as much as other nations facing the problems of immigration, mobility, urbanization, post-Fordist labour markets, and the emergence of strong alternative-lifestyle

groups. Western scholars were surprised at the resurgence of Russian nationalism after the collapse of the Soviet Union. Although many felt that Soviet life contained a large measure of Russian cultural imperialism, Russian nationalists have since argued that Soviet-era communist ideology suppressed their customs and traditions. The same analysis can be applied to capitalism. Market forces are shaping and threatening cultures and community identities on a global scale. The crisis is as much the product of a dominating ideology as of cultural conflicts.

### **The Power of Market Forces**

The Cold War was a conflict between two systems, not simply two cultures. The Soviet Union and its satellite states structured themselves around a state-controlled model of administrative and bureaucratic governance wherein market forces were restrained. The West was dominated primarily by market capitalism, in which bureaucracies regulated and mediated capitalism to alleviate class conflict. For the German sociologist Jurgen Habermas (1975), the welfare state was in the business of crisis prevention, managing the underlying class conflict by upholding capitalist ideology.

The end of the Cold War brought a *Zeitgeist*, or hegemony, concerning the power of free markets to lead to economic growth. Market capitalism was seen as the only alternative. It won the Cold War, and as the bureaucracy of a planned economy had proved unmanageable, market capitalism was seen as clearly the better system. New financial structures, trade agreements, and technology allowed corporations to operate on a global scale with little difficulty. In short, smaller government was seen as an economic bonus, a key for continued success through the invisible hand of market forces. Only lower corporate taxes, it was argued, could make the nation competitive. State coffers became dependent on continued economic growth, or rather continued consumption, to fuel production and employment. Monetary policy replaced fiscal policy. Low interest rates encouraged consumption, and government spending came to be seen as an inefficient economic stimulus. In essence, the state withdrew from important areas of control and regulation to allow market forces to work and limited its Keynesian policies to monetary, rather than fiscal, policy. It also withdrew from

social spending and retreated from the welfare-state mentality. Globalization encouraged a market-dominant world. The crises in social cohesion in post-industrial capitalist states stem in no small part from this market domination and its corporate authority (Dobbin 1998).

As Karl Polanyi argued (1944), there is a backlash to every structural transformation, and, true to form, there is a call to restrain capitalism in the counterculture opposed to the harmful effects of globalization. Research in the area of social capital and trust has illustrated the importance of social networks and social cohesion for economic performance (Fukuyama 1995; Kramer and Tyler 1996; Warren 1999). As we shall see, social networks of mutual respect and co-operation are an absolute necessity in a market economy. A fully functioning market can only flourish in a heavily regulated environment, in the areas of justice, contract law, trading, and securities regulations, for example. In *The Great Transformation* (1944), Polanyi suggested that the notion of a self-regulated market was a relatively recent phenomenon and an ideological myth. Prior to the nineteenth century, economies and markets existed, but were subservient to the socio-cultural and political system. The concept of a self-regulated market is only coherent in capitalist industrialized modern economies, and the idea of natural growth free from government intervention is untenable.

[T]he liberal movement, intent on the spreading of the market system, was met by a protective counter-movement tending towards its restriction; such an assumption, indeed, underlies our thesis of the double movement. But while we assert that the inherent absurdity of the idea of a self-regulating market system would have eventually destroyed society, the liberal accuses the most various elements of having wrecked the great initiative.... Thus in its more spiritualized form the liberal doctrine hypostasizes the working of some dialectical law in modern society stultifying the endeavors of enlightened reason, while in its crudest version it reduces itself to an attack on political democracy, as alleged mainspring of interventionism.... The testimony of the facts contradicts the liberal thesis decisively. The antiliberal conspiracy is pure invention (144–45).

With social cohesion — the norms and values in society — disintegrating, market capitalism threatens the stability of the socio-cultural system in which it is situated. As noted above, Polanyi predicted a backlash against the self-regulating market in the face of the

threats it posed to traditional societies. The current revival of interest in both social cohesion and Polanyi's work is a manifestation of his "antiliberal conspiracy" as a protest against the neoconservative rhetoric of the late 1980s and early 1990s. Co-operatives, in that they promote co-operation rather than competition, community sustainability rather than corporate growth, and community values and ethics rather than profits, can play an important role in this resistance.

In her foundational paper "Mapping Social Cohesion: The State of Canadian Research," Jane Jenson (1998) identifies a number of categories into which commentaries on the state of social cohesion can be classified. Her analysis of the literature indicates that the term social cohesion has five dimensions, or dichotomies, including but not confined to the following: belonging or isolation, inclusion or exclusion, participation or noninvolvement, recognition or rejection, and legitimacy or illegitimacy. The common element of each is reflected by a relationship of the individual with society, and by extension, the state.

Jenson is careful to point out, however, that the concept of social cohesion is not so much an end state as a process. This resonates with Habermas's theory of communicative ethics being the fundamental principle of postmodern consciousness. Habermas maintains a theory of procedural ethics; results are rendered legitimate by the procedure that justifies them — in short, democracy. Habermas is a strong advocate of the ability of democratic discourse to foster community, not in the traditional sense of a common culture or ideology, but in the sense of a new public sphere of mutual recognition and respect fostered through dialogue. Co-operatives, through their democratic structure, can represent one such forum.

There is a plethora of literature about the economic benefits of a more socially cohesive society. Trust is a key component of economic efficiency (Fukuyama 1995; Putnam 2000; Putnam et al. 1993; Dayton-Johnson 2001). The social economy, or third sector, of voluntary nonprofit groups is increasingly being recognized as a vital constituent of economic growth (Shragge and Fontan 2000). The angst over social cohesion is a result of the post-Cold-War domination of market forces and corporatism. Globalization — the emergence of global, corporate, transnational forces — alienates individuals and communities from control over identity and community values. This growing market domination, combined with governmental accommodation of market forces, has left legitimacy deficits in



postcapitalist states. Jurgen Habermas's theory provides a unique and insightful analytical framework within which to examine social cohesion. The focus in his recent works on law and democracy, however, addresses only part of the problem. Habermas seeks to alleviate the lack of social cohesion in society through democratization of the political-administrative system. Given the dominance of market forces over state policy, however, market democratization, in particular as manifested by the co-operative model, is also a key ingredient to creating social cohesion in a society.

## CO-OPERATIVE PRINCIPLES AND COMMUNICATIVE ETHICS

### **The Co-operative Principles**

**T**HOSE WHO DEFEND CO-OPERATIVE PRINCIPLES MAINTAIN that they represent a more just mode of business organization than a corporate structure adopted solely for survival in the market-place. Co-operatives are unique not only in the recovery of surplus by the membership but more fundamentally because of their one-member, one-vote democratic structure. They are thus more fair both economically and politically. Because of this, co-operatives are, in theory, more apt to adopt particular community concerns and ethics important to the membership. Profit is not supposed to be the bottom line.

Co-operative theory is, of course, utopian in its outlook (Melnyk 1985). This is not to suggest that all co-operatives contribute to social cohesion or behave differently from corporations. A co-operative without an active or socially responsible membership or board of directors may well act much like a corporation. A co-operative may have arisen because of a need in the market-place for which the co-operative business structure is well suited. Or it may be an expression of the willingness and ability to provide goods or services without competitive returns on investment, which may have detrimental effects. There are reasons other than utopian ideals to enter into co-operation. It is the democratic structure of a co-

operative, however, that makes it institutionally more responsive than a corporation regarding the social and community needs arising from grassroots membership. As Alexander Laidlaw wrote:

Co-operation as a social and economic system is not based on one specific concept or social theory but on a collection of many ideas and concepts, such as mutuality, the weak combining in solidarity for greater strength, equitable sharing of gains or losses, self-help, a union of persons with a common problem, the priority of man over money, the non-exclusive society, even the search for Utopia.... The overriding concept present in all co-operatives is this: a group of people, small or large, with a commitment to joint action on the basis of democracy and self-help in order to secure a service or an economic arrangement that is at once socially desirable and beneficial to all taking part (1981, 34).

Co-operative principles originated in 1844 with the Rochdale Society of Equitable Pioneers in England (Fairbairn 1994). These principles have been modified somewhat over the years, most recently by the International Co-operative Alliance in 1995 (MacPherson 1996). They now include seven principles: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training, and information; co-operation among co-operatives; and a concern for community. Underpinning these principles is a concept of community, democracy, and equitable treatment (see in more detail overleaf).

### **Communicative Ethics**

Co-operative principles can be justified on ethical terms, a proposition that closely mirrors Habermas's theory of "discourse ethics" developed from his extensive theory of communicative action (1984). Modern society, he posits, possesses a *communicative ethic*, and it is the ethics of discourse that give legitimacy to democratic norms. Habermas argues that rationality is universal, challenging postmodern relativists who claim that the human condition is contingent upon historical and cultural mores. Since rationality is common to all cultures, he reasons, some moral norms are valid universally. He seeks to justify liberal democratic

## STATEMENT ON THE CO-OPERATIVE IDENTITY

**Definition** A co-operative is 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.

**Values** Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

**Principles** The co-operative principles are guidelines by which co-operatives put their values into practice.

**1st Principle: Voluntary and Open Membership** Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

**2nd Principle: Democratic Member Control** Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.

**3rd Principle: Member Economic Participation** Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

**4th Principle: Autonomy and Independence** Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

**5th Principle: Education, Training and Information** Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of co-operation.

