

FINANCES IN COOPERATIVE ORGANIZATIONS
CONTRIBUTIONS FOR A NECESSARY DEBATE

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SUMMARY

Finances have very particular characteristics in the case of cooperative organizations. These characteristics arise from the nature itself of the cooperatives, where the associative and managerial dynamics converge as constituent dimensions of this kind of organization. This focus is opposed to the cooperatives' dual conception that considers these as people's associations and of collective property enterprises. Cooperative finances are nurtured by social economy and by social finances, and they greatly go away from the analytic categories and models developed by the financial theory for the capitalist enterprises. In this work some elements are exposed, such as contribution to the debate of the foundations of finances in cooperative organizations.

KEY WORDS: FINANCES - SOCIAL FINANCES - COOPERATIVE FINANCES

INTRODUCTION

Within the field of capitalist enterprises there exists a great development of finances. However, the analytic categories and models built by the corporate financial theory are not applicable in great measure to the field of cooperative organizations,

since these do not look to create value in terms of investment rate return, carried out by proprietors or external investors. Neither is it possible for cooperative organizations to increase the value of the shares in the financial markets due to an efficient combination of risk and the return based on the portfolio theory or the capital market or of arbitration ¹.

The concept of return rate required, which constitutes the basic parameter for the evaluation of the financial decisions taken by the enterprises, the proprietors of these or the external investors, neither is applicable to cooperative organizations, as these do not have the purpose of making profit. The debates around the rate of capital cost, its relevance for the value of the enterprise², neither are expandable to cooperative organizations, because in them there are not, the suppositions required by these theories. Finally, the democratic control that the cooperatives' proprietors-associates exercise on those, subtracts applicability to the agency theory³.

As from the 70s, around the world, a strong debate arises around the identity, the sense and the way of existence of cooperative organizations, their location and configuration within the new world economic order and their relationship with State, society, market and capitalist enterprises. The cooperative organizations are approached for the first time as the object of social sciences study, after more than a century of social practices based fundamentally on beliefs and values protected as cooperative doctrine by the International Cooperative Alliance, created in 1895.

Although there exist some studies of cooperative financial institutions that do not approach financial matters in themselves but of management or of measuring

1 Markowitz H. M. (1952) Portfolio selection, *The Journal of Finance*. Sharpe W. F. (1964) Capital asset prices: a theory of market equilibrium under conditions of risk, *The Journal of Finance*. Ross S. A. (1976) The arbitrage theory of capital asset pricing, *The Journal of Economic Theory*

2 Modigliani F. y Miller M. H. (1958) The cost of capital: corporation finance and the theory of investment, *American Economic Review*. Modigliani F. y Miller M. H. (1963) Corporate income, taxes and the cost of capital: A correction, *The American Economic Review*. Weston J. F. (1963) A test of cost of capital propositions, *The Southern Economic Journal*.

3 Jensen M. and Meckling W. (1976) Theory of the firm: managerial behavior, agency costs and ownership structure, *Journal of Financial Economics*.

performance as a system⁴, there do not exist at present, specific theoretical developments of finances, in cooperative organizations. This fact, added to the impossibility of applying in this environment most of the managerial financial theory, takes us to a situation where debate, research, and construction of concepts, categories, models and theories, become necessary with potentiality to understand and to explain the financial processes in the cooperative organizations.

In this work some of the finances foundations are discussed in the cooperative organizations, considered from the contributions of social economy and of social finances. In the first part the historical existence of cooperatives in the world, is analysed. In the second, one discusses the cooperation concept and its relationship with associativism. In the third, the cooperative problem is approached as organizations and, finally, some key questions are discussed for the finances in the cooperative organizations.

I. THE HISTORICAL MODE OF EXISTENCE OF COOPERATIVISM

The cooperative organizations arise historically in Europe during the first half of the XIX century. They were born from labour associations, from utopian socialists such as Robert Owen, Henri of Saint-Simon and Charles Fourier, from anarchists such as Pierre-Joseph Proudhon and others such as Philippe Buchez. The fights of the labour movement, the community practices and the cooperative experiences constitute the most direct antecedents of that which Charles Dunoyer denominates *social economy* in his work *New treaty of social economy*, published in Paris in 1830⁵. This direct linking between cooperativism and social economy is also sustained by other authors⁶. For

4Vuotto M. (2004) *La banca cooperativa argentina durante la década de 1990*, Intercoop, Buenos Aires. Fischer, K. P. (2002) *Governance, regulation and mutual financial intermediaries performance*, publicado como *Governance, regulación y desempeño de intermediarios financieros mutuales* en Sabaté, A. F. y otros (comp.) (2005) *Finanzas y economía social. Modalidades en el manejo de los recursos solidarios*, Altamira, Buenos Aires.