**6th Principle: Co-operation among Co-operatives** Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

**7th Principle: Concern for Community** Co-operatives work for the sustainable development of their communities through policies approved by their members (ICA 1996).

principles by tying them to a collective rationality, not to a particular culture. Communicative ethics comprise essentially a secular moral code that emerges when older, traditional values that once provided legitimacy decline in the face of pluralism and multicultural states.

Language transmits culture and morality from one generation to the next; it communicates culture in the *lifeworld*, or the socio-cultural sphere. The shift to viewing knowledge as being situated in language and society and away from subject-centred epistemology does not devalue the role of “rational autonomy in ethical thought as urged by Aristotelians and Hegelians who subordinate the individual will to an encompassing communal ethical life, or *Sittlichkeit*, borne by the supra-individual forces of custom and tradition” (Habermas 1993, xii). For Habermas, autonomy is central to moral consciousness; it strongly individuates yet also implies firm relational ties with others. Indeed, the individual remains capable of reflecting upon and critiquing social customs and traditions through rational discourse, but this reflection is dialogical and dialectical in nature.

The basis for Habermas’s theory of democracy is that agents engaged in discourse presuppose certain “ideal” conditions within which rational, undistorted dialogue can occur, and these conditions have substantive import. It is only under these conditions “where what is said can be shown to be meaningful, true, justified and sincere” (Rasmussen 1990, 59). Communicative ethics thus involves a respect for the conditions under which ideal discourse can occur.

Habermas believes that the normative qualities inherent in this “communicative rationality” provide the foundation for a universalist ethic. The “ideal speech situation” — the conditions under which communication with the aim of reaching an understanding can be achieved — maintains that “reaching understanding is the inherent *telos* of human speech” (Habermas 1984, 287). Communicative ethics is universal because it is situated in the rational structure of how language is used to reach understanding with others, something shared by all languages.

Habermas argues against positivist action theories that analyse society in strategic terms, with the human actor co-ordinating his or her activities with others using tactical calculations and motivations. “All these problems are usually implausibly explained with a

‘sticks ’n’ carrots’ theory of sanctions, roles and motivations that mystifies the very social process that it seeks to illuminate” (Pusey 1987, 81). Participants in *communicative action* aim at achieving an understanding, which involves abstracting from egocentric motivations and moving towards an orientation aimed at discovering the truth of a matter. Part of this “moral point of view” involves granting an equal voice and equal respect to an interlocutor’s point of view; they are “presuppositions about relations of mutual recognition” (Habermas 1990, 88).

It is not necessarily the result but the ongoing discourse that legitimates the liberal paradigm. When we say that a moral norm is valid, we are implicitly saying that it is universally valid. With norms defined as *intersubjective* social actions (Habermas 1990), calling something a norm expresses a general will. The process is a consensus rather than a compromise, since egocentric pursuits ought to be given up in the interest of achieving the goal, whereas a compromise incorporates individual concerns in a workable solution, rather than a resolution, of the moral issue. Habermas writes that a norm is not valid unless “all affected can *freely* accept the consequences and the side effects that the *general* observance of a controversial norm can be expected to have for the satisfaction of the interests of *each individual*” (1990, 93). And he goes on to say that “Every morality revolves around equality of respect, solidarity, and the common good. Fundamental ideas like these can be reduced to the relations of symmetry and reciprocity presupposed in communicative action” (221).

As abstract and utopian as Habermasian ethical theory may sound, it has substantive import. Trust and voluntary social activity are important to economic performance (Fukuyama 1995; Putnam 2000; Putnam et al. 1993; Dayton-Johnson 2001). Large corporations rely heavily, in fact, on co-operation among their employees and indeed among entire departments for success. This has been suggested as a glaring weakness of the economic model of the firm, with the rational, self-interested person of *homo economicus* as the agent (Schrader 1993). A well-functioning economy is optimal when economic agents can enter into contracts that they have confidence will be respected. A society where people mistrust each other carries a high premium. The risk of loss incurs a cost. Habermas’s theory illustrates how the process of civic participation and communicative interaction fosters a communicative ethic. It is only in a society where people engage in communicative interaction that equal respect is

fostered, that societal norms of action, a social ethos, or morality, can be reached, and hence, that trust and social cohesion can be achieved.

### **Implications for Co-operatives**

The overlap with co-operative organizational principles is evident. Co-operatives provide a public forum in which ethical issues in the market-place can be discussed and debated, at least in theory, outside the realm of the state-administrative sphere. A vibrant philosophy, such as that espoused by co-operatives, has the potential to infuse the economic system with democracy.

Democracy, in the case of co-operatives, is of a particular kind. By adopting the principle of “one member, one vote,” and by subjecting a fairly large area of management and directors’ decision-making to democratic ratification, the model of democracy approximates that which has been called participatory. This model ensures wide opportunities for public debate and public formulation of goals and norms to be pursued by the co-operative.... The democratic constitution, moreover, completes the joining of instrumental economic and communicative inter-personal action which is facilitated by the norms and principles of open membership.... [Co-operative] decisions have to be taken in accordance with tenets of economic efficiency. But these decisions, or at least decisions on these decisions, are made in a situation where good reasons have to be expressed in face-to-face interaction with members who are free to express their (contrary) good reasons (Ekelund 1987, 40).

Co-operatives facilitate the kind of free and open debate among individuals that Habermas feels is essential in justifying and legitimizing decisions and decision making in the public sphere. “Finally then, the democratic constitution makes it into a school of citizenship; it fosters precisely those skills and attitudes which are needed for participation in the wider democratic public” (Ekelund 1987, 40; see also Pateman 1970).

As with any democratic body, of course, there remains the possibility that the discourse may be truncated or impoverished from lack of participation, or that an elitist managerial body may control the decision making of the membership. Ethical considerations or

community concerns may well not be what boards of governors debate. Due to its democratic nature and localized membership, however, the co-operative structure is more susceptible to being responsive to community concerns, a situation that may influence economic decision making.

Because of their structure, co-operatives have a capacity to speak for communities with a force that corporations cannot easily achieve. The socially-responsive, environmentally-friendly, community-minded, made-in-Canada corporation may well score high marks in the eyes of its customers and shareholders, but the corporate structure of top-down management decisions, or at best, shareholder decisions, removes a certain legitimacy from the result. Corporations engage in no real discourse with the consumer, nor do they provide any discursive justification for their decisions, as much as they may coincide with public will. Co-operatives, on the other hand, being user-controlled organizations with a democratic forum, follow a justifiable procedure that gives legitimacy to their decisions.

For a number of reasons, this legitimacy is especially important for social cohesion. First, co-operatives are trusted as supporters of the local community and economy, fostering community development and sustaining employment. Second, since they are member controlled, co-operatives are perceived as marketing in a manner consistent with community concerns and ethics. Third, like crown corporations, co-ops can be seen as prevailing against unfair competition by large corporations in the market. Fourth, as co-operatives incorporate social and community concerns and inject the surplus back into the community, they can act as vehicles for the countercultural backlash against large, profit-driven corporations. In essence, co-operatives are regarded as empowering the local community *vis-à-vis* corporate actors as their decisions are made in a quasi-public fashion.

## LEGITIMATION CRISES IN POST-INDUSTRIAL ECONOMIES

THERE IS GENERAL CONSENSUS AMONG SOCIAL-POLICY researchers that the attention given to social cohesion is a result of changes in the global economy. Jane Jenson traces the development of social cohesion research, stating that “The paradigm shift in economic and social policy towards neo-liberalism is now identified as having provoked serious structural strains in the realm of the social and the political” (1998, 5). She goes on:

OECD countries have been committed to a cluster of economic policies aimed at encouraging macroeconomic stabilization, structural adjustment, and the globalization of production and distribution. Although these policies have been generally successful in supporting economic growth, combating inflation, and reducing current account imbalances, there is now pressure on many governments to take stock of the longer-term societal implications that are beginning to emerge. In part this is because of a growing political disenchantment arising from increasing income polarization, persistently high levels of unemployment, and widespread social exclusion that are manifesting themselves in varying ways.... The diffusion of this malaise threatens to undermine both the drive towards greater economic flexibility and the policies that encourage strong competition, globalization and technological innovation (6).

Jurgen Habermas’s theory of legitimation crises (1975) raises a plethora of issues addressed by the concept of social cohesion and the dilemmas facing advanced capitalist societies in the global economy. In particular, Habermas illuminates the interconnections and points of weakness in three systems — the political-administrative, the socio-cultural, and the economic. A healthy socio-cultural system is one in which there is a robust public sphere with genuine democratic participation and debate, a sphere that is not dominated by



either the administrative or economic systems, as Craig Calhoun writes in his introduction to Habermas's work on the public sphere:

The importance of the public sphere lies in its potential as a mode of societal integration. Public discourse ... [and communicative action] is a possible mode of coordination of human life, as are state power and market economics. But money and power are non-discursive modes of coordination ... they offer no intrinsic openings to the identification of reason and will, and they suffer from tendencies toward domination and reification. State and Economy are thus both topics for and rivals of the democratic public sphere (Calhoun in Habermas 1989b, 6).

Habermas's originality is that he does not reduce any one of these systems into the others. The socio-cultural system cannot be condensed into an analysis of the economic and political systems, but has an equal role in defining the stress points and crisis tendencies of advanced capitalist societies. The interactions of each system help shape and set limits on the others. Habermas's work revises the concept of crisis, given the success of the welfare-state compromise. It contrasts with Marxist theory, which reduces the dynamic of society to the economic substratum — class conflict — or conversely, to the idealist version, which confines it to meanings, ideas, and the evolution of culture. For Habermas, the crisis tendencies are *dialectical*, in that they reflect tensions among opposing forces in all three systems — the political-administrative, the economic, and the socio-cultural. Habermas's goal is to revive the democratic potential of the public sphere (1989a; 1989b).

By the “public sphere” we mean first of all the realm of our social life in which something approaching public opinion can be formed.... Citizens behave as a public body when they confer in an unrestricted fashion — that is, with the guarantee of freedom of assembly and association and the freedom to express and publish their opinions — about matters of general interest.... The expression “public opinion” refers to tasks of criticism and control which a public body of citizens informally practices ... *vis-à-vis* a ruling class (Habermas 1989a, 136).

The emergence of the public sphere in the eighteenth century provided the necessary condition for the legitimation of state and action in society. The validity of the law no

longer simply rested upon the will of the prince, divine authority, or upon custom and tradition, nor in Hegel's words, "upon force, nor primarily upon habits and mores, but upon insights and arguments" (in Pusey 1987, 90). The existence of a viable, independent public sphere, according to Habermas, began the impetus towards democratic justification.

### **Crises in Advanced Capitalism**

The rise of affluence, mass democracy, and a degradation of the public sphere marked advanced capitalism in Habermas's analysis. Modernization and development in the early twentieth century, including education and increased social mobility, did not bring rationality and emancipation as promised, but rather a deepening *irrationality*. Late capitalism brought with it a manipulation of society and public opinion through control of mass media and articulation of social needs through organizational structures. Politics became the product not of a vibrant public sphere, but rather something managed through the "system." That is, politics came to be controlled by the two mechanisms of money and power, of market forces and bureaucratic administration. Paradoxically, the increasingly affluent and educated population became more and more the object and not the subject of politics.

Habermas's analysis is closely linked to his seminal work *Knowledge and Human Interests* (1968), in which he argued that capitalism and socialism both suffer from the chronic defect that has plagued post-enlightenment thinking in the social sciences — a positivist conception of rationality typical of that found in the natural sciences. Consequently, capitalism became obsessed with economic growth over true democracy, technological superiority over social achievement, and economic efficiency measured in terms of GDP rather than social and political participation and freedom. Social science became heavily influenced by positivism. Similarly, socialism became obsessed with scientism through the Marxist notion of *scientific socialism*. The Soviet Union was dominated by massive industrialization, maximizing production to match the West at all costs, with an oppressive technocratic and bureaucratic administration of society.

## Technocratic Consciousness

According to Habermas, power that serves the interests of the elite rather than the whole must be either hidden or legitimated with ideas or cultural forms, or ideologies. The ideology of late capitalism is that of *technocratic consciousness*. Just as ethics and philosophy are distorted by the modern, one-sided notion of rationality as scientific instrumentalism, politics is subverted. Science and technology are not employed for the benefit of humankind, for reducing work and increasing wealth, but solely as independent processes of the system, for development. Politics is reduced to managing the economy for the benefit of business in exchange for the promise of growth. Lost is the communicative process of real debate in the socio-cultural sphere, the main means through which the lifeworld is transmitted. People are disempowered.

In the past, ideologies appealed to nationalism or culture. During the World Wars, for example, thousands of Canadians were lured to enlist, fight, and die for the glory of God, King, Country, and Empire. Ideologies that possessed some elements of universalism were often ethnocentric or Eurocentric. In contrast, the ideology of late capitalism is one in which the traditional world-views that once held power are fading and struggle to hold legitimacy. The underlying principles that give capitalism normative power, the notion of the freedom to exchange property in a market-place mediated through money and democratic freedom, is threatened by the increasing disparities in income and wealth and the decreasing quality and stability of work in post-Fordist economies in which individuals become dominated by, rather than participants in, the market economy. Claus Offe (1984) has argued that the democratic ideal of equality coupled with the tendency towards wealth inequality is the fundamental contradiction of the welfare state. Several researchers point out that wealth inequalities have increased dramatically over the past decade in the post-welfare state (Galbraith and Berner 2001; Burke and Shields 2000). Offe suggests that *decoupling* work from wages, in the form of a guaranteed income, would alleviate these inequalities and the domination of the market, allowing individuals to opt out of the economy for a “personal sabbatical.” Such a program, in his view, would have the effect of raising wages, providing greater income secu-

riety, and removing the anxiety he regards as the root cause of decline in social cohesion (Offe 1997; Pixley 1993).

Recent developments in the job market reveal a debilitating pattern of *job poor growth*. The kinds of jobs being created are of such poor quality that they are undermining the standard of well being established in the post-World War II period that facilitated broad “middle-class” lifestyles. The “middle” is being hollowed out and in its place a new insecurity created.... The source of the growing gap in the Canadian labour market is the deteriorating quality of employment.... Influenced by the forces of globalization, rapid technological change and a radically altered public policy environment, contemporary employment patterns have been restructured away from full-time tenured forms of work in an economy featuring rising living standards and increased expectations, towards *flexible* forms of employment in a just-in-time economy marked by growing levels of employment contingency, economic polarization and social exclusion (Burke and Shields 2000, 98).

The market system encroaches on the lifeworld and truncates social networks and the capacity for individuals to engage in participatory democracy.

The notion of a public sphere points to the possibility of genuine democratic discourse and emancipation, but ideology masks and distorts this opportunity (Habermas 1989b, 88). A school in sociology represented by critical theorists such as Habermas and Offe holds the view that we must regain control of the system through democratic discourse in a vibrant public sphere. Theorists such as Niklas Luhmann (1995) argue that this is impossible, given the complexity of the current economic system. All we can hope, they argue, is to manage the system efficiently. Luhmann suggests that government can only manage the system and allow its proper functioning. For Habermas, however, capitalist ideology sees the laws of the market as natural. Hence, civil society can only be understood as neutral regarding the steering mechanisms of power, and the only discourse in a capitalist worldview can be on the policies that allow the market to develop. The technocratic consciousness, which is predominant in capitalism (as it is under scientific socialism), focuses on economic growth and technological advancement. The organization of society under capitalism is geared irrationally towards capital accumulation and the interests of the economic elite, rather than rationally towards collective interests that would foster true democracy and a more vibrant

public sphere. This nuanced view of capitalism leads Habermas to reject orthodox Marxist theories of alienation, as Michael Pusey notes:

One may therefore ask whether Marx's explanatory intentions are better served, in our situation, with a theory of a crisis with "transformative effects" that have the potential to change the organizational principle of society. For the same reason it will be useful to reconsider what the classical Marxist concept of alienation could mean in our contemporary situation: is the explanatory intention of the concept obscured or resuscitated by a crisis theory that explains the failure of legitimation and of motivation as consequences of power relations that destroy the social fabric of interaction, solidarity, identity and communication (1987, 93)

With quality of leadership measured solely by economic efficiency, this technocratic consciousness pervades all democratic institutions and neglects the importance of participatory democracy and real debate. Janice Stein calls it the "cult of efficiency" (2001), arguing for a need to go beyond it to talk about accountability, and noting that the democratic debate of the next decade will turn on how accountability becomes part of our public conversation — in other words, whether it is imposed or negotiated. As democratic *market* structures, co-operatives are susceptible to this technocratic consciousness, having a tendency, much like corporations, to focus solely on economic success and the maximization of surplus and dividends rather than serving their membership. There is also a possibility that a managerial elite might ignore membership concerns for the sake of this efficiency. A technocratic consciousness measures efficiency in terms of economic performance rather than the community-oriented, democratic ideals of the Rochdale principles. It requires an active membership quick to raise social concerns and a co-operative focus to prevent this happening (International Joint Project 1995).

An example of technocratic consciousness is the growing influence of corporate agendas in universities seeking funds outside of government. With the withdrawal of government funding during periods of restraint in the 1980s and 1990s, administrators slashed arts and humanities programs, since they were not seen as contributing to the economic efficiency required by corporations needing skilled workers with technical abilities (Soley 1995; Tudiver 1999; White 2000). Yet research into social capital, trust, and the significance of so-

cial economy for economic efficiency suggests the importance of keeping arts and humanities programs accessible. Education is vital to the informed citizenry necessary for a vibrant democracy (Milner 2002).