5Defourny, J. (1992) Orígenes, contextos y funciones de un tercer gran sector en Monzón J. L. y Defourny J. (dir.) *Economía social. Entre economía capitalista y economía pública*, CIRIEC, Valencia.

6Singer, P. (2004) *Economía solidaria* en Cattani A. D. (comp.) *La otra economía*, Altamira, Buenos Aires. Gueslin, A. (1987) *L'invention de l'économie sociale*, Economica, Paris.

Gueslin it is another *way of doing economic politics*, while Singer denominates it *solidarity economics*, expression, with which, in fact, the new social economy that resurges in France, starting from the 70s⁷ and in Latin America starting from mid 80s, is called.

The social economy and cooperativism have a common origin: the social matter. In the 1830s the social facts that show what later would be called, social matter. The labour movement fights - against economic exploitation and the derived pauperisation of industrial capitalism - generate the reaction of the bourgeoisie owners of the production media. This unites itself and - by means of compulsive shutting down of factories - it finishes up imposing the patronage and neutralizing the 1834 protests. In this way, it puts an end to experiences like the *Labour Exchange*, a place where products were exchanged from the cooperative organizations at fair prices, which had been created by Owen in London, in 1832, and repeated in Birmingham, Liverpool and Glasgow⁸.

One decade later, in 1844, in Rochdale, England, the first cooperative consumption organization was founded, based on a few principles that were later applied to other cooperatives: free adhesion, the right of one vote per associate, payment of interests limited to the capital, distribution of surpluses in proportion to the operations done by the associates, reserve quota to increase capital and to expand activities, cash sales to avoid credit and constitution of a fund for educational and cultural objectives⁹. Then, in Rochdale subsidiary cooperative production organizations are created. In the 1850s, Schulze-Delitsch and Raiffeisen created urban and rural cooperative credit in Germany.

As part of social economy, cooperative organizations have a critical, reformist and solidary origin. Social economy criticizes the political economy its lack of concern

7 Wautier, A. M. (2004) *Economía social en Francia* en Cattani A. D. (comp.) *La otra economía*, Altamira, Buenos Aires

8 Singer, P. (2004) obra citada

9 Holyoake, G. (1989) *Historia de los pioneros de Rochdale*, Intercoop, Buenos Aires

for the social matter. Defourny¹⁰ identifies four social economy traditions during the XIX century. **(a) Socialism**, in its utopian version, tries to build a fairer and more human social order in a progressive and peaceful way; in its scientific version, it looks for the revolutionary change, Marx highlighted as its maximum exponent. **(b) The Social Christian** is reformist, it does not seek a radical change of society, and it defends the patronage and the subsidiary principle, highlighting Le Play and Raiffeisen. **(c) Liberalism** rejects State interference; it is based on market freedom and on self-help principle, highlighting Dunoyer, Passy, Walras, Mill, Marshall and Luzatti. **(d) Solidarism** looks towards abolishing capitalism and the proletariat, without sacrificing private property and individual freedom; it intends to transform man for mutual help and education, it defends Rochdale's cooperativism, highlighting Gide, Ott and Bourgeois.

As from 1870 and for a long historical period that extends until the 1970s, the State intervenes in the social matter, guaranteeing as State Welfare the social integration of wage-earner and the civil, political and social rights. Social economy loses sense and cooperativism is reduced to the micro-economic matter, and adapts itself to market capitalism as cooperative sector¹¹.

Polanyi¹² sustains that the market as an exchange always existed, but it was never the dominant principle of economy organization, just as it is in capitalism. What this author calls *the great transformation* is this invasion of the market in all the social life spheres, transforming everything in merchandise. Before capitalism, there was a domestic economy, redistribution of goods by the authority and exchange, and reciprocity for mutual help and solidarity.