### **Legitimation Crises**

Habermas's theory of legitimation crises examines the limits of rationality in the interaction of the three subsystems: the economic, the political-administrative, and the socio-cultural. In advanced capitalist economies, especially with the emergence of neoconservatism, the state is often excluded from engaging in economic activity, relying instead on the fiscal skim-off of the economic system in the form of taxes. In return, the political-administrative system maintains the market structures and steers the economy in a way designed to promote economic growth. Capital depends on a large state apparatus to secure the conditions for economic growth and business. Conversely, the state must maintain the loyalty of the population — in other words, preserve its legitimacy within the socio-cultural system. It achieves this by extending a modicum of social welfare benefits to the population under the model often referred to as the welfare state. Social, educational, and welfare services and infrastructure are necessary to maintain the legitimacy of the state and support the capitalist ideology that sustains the system. Such infrastructure is also required to support the economic system. A public health-care system, for example, subsidizes businesses in providing health coverage for their employees. Likewise, a public educational system produces a skilled workforce that increases productivity and encourages economic activity.

The postcapitalist state is in the business of constant crisis prevention. Habermas's analysis maintains that each subsystem contributes to society, and if one falls short, a crisis inevitably results (1975). All three rely heavily on each other, and any imbalance will create a crisis of legitimacy. An economic collapse, for instance, may precipitate a legitimation crisis of the political or socio-cultural system; an oppressed socio-cultural sphere may create a crisis in the political or economic spheres. Further, any attempt to control a crisis in one subsystem will have serious repercussions in the others. State funds and government spending, for instance, could solve a problem in the economic system, but this may contribute to a crisis

in the socio-cultural or political-administrative area by reducing spending on social welfare and health, or by exposing the power and influence of the corporate lobby over the government bureaucracy.

Habermas identifies four crisis tendencies in postcapitalist states, two at the system level and two at the individual level. Within the system it can take the form of an *economic* or a *rationality* crisis. An economic crisis results from a significant shock in the economy, while a rationality crisis can be caused by inefficiency or a dysfunction in the political-administrative system. With the individual it can take the form of a *legitimation* or a *motivation* crisis. The latter two are the intriguing aspects of Habermas's theory. *Formal democracy*, he says, includes such things as voting rights, legal norms of due process, freedom of assembly, speech, and religion, and other aspects of citizenship, as well as the ideology of a system premised on the idea of a fair exchange of equivalents. The architecture of formal democracy masks the real structures of power. A legitimation crisis occurs when the pseudo-legitimacy of the system is seen for what it really is — raw power imposed by an elite. A motivation crisis occurs when individuals lose motivation to participate in an atrophied public sphere — a sphere manipulated and dominated by money and power (Habermas 1975).

### **The Growing Role of the State in Crisis Mediation**

For Habermas, advanced capitalism is in a state of tension between the system and the mode of communicative interaction through which culture and identity are transferred in society, or the lifeworld. The degree to which there is a lack of social cohesion in society, in a Habermasian analysis, is the degree to which the system has “colonized,” or dominated, the lifeworld. As traditional values dissipate in postmodernity, the state and the legal and administrative structure of society are expected to become the primary vehicles for societal integration. The role of the state increases, for instance, in taking over education and health from previously nongovernmental agencies such as churches. In a postmodern world, in fact, the state is expected to administer these areas. Even a charter of rights and freedoms, which expresses a uniform moral code, is a manifestation of social integration being undertaken by the legal structures that fall within the political-administrative system (Habermas 1984).

Habermas uses discourse ethics as a means of measuring the legitimacy of modern democratic institutions (1996). The legitimacy of law, or its validity, can only be a product of a discourse that approximates the “conditions of communication that enable a free processing of topics and contributions, information and reasons in the public sphere constituted by illocutionary obligation” (10). Legitimacy is tied directly to democracy.

Habermas distinguishes between *facticity* and *validity*. All laws that are drafted and enacted have a factual status (facticity), but there are some norms that have de facto social acceptance and possess a social validity (*soziale Geltung*). These are the *unwritten laws*, which exist in every society (Habermas 1996, 69). So long as a norm commands respect among the citizenry, it has a factual power and enjoys social acceptance, even if its facticity has not been arrived at democratically. Such norms constitute the unwritten moral principles in society. Respect for the environment, for example, or the social responsibility of recycling or buying fair-trade goods have the force of morality, but not of law.

The gap between facticity and validity narrows in the ideal democratic state. Only valid norms are factual — that is, norms achieved via rational discourse through a democratic process. Clearly, this is an idealized state, as facticity and validity can never exactly coincide. In traditional societies, the two are fused; the factual law is conjoined with the authority or belief structure that legitimizes it. It is only with the onset of secular modernity and the plurality of life forms and conflicts that a separation, or tension, emerges between facticity and validity. In modernity, a principle of mutual understanding replaces the traditional society’s sacred authority as the source of validity. Habermas believes that discourse ethics and the democratic ideals they support are the only means of easing this tension — i.e., by defending the moral point of view with rational terms.

Social cohesion is only in part based on a yearning or nostalgia for an imagined stability of the past. Given the analysis of the modern communicative ethic, only democratization can grant legitimacy in an era of multiculturalism and pluralism, and only democratic participation can foster a sense of community in the absence of a shared religion or culture.

Law emerges in Habermas’s thought as the most significant means of societal integration in the postmodern state, serving as the mechanism for mediating among the various



contemporary conceptions of the good life and social spheres that emerged from older, traditional lifestyles. Democratization will create the vibrant public sphere necessary to encourage legitimation and reincorporate the lifeworld. The failure of legitimation, however, fosters a motivational crisis, wherein the populace feels powerless or cynical towards the political process and fails to participate actively in the decision-making process.

This paper proposes that the crisis in social cohesion, the feeling in postmodernity that we lack the social interaction necessary to be a cohesive community or society, is one of both legitimation and motivation. If social cohesion, and hence legitimacy, can only be restored through democratization, then what is required is a move towards market as well as administrative and political democratization.

## SOCIAL COHESION FROM MARKET DEMOCRATIZATION

**T**HIS PAPER ARGUES THAT MORE EMPHASIS SHOULD BE PLACED on the effects of the market on the day-to-day lives of people when considering democratic theory and democratization. With the collapse of the legitimating power of traditional world-views, law and the state increasingly fulfil this integrative function in society (Habermas 1996). Habermas's argument that only *political* democratization can sustain the legitimacy of the state is out of step with the angst over the expansion of free trade and the ill-effects of market domination. With states playing a decreasing role in an age of transnational corporations, free-trading blocks, common markets, and post-industrial and post-Fordist labour markets, the political-administrative system seems dwarfed by the dominant role of market forces that increasingly hold sway not only over individuals but also over the actions of governments. The recent protests in Seattle, Genoa, and Québec City were about the overwhelming sense in postmodernity that governments are controlled not by democratic forces but by the impersonal structures of global capitalism and the market forces behind it: the interests of transnational corporations, the banking sector, and the elite. Gov-

ernments have become facilitators for business, presiding over international rather than national economies, and have withdrawn significantly from their traditional roles as supporters of the welfare state with reductions of services and the commodification of service delivery in areas such as welfare, health care, and labour market programs. If democratization can legitimize the steering mechanism of power, then it can do the same for the steering mechanism of money.

### **The Co-operative Advantage**

Co-operatives have a unique niche to fill. If legitimation deficits have accrued from the market's colonization of the lifeworld, then the democratization of market structures should alleviate this. Instead of being alienated and controlled by market forces, the democratic structure of co-operatives would enable individuals to participate and control the system to ends aimed not at the efficiency of profit maximization, but community. In essence, the co-operative structure can be an avenue for shaping and changing the market-place.

Co-operatives and similar democratic organizations can give members information and power to shape policy in the market-place and to debate and develop consensus and commitment within a group. It is the democratic side of a co-operative that ties the co-operative formally to the community and insures that the co-operative's aims and interests are consonant with those of a wider set of constituencies. This is what gives a co-operative a distinctive niche in communities (Ish 1995, 63).

The democratic nature of co-op principles makes co-operatives ideal vehicles for the manifestation of agreed-upon social ends and a burgeoning public sphere. The co-operative structure makes this type of organization more apt for reflecting the ethos of emerging social movements. If co-operatives can revitalize a dormant public sphere, they can also legitimize the market system. The city of Mondragon in Spain, for example, has experienced great success in organizing itself around co-operative principles (Whyte 1988). In many ways, market forces have as much control over Mondragon as they have over any normal community. Control over the means of production, however, has enabled citizens to ensure that key aspects of their way of life and social ethos — the lifeworld — remain either immune to or enmeshed with market functions.

Co-operatives represent another means of democratic control over the system. If the advanced capitalist state is in a tug of war between the system and the lifeworld, with the domination of the system being the root cause of a decline in social cohesion, then co-operatives offer a way to reassert the lifeworld through democratic control, thus reinvigorating the public sphere.

Yet with the power of brand labelling (Klein 2000) and mass media, co-operatives must fight against the impoverished discourse of a consumer culture. They must do more than play the brand-logo game and must perform their educational role, despite the pressures of mass marketing. Education about co-op principles provides a rational basis for choosing the co-operative option in the face of multinational corporations. A dominant consumer culture, however, is raised to believe that identity is a product of choice, defined as much by consumption as by individual production. For Habermas, the public sphere in capitalism has evolved not into an enlightened realm of communicative discourse, but rather into one of a consumed, not a shared, culture: “Rational-critical debate had a tendency to be replaced by consumption, and the web of public communication unraveled into acts of individuated reception, however uniform in mode” (Habermas 1989b, 161).