Braudel¹³ reaffirms this same matter, four decades later, placing on the base of his model the wide daily material life, then the market and lastly capitalism, constituted by the world of corporations, power, monopolies and speculation. Braudel recognizes,

10 Defourny, J. (1992) obra citada.

11 Cháves, R. (1999) La economía social como enfoque metodológico, como objeto de estudio y como disciplina científica, Revista CIRIEC España N° 33.

12 Polanyi, K. (1944) *The Great Transformation*, Beacon Press, Boston.

13 Braudel, F. (1985) *Civilización material, economía y capitalismo*, Alianza, Madrid

the same as Polanyi, the market value, as a public space for exchange and for access to different goods and services, but, as sustained by De Melo Lisboa¹⁴, it is not the same thing, *a society with a market* than a *market society*, where the change value of the goods multiplies itself several times above what Marx denominates *social value of production*, allowing in this way the self-expansion and accumulation of capital which is capitalism's true objective, while the market is only a means.

With the Welfare State crisis, social economy and cooperativism resurge with force. Starting off from the 1970s, a change of effective economic and political-ideological paradigm takes place in the world¹⁵, beginning a new phase - of financial nature - in the expansion of world capitalism that takes place after three decades of sustained economic growth, of technological development and of expansion of the trans-national corporations and world banking. Neo-liberalism replaces Keynesianism and State Welfare, beginning a quick process of economic and financial globalization that transforms deeply world political and economic order and the relationships among countries and to the interior of each country.

Castel¹⁶ describes the phenomena of labour precarization, unemployment, marginality and de-affiliation that are produced by this new expansible phase of world capitalism, calling them *new social matter*, to which Rosanvallon¹⁷ also refers. In this world scenario of deep crisis, they resurge with force - fundamentally as survival strategy - collective action, solidarity, associalism, self-management, social economy, social finances and cooperation, adopting a multiplicity of alternative ways of organization and social action that acquire great economic, social and political importance.

14 De Melo Lisboa, A. (2004) *Mercado solidario* en Cattani A. D. (comp.) *La otra economía*, Altamira, Buenos Aires

15 Kühn, T. (1962) *La estructura de las revoluciones científicas*, Fondo de Cultura Económica, México

16 Castel, R. (1997) *La metamorfosis de la cuestión social. Una crónica del salariado*, Paidós, Buenos Aires.

17 Rosanvallon, P. (1995) *La nueva cuestión social. Repensando el Estado providencia*, Manantial, Buenos Aires.

II. A DISCUSSION ON COOPERATION FUNDAMENTS

Above all, it is necessary to discuss the cooperation concept itself, because it is a constituent principle of cooperative organizations and, therefore, also of financial processes developed in these. Marx defines cooperation as "*the work form of many that, in the same place and team, in a planned way work in the same production process or in different but related production processes.*"

Is it a spontaneous act or is cooperation generated? It is a spontaneous act that is born from freedom and from the human being's will, that decides to join others to cooperate, but this spontaneity is not enough to sustain an organization or a financial decision in time. Here what is necessary is a *planned action*, which as Marx points out in the case of the workers. To plan an action is, fundamentally, to establish a purpose or *common premeditation* that makes possible the *collective action or in team*. Dispersed effort or guided towards diverse directions cannot cohesive itself neither become a collective action if a common horizon towards which it is going, is not made explicit. The common premeditation of a collective action should be present in the financial decisions so that they may be *cooperative*.

This is also sustained by De Jesus and Tiriba¹⁸, for whom the term cooperation has a sense of action and of collective movement. As action it indicates disposition, zeal, support commitment, of doing with, of undertaking with, of producing with. As a movement, it participates in the idea of life in collective or natural communities, where the individual finds protection and the necessary means for life.

Cooperation is a return to what is collective, and for the workers, their only weapon is *association*, because it transforms into strength the weakness of being a capitalism¹⁹ reserve army. Association appears as a concept much linked to cooperation, but more ample than this. It is a "*process by which one or more people*

18 De Jesús, P. y Tiriba, L. (2004) *Cooperación* en Cattani A. D. (comp.) *La otra economía*, Altamira, Buenos Aires.

19 Lasserre, G. (1967) *La coopération*, PUF, Paris.

*and/or group(s) decide to meet in a regular, but not necessarily continuous way, to assist to common demands.*²⁰

Associativity is more ample than cooperation because it comes from *man's same social nature* itself, as has been said by classic sociology. For Marx, "*Man is in the beginning a totally communitarian being; individualization is a historical product related with a division of more and more specialized and complex work..., a generic being, tribal being, gregarious animal*²¹." Durkheim is inspired by Albert Schaffle, for whom, "*society is not simply an aggregate of individuals, but rather it is a being that has existed before those that integrate it today, and which will survive them*²²." Cooperation is a phenomenon that is explained only within the framework of associative nature of the human beings, it is an association way.