In short, “The world fashioned by the mass media is a public sphere in appearance only” (Habermas 1989b, 171). Culture has become commodified. Charles Taylor (1991) believes this is part of the underlying crisis of modernity, a loss of meaning in self-identity resulting from reification, and a culture of authenticity where choice confers value and the underlying moral principle is one of mutual respect. Identity is formed from consumption choices; brand-name purchases are not acquisitions of mere goods, but of status and self-identity. Christopher Lasch referred pessimistically to this as a “culture of Narcissism” (1978). Two points can be made on the basis of these observations. The first is that this alienation makes it difficult for co-operatives engaged in an economic activity to distinguish themselves from corporations and attract memberships. Co-ops find themselves caught in the branding game. Second, this is precisely the reason why co-operatives are apt to develop a more socially conscious discourse; they are distinct from the corporate label and have a structure more likely to determine market inadequacies in meeting community needs. The co-operative model may be a vehicle for discourse between producers and consumers that extends beyond the purely economic role of each.

## Consumption and Identity in a Consumer Culture

Marx referred to consumption as the last stage of production. Producer co-operatives have been successful in certain sectors of the economy, but while they are important for democratic control, this control is limited to those who produce. The Marxist labour theory of value is inadequate in advanced capitalist societies. It places an emphasis on the socializing effect of the workplace on the individual, and from this extrapolates a theory of the exploitation of labour by the extraction of surplus value. The modern identity, however, is not merely a product of the work in which one is engaged. In consumption-driven societies, identity is created more by consumption behaviour than by production. This is especially true in an increasingly service-orientated economy, where the largest percentage of new job creation occurs in menial, service-industry work. The promise of co-operatives, which distribute surplus value added to members in the form of a share dividend, can only go so far in freeing individuals from alienation, which in the modern sense is not the Marxist notion of not being able to produce what one wishes, but rather not being able to consume what one wishes. Freedom is freedom to consume. Consumer co-operatives have the benefit of appealing to the construction of the modern identity as consumer, enabling individuals to take control of that portion of their economic behaviour when they are deprived of control over their roles as producers.

This raises the question of the public nature of co-operatives, which exist somewhere between the private and the public sphere. They are a public forum in the sense that they represent a means by which a group of individuals can influence policy and conduct. A co-operative that engages in selling ethical funds, for instance, by its very existence in the market-place helps spur debate over such an idea. While the co-operative may be comprised of members, its economic conduct as guided by its principles places such ideas into the public forum beyond the membership, especially given the open memberships of most co-operatives. Marketing the co-operative way to attract new members places ideas such as the importance of ethics and community and local economy into the public sphere. In this sense, co-operatives are uniquely public actors in many ways. It was the mercantile elite in the

eighteenth century, after all, that provided the basis for “civil society,” a society that possessed a will and forum of public debate independent from traditional authority.

If modern identity is largely constituted by consumer choice, societal norms can be reflected in consumption behaviour. Participation in a consumer co-operative gives people the opportunity to make purchases that reflect their consumption preferences. Socially conscious individuals will be attracted to products that mirror their social conscience, and it is in this area that co-operatives possess a distinct marketing advantage — indeed, for which they can ask a premium. The market niche of particular co-operatives reflects ethical or social values that manifest themselves as consumer behaviour. Given the competition from huge international corporations whose economies of scale drive prices down, a co-operative needs to sell more than merely product, but a service or an embodiment of values for which it is worth paying a higher price. One difficulty is when corporations appropriate discourses through marketing, selling themselves as agents of social change, such as Benetton, or as images of rebellion, such as Nike. Marketing becomes a means of selling a corporate image (Klein 2000). Co-operatives can only compete in such an environment with strong co-operative education that demonstrates to their members and the public how co-operatives reflect and strengthen the community.

### **The Co-operative Role in the Backlash against Globalization**

Co-operatives can be agents in facilitating the backlash elaborated by Karl Polanyi’s *The Great Transformation* (1944). Co-operatives, which often arise from a market failure to address some social need, represent a counter-reaction to forces of economic upheaval that threaten personal and communal identity. In advanced capitalism, globalization and the relentless influence and power of large transnational corporations control an agenda *vis-à-vis* the state. With nation-states surrendering their sovereignty in the realm of market economics and governments retreating from active participation in the market, the corporate agenda is seen as driving the loss of community and community participation (Saul 1995).

Against this backdrop, active co-operative membership can represent a fundamental change in mindset. Although co-operatives may well act and feel like corporate entities, their

democratic structure makes them more susceptible to the promotion of social cohesion. Co-operatives can emerge when the market fails to ensure the sustainable modes of life valued by members of the community.

There are two caveats about this role of co-operatives as the vanguard of a Polanyi-esque backlash against globalization. First, emerging inequalities in the Canadian labour market mean that more and more people are working in lower-paying, less-rewarding jobs than in the past. Job growth in the last decade has been in the area of “poor-jobs,” usually service-sector work (Burke and Shields 2000). This has two effects. First, people in a post-Fordist economy are increasingly at the whim of market forces and job insecurity, which means they do not have the means or the time for selective shopping. Second, wealth inequalities correlate to education rates, which in turn affect the degree to which consumers are informed about global and social forces. The socially progressive and socially active consumer is likely among the wealthy, educated elite, with a stable, professional income, not in the poor-job or service-orientated businesses. One must be able to afford to be a socially responsible consumer, either in time or money. This emphasizes the need, however, for a clear alternative. Those seeking a co-operative option are willing, it is hypothesized, to pay a higher price — a premium — in return for the satisfaction of supporting co-operative principles. Co-ops risk breaching this trust by brand-naming and sensational marketing rather than drawing attention to their social and ethical advantages. If branding is to be done, it should be to identify co-operatives as trustworthy in the promotion of ethical goods and community development. Trust is key to co-operative development, between members and management, and clients (Ole Bergen 2001).

The second caveat is related to this labour-market reality, except that it deals with consumer psychology. The more individuals are dominated by the economic system, in particular by job insecurity and job flexibility in the post-Fordist age, the more they value choice in consumption, regarding material possessions as a measure of worth. Because they take on the illusion of public space in the shared process of consumption, shopping malls become recreational and community-defining areas. Zygmunt Bauman (1998) argues that political domination is no longer achieved through the legitimation of social values as much as through a combination of seduction and repression. Competing with corporate actors in

this arena, co-operatives must walk a fine line between retaining co-operative principles and playing the marketing game needed to survive in a global economy.

Due to their local and democratic nature, co-operatives engender trust in communities and are perceived as equitable organizations. Active membership in a co-op is a voluntary activity. Co-operatives provide a means for people to participate in market activities while supporting their local community in terms of jobs and the retention of capital and surplus.

## CO-OPERATIVES AS SOCIAL POLICY

**A** HABERMASIAN ANALYSIS OF SOCIAL COHESION AND CO-OPERATIVES offers a number of concrete policy implications. While co-operatives may facilitate societal integration and provide a means of democratizing market structures, they cannot be a substitute for government action. They can encourage public discussion around consumption and production or consumption behaviour, thereby creating social cohesion, but they are also businesses that must aim at economic success. Co-operatives cannot replace an administrative public sector. While government agencies, crown corporations, and co-operatives have theoretical similarities in promoting community ownership and societal interests over profit motivation, co-operatives must nevertheless operate within the rigours of the market. They possess neither the resources nor the legislative power of a crown corporation. Furthermore, public-sector enterprises are often in areas where private, for-profit enterprises are neither feasible nor cost effective. Studies have shown for instance, that private, for-profit health care is no more efficient than public-sector health care (Romanow 2002). If government were to retreat further from supporting the socio-cultural network, this would only add to the legitimation crisis and serve to enhance the view that politicians are impotent in facing the forces of globalization and market domination. While co-operative enterprises are democratic, they cannot sustain a social security network, nor should they be viewed as a solution to all of society's problems.

Co-operatives have two important aspects that help foster social cohesion in a community. The first is their democratic nature. Community values, it is assumed, will be reflected by member participation. If a community feels strongly about a certain issue, then this concern can be raised by members of the co-operative, which will help shape community values. Second, co-operatives have a social mandate beyond the profit motive. Unlike most other businesses, the bottom line is not necessarily about money.

As transnational corporations endanger community values with commercialism and market branding, a Polanyi-type counter-revolution will demand support for local industries and community-minded businesses. In an age of globalization, technology, and increased social mobility, however, supporting co-operatives because of their locality is somewhat of an anachronism. A co-operative that does its business over the Internet, for instance, has only a thin view of community and may well not have a conception of geographical community at all. Co-operatives that espouse ethical guidelines or environmentally friendly and sustainable practices, however, will capitalize on the growing angst over globalization. Emphasizing the ethical component of the co-operative venture may be important in facilitating co-op growth in an era of increased mobility. The mantra of sustainable development and environmental movements — “think globally, act locally” — is also apt for co-operatives. By espousing global values, co-operatives can appeal to a much larger, albeit thinner, community identity, an identity localized in values rather than in a specific place. Cyberspace, not physical space, may be a future for many types of consumer co-operatives.

Co-operatives engender a certain degree of trust (Sommer 1991). Their local and member-owned nature is an important marketing tool in attracting new memberships. Whereas large transnational corporations are often distrusted because of their control of market share, use of third-world sweatshop labour (Klein 2000), and environmentally damaging policies, co-operatives are seen as trustworthy because of their democratic nature and member control. For this reason, promoting ethical standards can be a key marketing tool for co-operatives in competition with large corporate enterprises. Co-operatives offer an alternative to what is negative about the global economy. They also have a strong philosophical link with the “fair-trade” movement and with consumers who demand ethical dealings.



### **Promotion Strategies: Social Capital**

Government policy on co-operatives ought to be geared towards removing the obstacles to establishing co-op enterprises. For the reasons explained in this paper, co-operatives can have a positive influence on the degree of social cohesion in a society, and subsequently, on economic efficiency (Dayton-Johnson 2001). Given these effects, quite aside from the economic spin-offs and the retention of surplus in the community, co-operatives should be promoted as a means of reinvigorating public-sphere activity. If the co-operative business structure indeed contributes to social cohesion, democracy, community well being, and the health of local economies, then powerful arguments can be made for their differential treatment in legislation.

It is important to note a proviso about the research into social capital and trust done by some of the writers referenced in this paper. The tendency is to treat the justification for “investment” in social capital as its contribution to the economic efficiency of the community, a mode of thought that is both productive and counter-productive. On the one hand, it illustrates the importance of socio-cultural connections and networks for economic well being. On the other, it reveals the technocratic consciousness that attempts to quantify social relations in terms of capital and optimal efficiency.

Social capital is one of several ways in which the division between the social and the economic is being disrupted and redefined. Social capital points to new ways of making society calculable and governable, for instance, in terms of the way in which it seeks to quantify the associability and civic orientation of groups and even nations. It points away from a strategy of government that understands society as an all-encompassing social system (Walters 2002, 378).

At the core of social capital research is the optimization of efficiency — hence the economic metaphor of capital investment with the somewhat oxymoronic use of terms such as human capital or human resources. The model is premised on that of the human as a rational, self-interested agent, which seems at odds with the language of trust and social normativity. As Walters writes:

[Putnam et al. (1993)] says that social capital refers to “features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating co-ordinating actions.”... [Putnam] assumes a self-maximizing individual for whom associative activity can, under certain circumstances, be an investment — hence the metaphor of “capital” (379).

Walters also claims that “[Social] capital theory corrects for, or supplements, overly parsimonious rational choice theories.... Social capital accounts for the possibility and the pattern of co-operation” (387). The focus on economic efficiency, however, detracts from the legitimizing features of social capital analysis. The goal is not merely confined to economic efficiency and economic growth, but to the vibrancy of the democracy and the degree to which communicative action and the building of community is manifested *for its own sake*. Co-operative principles that focus on democracy, community, and ethics remind us of this. It is Pierre Bourdieu’s definition of social capital that must be adopted, one that does not have efficiency as its end.

[Social Capital is] the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition — or in other words, to membership in a group — which provides each of its members with the backing of collectively owned capital (1986, 249).

Co-operatives also serve as key pseudo-governmental and pseudo-public institutions that are important for the formation of democratic will among people.

Larger institutions, close enough to the individual to allow him some participation and yet close enough to the state to provide access to power, are also a necessary part of the democratic infrastructure.... Voluntary associations are the prime means by which the functioning of mediating between the individual and the state is performed. Through them the individual is able to relate himself effectively and meaningfully to the political system (Almond and Verba 1963, 300–301).

According to Walters, there are two opposing roles for government: leadership and decision making, and listening to the populace (2002, 387–88). Encouraging political inactivity renders more power to the former, but also weakens the latter. Indeed, a trilateral

commission report of the 1970s seems to suggest that political inactivity should be encouraged to render modern liberal democracies governable (Crozier et al. 1975). This has generated much criticism among proponents of greater democracy (Dobbin 1998; Chomsky 1989).

There is an intrinsic link between political activity and participation and the voluntary, or third sector. Encouraging the strength of volunteerism and participation has the additional effect of fostering social cohesion. Empowering individuals helps them overcome their motivational crisis, which in turn has a positive influence on the legitimization crisis of the system. Jeremy Rifkin (1995) suggests a number of methods of encouraging political and third-sector participation in order to enhance the social economy. He advocates, for example, a social, or “shadow” wage, in the form of tax incentives for voluntary work, the economic spin-offs of which would offset the cost. As noted above, according to Offe (1984, 1997) and as echoed by Jenson (1998), the crisis of social cohesion is a result of growing inequality and the changing nature of work. Offe argues for a decoupling of work from income, or paying a social wage to encourage unpaid work.

### **International Trade Arrangements**

International trade deals and market regulation are still, despite the political rhetoric, in the hands of nation-states, which negotiate the treaties and implement them in their respective countries. While governments have allowed market forces to shape their policies, it is a result of intentional inaction and abdication of responsibility rather than action. Linda McQuaig’s (1998) notion of the “cult of impotence” aptly describes this myth of state powerlessness in the face of market forces; but it is, she argues, indeed a myth.

Bound by government legislation, co-operatives have only a limited capacity to deal with these macro-problems. The egalitarian effects of co-ops, however, should not be overlooked. Members are democratic equals in a way that shareholders of corporations are not. The fact that a co-operative provides jobs in the community without a profit motive means that it may pay its employees better wages. In addition, surpluses do not leave the community, but in fact provide a substantial cash injection back into the local economy, either directly through investment or indirectly through the dividend payout. In the absence of a

co-operative, this money may well have left the community. Given the benefits they accrue for social cohesion, co-operatives have a good case for special legislative treatment.

Under current free-trade arrangements, government protectionism is based solely on national treatment, not on business organizational form (NAFTA 1994; WTO 1999). While it may be contrary to NAFTA to impose tariffs and subsidies on certain economic sectors based on the nationality of the business, for instance, nothing prevents national or provincial governments from enacting differential treatment on the basis of legal business form. This is done routinely, in fact, for the promotion of small businesses. Such legislation would likely be exempt from Chapter 11 of the NAFTA agreement, the substance of which is to prevent protective actions based on national treatment. The chapter remains silent, however, on differential treatment based on organizational legal form.

The democratic and member-based orientation of a multinational co-operative would ensure some measure of community control *vis-à-vis* a multinational corporation. Furthermore, the flow of dividends out of the co-operative would likely be more equitable than in a corporate entity. A multinational, member-controlled co-operative would, by its very structure, be obliged to distribute dividends across the borders according to membership shares. This is in contrast to foreign corporations and their Canadian subsidiaries, which flow profit out of the country according to the concentration of shareholder capital as opposed to reinvesting in the communities where the users or clients of the business reside.

Co-operatives that own corporate subsidiaries in other regions or countries, however, will struggle with their co-operative identity, lacking user ownership and control and with surpluses that will not necessarily flow back into communities based on patronage. And while it is likely that one might expect greater accountability from an organization democratically controlled by a foreign-owned co-operative, there is nothing structural that would prevent exploitation, capital outflow, and poor wages, particularly in developing nations. Mondragon Co-operative, often held as a model of a worker co-operative community in Mondragon, Spain, is an example (Errasti et al. 2003; Whyte 1988). With corporately owned subsidiaries in Mexico, the co-operative struggles with granting control and independence to its subsidiaries while staying true to its co-operative principles.

## Co-operatives as Instruments for Change

Many countries already foster co-operative development because of the beneficial effects these organizations have on local economic development and social cohesion. In most cases, this is due to a need in the market-place. It is accepted internationally, in fact, that co-operatives have a major role to play in the economic development of local economies, particularly in developing countries. The significant involvement and status of the International Co-operative Alliance (ICA) with the United Nations underlines this relationship. The ICA is an independent, nongovernmental organization that seeks greater co-operation among co-operatives at the international, national, and community level, as well as advocating co-operative principles (Abell and Mahoney 1988, 5–6). In 1946, it was accorded United Nations Consultative Status, a position it still holds today, currently with the UN Economic and Social Council (ICA 1998).

Organizations such as the ICA and the International Labour Organization (ILO) have been instrumental in advancing economic and social-policy initiatives promoting co-operatives as instruments for change. The United Nations has also developed international conventions and economic institutions aimed at the development of co-operatives in member states. The ILO is a special agency linked to the UN whose members are obligated to support various ratified conventions. One of these is the *C117 Social Policy (Basic Aims and Standards) Convention, 1962*, which suggests that the promotion of co-operatives could help the debt situation of farmers in developing nations. It urges member states to seek “the reduction of production and distribution costs by all practicable means and in particular by forming, encouraging and assisting producers and consumers co-operatives” (ILO 1962). In addition, the policies of member states are to be directed primarily to the health and economic development of the population (ILO 2000). The development of credit unions is also encouraged in order to help shield local producers from debt. The *R127 Co-operatives (Developing Countries) Recommendation, 1966*, advocates co-operatives as pivotal institutions in social and economic development in developing economies. The convention suggests, in fact,

that there “should be laws or regulations specifically concerned with the establishment and the functioning of co-operatives, and with protection of their right to operate on not less than equal terms with other forms of enterprise” (ILO 1966; 1994, 1). Co-operatives are an “efficient means to alleviate the negative side effects of any structural adjustment and to strengthen the popular participation in national decision making” (ILO 2000a).