Now then, it is necessary here to formulate another central question for the analysis of the cooperation concept: Why do human beings associate and cooperate?

From the game theory, three reasons are sustained: **a)** personal interest, **b)** the probability of meeting once again in future transactions and **c)** the possibility of reaching results that can benefit each one individually and the group²³. A field where we find these reasons easily it is the *politics' game*, where two or more groups, competitors and antagonistic between themselves, may associate at any moment, speculatively, to obtain transitory electoral benefits and where the probability of eventual association transforms them into adversaries or opponents and not into enemies. In the *business game* of capitalist enterprises, the economic groups adopt a similar behaviour.

From the economy theory, it is sustained that the individual opts for cooperation when it facilitates him a greater satisfaction of his necessities in

20 Peixoto de Albuquerque, P. (2004) *Asociativismo* en Cattani A. D. (comp.) *La otra economía*, Altamira, Buenos Aires.

21 Giddens, A. (1998) *El capitalismo y la moderna teoría social. Un análisis de los escritos de Marx, Durkheim y Max Weber*, Idea Universitaria, Barcelona, página 66.

22 Giddens, A. (1998) obra citada, página 130.

23 De Melo Lisboa, A. (2004) obra citada.

comparison with other possibilities²⁴. This explanation is framed within methodological individualism and the supposition of rationality of the *homo economicus* that tries to satisfy its own interest maximizing the individual benefit. Within this same economic individualism the German cooperation school is located, sustaining that what an individual cannot reach alone, he will try to reach by means of the union with others. What characterizes a group facing an isolated individual is to have greater force, an added force or a more powerful one. Several can achieve what one alone cannot achieve²⁵.

This greater force or power makes sense only if it increases utility and individual benefit. Therefore, cooperation would result in pondering individual costs and benefits.

The roots of these ideas we can find in Jeremy Bentham and James Mills' English utilitarianism, at the end of the XVIII century, and in Charles Peirce, William James, and John Dewey's North American pragmatism, towards the end of the XIX century²⁶. Although these ideas are predominant, especially in the economics field, this explanation of the origin of cooperation is not convincing as from pragmatic individualism and utilitarianism of the games theory or of the economy theory, because it supposes that cooperation has no link with the human associative phenomenon, but rather it comes from individual decisions which only result from the best combination of costs and individual benefits.

For De Jesus and Tiriba, the question on the origin of cooperation polarizes the answer between individual interest and general interest. For these authors, cooperation is related to both and in it intervene as much personal reasons as the conscience of a collective reason. The historical construction of social cooperation relationships, understood as economy practice and as a social movement, consisted in "*to do and to*

24 De Jesús, P. y Tiriba, L. (2004) obra citada.

25 Boettcher, E. (1984) *Las cooperativas en una economía de mercado*, Intercoop, Buenos Aires.

26 Putnam, H. (1999) *El pragmatismo. Un debate abierto*, Gedisa, Barcelona

think new social relationships that are opposed to the logic of the market society and to the society of individuals." ²⁷

We conclude affirming that associationalism and cooperativism historically emerge not due to individuals' decisions that search for maximizing their benefit, but for objective conditions which - structurally - threaten or affect the integrity or the survival of a social community. They are born because certain social groups have conscience of a collective reason. In the first half of the XIX century this reason is the pauperization, poverty and exploitation caused by industrial capitalism. During the last decades of the XX century, it is labour precarization, unemployment and disaffiliation caused by globalized financial capitalism.

III. COOPERATIVE WAY OF ORGANIZATION

Cooperation, as a way of association, for it to be continuous and lasting in time, requires an organization. We can define cooperatives as *organizational forms of association* based on *cooperation*. Cooperatives only exist as organizations; they do not have historical existence outside these. While cooperation can be given in many diverse ways, cooperatives only have historical existence as organizations. The main characteristic is that they have continuity in time, beyond its members.

For Weber, the organizations imply associative interaction and activities with purposes, while for Marx, they imply practice and results. On the other hand, Barnard²⁸ defines an organization as a system of activities or consciously coordinated forces of two or more people, while Etzioni²⁹ defines it as a human cluster built and reconstructed in a deliberate way, to look for specific goals. Scott³⁰ considers the organizations as collectives with objectives, frontiers, order, authority, communication and incentives.

27 De Jesús, P. y Tiriba, L. (2004) obra citada.

28 Barnard, Ch. (1938) *The function of executive*, Cambridge University Press, London.

29 Etzioni, A. (1964) *Complex organizations: A sociological reader*, Holt, Rinehart & Winston, New York.

30 Scott, W. R. (1992) *Organizations. Natural racional and open systems*, Prentice-Hall, New Cork.

These same elements integrate Hall's³¹ concept that adds continuity in an atmosphere and the activities linked with goals that imply results for the members, for the organization itself and for society.

Organizational studies constitute a fragmented and multifaceted field. Burrell and Morgan³² propose four *paradigms* to classify organizational theories: **a)** the *radical humanist*, based on social change and subjectivism, **b)** the radical structuralism, based on social change and objectivism, **c)** the *interpretative* one, based on social regulation and subjectivism and **d)** the *functionalist*, based on social regulation and objectivism. As paradigms constitute theories systems, rules, structures, values and interests, they are incommensurable to each other, that is to say not comparable. This problem is studied by Scherer and Steinmann³³ and they propose to dissolve the rigid structures of thought and action and to go on the way to learning and argumentative methodological construction as from the practice.

Most of the organizational theories are registered within the functionalist paradigm that is hegemonic in this field³⁴. During the first half of the XX century studies are carried out that, although they are important antecedents, they have very little theoretical value³⁵. In the 1940s, Parsons translates into English Weber's *Economy and Society*. Barnard's *The function of the executive* is published, creating a debate between two opposed organization concepts, one mechanics and rigid and the other organic and adaptive. A decade later, Herbert Simon's *Organizational Behaviour*, overcomes this antagonism with the first organizations administrative theory. Institutionalism arises in this same decade, as organizations sociological theory³⁶.

31 Hall, R. H. (1996) *Organizaciones: estructuras, procesos y resultados*, Prentice-Hall Hispanoamericana, México

32 Burrell, G. y Morgan, G. (1979) *Sociological paradigms and organizational analysis*, Arena, London.

33 Scherer, A. G. y Steinmann, H. (1999) *Some remarks on problem of incommensurability in organization studies*, Organization Studies, London.

34 Pfeffer, J. (1993) Barriers to the advance of organizational science: paradigm development as a dependent variable, *Academy of Management Review*.

35 Perrow, Ch. (1991) *Sociología de las Organizaciones*, McGraw-Hill, Madrid.

36 Selznick, Ph. (1949) *TVA and the Grass Roots*, University of California Press, Los Angeles.

Then, it resurges as neo-institutionalism³⁷. During the last decades of the XX century, important organizational theories emerge, as that of rational contingency, of resources dependence, of evolutionist ecology, of costs transaction, of agency and, under the humanist radical paradigm, the critical theory and the post-modernism one.³⁸

The cooperatives, even with their historical existence as organizations, have not been specifically studied from these organizational theories. Reality points out that we do not have a *cooperative organization theory*. On the other hand, cooperative organizations are analyzed as *social economy organizations*. Lévesque and Mendell³⁹ say that, in this kind of organizations, the members are not individually proprietors, since the property is *undivided*; the results are not redistributed in function of the contribution of stock capital, but as *social parts*; the management is in charge of *associations* linked to social movements and the *decisions* are democratic to assure that the social matter is not subordinate to the economy.

On the other hand, Vienney⁴⁰ mentions the combination of a cluster of people and of an enterprise that produces goods and services, working according to four basic rules: a) the equality in the cluster of people, b) the relationship member-enterprise as decisive of the enterprise activity, c) the relationship enterprise-members of distribution of results and d) the collective property of the enterprise or organization. These four rules form a system that includes the actors and the activities of the organization.

37 Di Maggio, P. y Powell, W. (1983) *The new institutionalism in organizational analysis*, Chicago University Press; Meyer, J. W. y Scot, W. R. (1983) *Organizational environments: Ritual and Rationality*, Sage, Beverly Hills; Scott, W. R. (1995) *Institutions and organizations*, Thousand Oaks, Sage.