Despite the fact that the global economy has liberalized and become more market driven and trade orientated since the signing of these conventions, co-operatives have increasingly become distinct and autonomous institutions and have a proven track record of promoting social cohesion through self-sufficiency and community development. Doing so is a means of offsetting the delegitimizing factors of globalization by empowering people and thus giving them a sense of control over the market forces that govern their lives.

## PROBLEMS FACING CO-OPERATIVES AS SOCIAL POLICY INSTRUMENTS

AS DEMOCRATIC STRUCTURES, CO-OPERATIVES ARE MICROCOSMS of government in many ways, and Habermas’s analysis of legitimation crises can be extended to the relationship of co-operatives with their membership. A large, bureaucratic co-operative may suffer a system crisis. A money-losing co-op may prompt an economic crisis. A co-operative whose management does not heed the membership’s wishes may experience a crisis of legitimacy. The most important issue facing large co-operatives would be a motivational crisis among the membership. As in the political sphere, management may have little interest in proactively seeking out membership input into key decisions. Unlike the political sphere, ironically, the smaller the co-operative, the more active the membership. It will be a challenge for new forms of co-operatives (those that exist solely on the Internet, for example) to make membership meaningful, given the changing boundaries of community (International Joint Project 1995).

## The Corporate Business Environment

This motivation crisis among co-op members, to use Habermasian terms, is in large part symptomatic of co-operatives being situated in a predominately corporate business environment. There are significant legal impediments to encouraging grassroots membership participation in co-ops. Canadian courts over the years have failed to acknowledge the co-operative democratic structure as one in which the membership has collective rights over its managerial board. The courts, as Dan Ish argues (1995), have preferred a model of elite democracy, choosing to treat co-operative boards as directly analogous to the top-down management structure of corporations. This places a legal barrier on the democratic side of a co-operative, which affects its ability to control its operations. In many Canadian jurisdictions, in fact, large portions of the *Co-operatives Act* are essentially mirrored on the analogous provincial *Business Corporations Act*.

Although a co-operative may allow for a more participatory style of democracy, the legislation insures nothing more than an elite style that places the decision-making power in the hands of a relative few.

Perhaps somewhat surprisingly, the co-operative legislation of each jurisdiction mirrors completely the ordinary corporation legislation with respect to the powers of boards of directors. Typically, each act states that the directors shall “direct the management of the business and affairs” of the “co-operative,” in one case, and the “corporation” in the other (Ish 1995, 68).

In the corporate model, majority shareholders elect the board and can remove them, but this is not so easily done in a co-operative. The corporate model vests control in a small, elite group of individuals, a notion that is contrary to the idea in co-operatives that power must ultimately rest with the membership. The problem of the imbalance in the legislation has been compounded by the courts failing to empower the membership in key decisions where the participatory model of democracy could have been strengthened.

It would not be unreasonable to conclude on a perusal of a typical co-operative’s act that the membership can override the decisions of the directors by requisitioning a general meeting and passing the appropriate bylaw. Indeed,

a rudimentary knowledge of co-operative theory would lead one to conclude this should be a basic design feature of any legislative regime directed at co-operatives. However, somewhat surprisingly, this proves not to be the case. Canadian courts have consistently thwarted the participatory democratic model espoused by co-operatives in dealing with legal issues pertaining to co-operatives (Ish 1995, 68).

The diffuse ownership in co-operatives makes them especially susceptible to control by a powerful, elite, board of directors. Member-based ownership is diffused ownership; directors have that much more power.

### **The Elite Model of Democracy**

One may speculate as to whether it is appropriate for courts not to consider the democratic structure of co-operatives in rendering their decisions. The courts could defer not only to political democratic structures but also to market democratic structures when deciding issues around the collective goals of the membership. In this way, as co-operatives embrace the co-op principles found in the legislation, the courts could decide issues of law consistent with these principles. This would require the courts to affirm a participatory model of democracy rather than that of elite democracy (where directors can only be voted in or out when they refuse to follow the membership) found in corporate models. As Axworthy writes:

The co-operative movement needs to reassess the ways in which its so-called democratic control structures do or do not work.... Will form continue to prevail over substance, or will co-operatives return to their roots to meet the challenges of democracy? (1990, 59–60)

This elite model of democracy sometimes has side effects in its relationship with other democratic institutions, such as unions. Co-operatives have always had a philosophical linkage with the labour movement. Both co-ops and unions are democratic enterprises that seek to serve the collective goals and rights of their memberships. Despite evidence suggesting that co-operatives are far less prone to labour disruptions than corporations (Axworthy 1986), the top-down, elite model of democracy may make labour-management conflicts



more likely. This model has the potential to thrust these two democratic structures (co-ops and unions) into conflict.

Habermasian theory can demonstrate how co-operatives can alleviate legitimation crises in society writ large, but it can also be used to analyse co-operatives themselves. Elite democratic models have a tendency to entrench power structures that benefit a powerful, elite class. Such a class inevitably suffers from the possibility of a crisis concerning its legitimacy with the membership at large. When co-operatives fail to reflect the values and desires of the membership, or the community from which they draw their membership, they risk a legitimation crisis that threatens the very values and communities the co-operatives may have originally tried to preserve. Marybelle Mitchell (1996), studying Arctic co-operatives among the Inuit, for example, has pointed out that co-ops had the beneficial effect of creating substantial wealth through local development, but at the same time created an elite, commodified labour force and institutionalized new lines of authority. The managerial elite eventually came to dominate the traditional societal structures. While successful co-operatives generated wealth for the community, they did not live up to their true democratic potential.

### **Adversarial Tensions between Labour and Capital**

Nothing in most co-operative acts requires employee input into the business. While it is true that in consumer co-ops in particular most employees are also members, this is not necessarily the case in other co-operatives. Indeed, there can be adversarial relationships in some sectors between management and labour. The tendency of the courts to equate co-operative legislation with corporate legislation heightens this tension. On the other hand, unions often see collective adversarial negotiation — as opposed to alternative dispute resolution — as the only fair process. The adversarial nature of labour law seems incompatible with the principles of co-operation on which co-operatives are based.

Decentralizing the power of directors may make it possible for discourse to occur without creating adversarial situations. The structure of the current legislation prevents the membership from having substantial input on the board, particularly in labour conflicts, which inevitably imposes a management-labour adversarial relationship. Regulations requir-

ing that at least some directors represent employee interests might facilitate co-operation, although New Generation Co-operative (NGC) structures, which are fundamentally economic and not necessarily community driven, could be problematic. While co-operatives and labour unions share a certain common ground, their interests can still conflict in cases where employees are not necessarily members, as is the case in many NGCs, which have a closed membership. There is a hope, however, that if the democratic principles behind co-ops and unions were to move further into the realm of participatory democracy, the adversarial nature of labour relations would become more co-operative, yielding increased productivity and less labour strife. There is some evidence to suggest that labour strife is less frequent among co-operatives than in their corporate counterparts (Axworthy 1986).

## **Ideology**

There is also an ideological loss in many sectors of the co-operative movement. Having been subsumed in the corporate climate for so long, it is easy for directors to become skeptical about the co-operative principles and to focus instead on the bottom line. Members become equated to shareholders. Co-operative education becomes marketing and public relations. Surplus is treated as profit. Some co-operatives are in danger of becoming profit-maximizing business vehicles:

A typical contemporary co-operative experience is that of the person who is a client or customer of the Co-operators and whose relationship to it is purely that of a consumer... When co-operation becomes a way of business rather than a way of life the missionary zeal of the earlier period becomes an embarrassment. It upsets corporate strategy and threatens corporate interests (Melnyk 1985, 25).

In the Habermasian framework, while co-operatives often arise from some need in the lifeworld that has been left unfulfilled by the mechanisms of the state and the market, they have a tendency, once established, to retreat to their purely market-driven functions and forget their social role. This is amplified by a model of elite democracy combined with the skill and expertise of management honed in the corporate world and educated for corporate management and leadership.

## Co-operative Education

Co-operative education is important, not simply for encouraging a greater accountability of management to the membership, but for increasing participation in the organization. Motivational crisis goes hand in glove with legitimation crisis. Once management is seen as distant and remote, there is little motivation to participate in the co-operative and to effect social policy in the market-place. Yet the survival of co-operatives rests on marketing the co-operative advantage and the distinct nature of co-ops in meeting the social needs of their members. A breakdown in co-operative education not only hinders the functioning of the organization itself, but also contributes to a failure in developing the kind of consumer essential to its growth. Whereas mainstream corporations market to ready-made consumers, co-operatives in many ways must establish their consumer base through education that emphasizes the advantages and importance of supporting the co-operative model. To what extent co-operatives represent an evolved consumer consciousness needs further research.