38 Lawrence P. y Lorsch J. (1987) *La empresa y su entorno*, Barcelona, Plaza y Janés; Thompson, J. (1967) *Organizations in action*, McGraw-Hill; Aldrich, H. y Pfeffer, J. (1976) *Environments of organizations*, Annual Review of Sociology; Hannan, M. T. y Freeman, J. H. (1977) *Organizational ecology*, Harvard University Press, Cambridge; Williamson, O. (1975) *The economic institution of capitalism: Firms, Markets, Relational Contracting*, Free Press, New York; Alvesson, M. y Deetz, S. (1996) *Critical theory and postmodernism. Approaches to organization studies* en Clegg, S. y otros (1996) *Handbook of organization studies*, Sage, London.

39 Lévesque, B. y Mendell, M. (1999) *La economía social en Québec: Elementos teóricos y empíricos para el debate y la investigación* en Vuotto M. (comp.) (2003) *Economía social. Precisiones conceptuales y algunas experiencias históricas*, Altamira, Buenos Aires.

40 Vienney, C. (1994) *L'économie sociale*, La Découverte, Paris.

Another author, Defourny⁴¹, outlines five principles that regulate these kinds of organizations: **a)** the purpose of service to the members or the collectivity, **b)** management autonomy, **c)** democratic decisions, **d)** the primacy of people and of work on capital in the allotment of the surpluses and the entrance and **e)** the participation and individual and collective responsibility.

Lévesque and Mendell's idea that organizations of social economy are managed by associations linked to social movements is difficult to sustain in the case of cooperatives, since it implies an existence duality "*organization-association*". The authors possibly refer to social groups that are managed by this kind of associations, where the relationship can be "group social-association –social movement". If it is organizations, how does one explain the overlapping between organization and association? Does an "association" called "cooperative" that leads to an "organization" also called "cooperative", exist? These queries could extend to the model sustained by Malo⁴² that differentiates the "*enterprise structure*" from the "*association structure*" in the cooperatives and to the cooperative definition itself, in the 1995 International Cooperative Alliance, as "*an autonomous association of people that have met voluntarily to face their necessities and common economic, social and cultural aspirations, by means of an enterprise of combined and democratically managed property.*"

In this same way, Vianney outlines the combination between a "*people's cluster*" and an "*enterprise that produces goods and services*" working under certain rules. It is difficult to imagine, on one hand, a unit called "*enterprise*" and, on the other hand, a unit called "*people's cluster*" that combines in social economy. Just as Etzioni says, every enterprise is an organization and every organization is a cluster of people.

41 Defourny J. (dir.)(1991) Economía social. Entre economía capitalista y economía pública, CIRIEC, Valencia.

42 Malo, M. C. (2001) La cooperación y la economía social en Vuotto M. (comp.) (2003) Economía social. Precisiones conceptuales y algunas experiencias históricas, Altamira, Buenos Aires.

In the same way, it is difficult to uphold what the International Cooperative Alliance proposes: on one hand, an "*autonomous association*" and, on the other, an "*enterprise*" as a means or instrument of that. Here there is presented a subject-object relationship that implies externality. The enterprise would be an external object to the subject "*people's cluster*". This definition of the International Cooperative Alliance implies a *dualist vision* of the cooperatives⁴³ and an enterprise conception as a thing or object manageable, without human beings⁴⁴. Although it is paradoxical, this enterprise vision as a production machine coincides with the capitalist enterprise conception, that only considers this as a production means and of exchange of goods for reproduction and capital accumulation.

This same instrumental and functionalist vision enterprise is sustained by Malo⁴⁵, based on Mintzberg and Porter's ideas, and also for Boettcher⁴⁶ that defines the cooperative as "*the union of a group of economy subjects that seek the promotion of their own domestic or managerial economy units through the benefit of services of an enterprise managed conjointly by them*". This author proposes three elements to define a cooperative: **a)** a group of economy subjects that as members or partners, **b)** maintain or manage an enterprise in a commune way, for **c)** the promotion of the associates, and conceives the enterprise as a *coalition group of interests* that negotiate, have power and exercise influence: proprietors, managers, employees and external members. These groups that have some kind of interest in the enterprise constitute *stakeholders*; an expression used originally by Ackoff in a strategic sense to identify other agents non stockholders or *shareholders* that participate in the enterprises. Some authors⁴⁷ use this same outline to differ cooperatives from enterprises, when in fact the differences are those exposed by Defourny, Vienney y

43 Fairbairn, B. (2005) Tres conceptos estratégicos para la orientación de cooperativas. Vínculos, transparencia y cognición, UBA-CESOT, Documento N° 48, Buenos Aires.