## The Role of Government

In addition to the government's failure, the co-operative movement itself must accept some responsibility for the fact that co-operatives have not been accorded separate status *vis-à-vis* corporations for social policy consideration. The idea that government could promote co-op development conflicts with co-operative notions of political neutrality and independence. And, in fact, the history of government intervention in the co-operative sector is problematic. Too often, governments attempt to dictate policy and control the co-op sector from the top down, rather than making use of the grassroots, member-driven approach that results in successful co-operatives.

Canadian co-operatives have generally been led by people suspicious of close relations between co-operatives and the state. This suspicion has been expressed in two forms: a disinclination to become involved in broad ranging public policy discussions, and an opposition to the expansion of state enter-

prise except where it directly promotes co-operatives' institutional interests (Fulton and Laycock 1990, 142).

The idea of governmental interference in the co-operative movement is often viewed with skepticism as a mechanism of attempted domination and control. In Habermasian terms, as democratic institutions outside of the state, co-operatives fear the prospect of being controlled by the state's bureaucratic administration, a situation that "would be in contradiction to the principles of self-help, identity and democratic management and control and — as a permanent measure — would destroy the co-operative character of the organization in question" (Munkner 1974, 49). The suggestion that government can play a constructive role in co-operative development is contrary to the sorts of problems co-ops face. Co-operatives have arisen in niche roles that market forces have not filled and the state has chosen not to address.

Co-operatives define their philosophy and find their niche in society where neither private capital nor governmental planning is optimal; they are "autonomous." The principle of self-help practised by members of co-operatives corresponds to a self-help attitude of the co-operative movement as a whole, which looks inward for solutions rather than outward to society's most powerful institutions. Yet this historical attitude sits uneasily with the need of co-operatives for a suitable legal base (Fairbairn 1990, 139).

Research has shown that co-operative development flourishes when government actively promotes and facilitates but does not control or dictate to the emerging organizations. Cynicism, however, remains. The "consequences of co-operative legislation and government support depend on [their] character, but usually the consequence is a perversion of the co-operatives" (Bager 1986, 46). The relationship between the state and the co-op sector has always been tenuous:

In general, the interaction of the interests of organized co-operatives and of the state over the last half-century has tended towards looser and more permissive co-operative legislation. Co-operatives, as they have matured, have been less forceful in insisting on a normative or protective element in co-operative legislation, and have become more inclined to treat regulation of the co-operative identity as an internal question to be handled by each

co-operative through its bylaws and democratic processes. This change in perspective likely reflects the increased strength and confidence of mature co-operative organizations.... The interests of influential co-operatives and of the state have both inclined towards more permissive legislation that increasingly resembles laws for other forms of corporations (Fairbairn 2000, 55).

The literature suggests that co-operatives can be best promoted by providing the conditions under which they can flourish and compete in the market-place. One such condition would be lowered taxation rates, especially for new, community-orientated co-operative ventures. Tax legislation is itself an instrument for encouraging social change, not simply a revenue-generating mechanism for government expenditure. Graduated income tax, for instance, promotes social cohesion and social policy with the fundamental principle that those more able to pay should pay more. Co-operative policies for development must provide incentives for co-operation while at the same time respecting the autonomous nature of the organizations.

The autonomy of co-operatives may be limited by legislation and by the control which follows state subsidies.... [T]he desirable type of law is a law outlining some broader frames for co-operative activities but avoiding the ambition of detailed prescriptions concerning almost all thinkable circumstances and matters.... [T]he law should be built upon the characteristics of co-operatives instead of copying the law concerning business limited liability companies (Bager 1986, 51).

While co-operatives have many facets that make them suitable agents for promoting social cohesion, there are obstacles to be addressed. It is no surprise that co-operatives, as democratic institutions, are susceptible to many of the same legitimation problems as the democratic societies of which they are a part. There is also suspicion around government involvement in co-operative development. Encouraging social cohesion, however, has substantial positive results not only for economic efficiency but also for the vibrancy of democracy itself. The co-operative movement has a significant role to play in endorsing this social agenda and has much to gain from governmental action aimed at the promotion of co-operative organizations. For it to succeed, however, governments and the co-op movement must be willing partners in the process.

## CONCLUSION AND FURTHER RESEARCH SUGGESTIONS

THIS PAPER SUGGESTS THAT SOCIAL COHESION INVOLVES A desire for some new form of community and not nostalgia for a bygone past. Habermas tells us that the emergence of a modern discourse ethic and democratic legitimacy is consistent with co-operative principles. His identification of crisis tendencies in advanced capitalism offers a useful approach for analyzing the concept of social cohesion through the lens of democracy and a vibrant public sphere. His theory of democratic legitimacy is helpful in assessing the importance of law and state in the societal integration within the lifeworld. Co-operatives represent another “decolonization” of system integration that can be undertaken to evaluate legitimation and motivational deficits in advanced capitalism. The democratization of market relations is an important way of reinvigorating the public sphere and promoting a sense of social cohesion. There is, of course, the difficulty of participating in a consumption-driven society, but co-operatives — marketing themselves as equitable and socially responsible alternatives to corporate dominance — can help alleviate the alienation people feel from commercialized consumer society, where the profit motive makes trusting advertising difficult (Sommer 1991). Based on a Habermasian analysis, the co-operative model should be encouraged as a means of reasserting social cohesion through market relations. However, officials must maintain an appropriate balance among the state, the market, and civil society in the delivery of public-sector services in order to avoid further legitimation deficits. The capacity of co-operatives to satisfy member needs, given their grassroots, bottom-up nature, should not simply be used as a policy tool to offload services as government withdraws from investment in the public sector. Since the co-op model itself is a microcosm of democratic governance, this means that any co-operative could be subject

to a Habermasian analysis of the democratic legitimacy of its decision making and discourse among members, boards, employees, management, and the public.

This paper has argued that co-operatives are important vehicles for market democratization and offer a space of resistance against corporate consumerism and the state's colonization of the lifeworld. Democratization helps alleviate legitimation deficits, and democratic control over the market provides the system with legitimacy, hence encouraging social cohesion. Further research is required, however, on Habermasian motivational crises. What aspects of the consumer economy and corporate media discourage active participation in organizations such as co-operatives? How does membership become meaningful enough to encourage participation? Why are consumers unwilling to pay a higher premium for goods that support ethical concerns or communities, which seem to be values shared by the population? Have co-operatives failed to market themselves as an alternative to global capital? Have co-operatives abandoned the co-op education necessary to create the very consumers they will need to support them in the future?

These questions suggest further research on an analysis of the consumer's relationship with co-operatives and co-op principles. The research would examine the power of brand-name marketing, where a premium price is paid for brand logos (Klein 2000). Such research would also ask the delicate question of whether co-operatives ought to market themselves more like corporations and thus risk alienating the alternative niche market in which they arose. Larger co-operatives — those established in the market — may be better able to ignore co-operative principles and focus on financial returns as a corporation would, but whether co-operatives can compete with the size and power of global transnational corporations without marketing what makes them unique from such corporations, remains a question worth considering.

In trying to appear like their corporate counterparts, co-operatives may lose the support of their initial constituency, which saw the benefits of co-operation. Small co-operatives may find niche markets that appeal to anticapitalist and antiglobalization forms of resistance, but a large mainstream co-operative that markets itself as distinct and ethical *because it is a co-op* would require member education and public discourse both on the merits of the co-operative form and community ownership and on the distribution and force of capital in

the post-industrial state. Such a debate is not new. Owenism itself saw co-operatives as new communities (Harrison 1969). Fabian socialists in prewar Britain, led by such notables as George Bernard Shaw, Sydney Webb, and Beatrice Potter-Webb (Shaw 1932; Sydney and Beatrice Webb 1920), envisioned a large role for co-operative structures in the economy, believing that the logic of community ownership and co-operative principles would prevail in public opinion. A revival of this notion of a co-operative commonwealth would inevitably force more accountability upon larger co-operatives that have lost touch with member needs, raise the bar in terms of corporate social responsibility, and provide a distinct marketing advantage for an affluent society concerned about the effects of the economy on communities and on the planet.

Large co-operatives, of course, have their own problems, such as the centralization and alienation of management from the membership common in large organizational structures. Co-operatives rely on a community or socially conscious membership that is active at the grassroots level. For this reason, co-op education is an important area of future analysis. It should be noted, however, that there has been a tendency for co-operatives to mirror the democracies in which they are situated, sometimes taking on forms of elite democratic control antithetical to the co-operative ideal.

Finally, governments can do a great deal to facilitate co-operation as a means of promoting social cohesion through market relations. This paper suggests a number of options involving legislative changes to both the co-op form and co-op principles. There is room, even in the face of international free-trade arrangements, for co-operatives to play a pivotal role in promoting social cohesion and strengthening the national economy. Co-ops have a limited capacity to address the key issues underlying any legitimation crisis: the increasing disparity and inequality of incomes, the challenge in maintaining the welfare state, and the insecurities pertaining to work in a post-industrial economy. What co-operatives can do, however, is aid in building stronger communities through democratic control and consumer awareness by promoting their own agenda and need for change, thus harnessing their potential to satisfy the needs of their communities.



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