44 Morgan, G. (1991) *Imágenes de la organización*, Alfaomega, México.

45 Malo, M. C. (2001) obra citada.

46 Boettcher, E. (1984) obra citada.

47 Malo, M. C. (2001) obra citada; Bleger I. (2000) *Stakeholders: una estrategia actual*, ACI, Marzo 2000.

Lévesque and Mendell. In this specificity framework, we occupy ourselves of the cooperative organizations finances, proposing some elements as contribution to the debate.

IV. COOPERATIVE ORGANIZATIONS FINANCES

Which is the nature of finances in a cooperative organization? Sabaté and others⁴⁸ define finances in function of three components: **a)** the use of money, its cost and yield, **b)** generation forms and reception of liquid surpluses, their protection, transfer and control, and **c)** the installation of support services to those that have monetary surpluses and to those that request them in form of credit. The first component refers to the financial management of the organizations, while the other two to the operation of the financial system in an economy.

For these authors, this finances vision puts the actors to one side, the ends pursued, the intermediation forms and the sense of the existent structures and their possible alternatives. But all these elements if they are present in what one denominates as "*social finances*", a new discipline field in construction that looks for: **a)** the democratization of the financial system and **b)** their orientation to the whole population's fundamental necessities, prioritizing those excluded from said financial system.

The focus of *social finances* is oriented towards the "*social economy*", polysemic expression which in the XIX century designates a disciplinary focus of the economy which takes into account history, institutions and social norms, as science for social justice⁴⁹. It recovers validity with the Welfare State crisis and of real socialism, relating the economy with the social one, in a society or organization, although in fact every economy is social in the sense that it cannot work without institutions, without

48 Sabaté, A. M. F.; Muñoz, R. y Ozomek, S. (comp.) (2005) *Finanzas y economía social. Modalidades en el manejo de los recursos solidarios*, Altamira, Buenos Aires.

49 Gide, Ch. (1912) *Économie sociale. Les institutions de progres social*, Librairie de la Societé du Recueil Sirey, Paris.

social subjects, without social relationships and, fundamentally, without the State⁵⁰. It also, recovers validity due to the nexus between the XIX century asociacionism and the new economy and social experiences, and for the necessity of the social groups of obtaining financing and representation before the State⁵¹. For other authors, it is *solidary economy*⁵² or *work economy*⁵³.

In the definition of the economy problem, social economy does not recognize the dichotomy *economy man / social man* and, together with the problem of assignment of resources, it includes distribution, production conditions, unemployment, poverty and life quality. For Monzón⁵⁴, the *cooperative* is the genuinely representative organization of social economy, due to its history, its diffusion in managerial environments, its world presence, its social root, its operation rules and its legal recognition. Its main task is to create wealth with economy efficiency and to distribute it equally.

In the enterprises, the financial activity has historically had diverse senses that were modified due to the necessity of adaptation to the changes of the economy context. From its emergence at the beginning of the XX century, until the 1929 financial crisis, finances were devoted to obtain the maximum possible volume of funds, to finance the emission of bonds and shares required by the expansion processes, coalition and absorption of the large national corporations. During the period of later economy depression, they were in charge of recovering the credits of the creditors. Once the Second World War finished, and until mid 1970s, within a context of sustained world economy growth, they devoted themselves to the best combination of financing sources and of internal assignment of funds in the enterprises. Starting from the 1970s, the world uncertainty context, forces the finances to look for the best

50 Levesque, B. y Mendell, M (1999) obra citada.

51 Defourny, J. (1992) obra citada.

52 Singer, P. (2004) obra citada.

53 Coraggio, J. L. (2004) *Economía del trabajo* en Cattani, A. D. (org.) *La otra economía*, Altamira, Buenos Aires

54 Monzón, J. L. (1992) *La economía social: Tercer sector de un nuevo escenario* en Monzón J. L. y Defourny J. (dir.) *Economía social. Entre economía capitalista y economía pública*, CIRIEC, Valencia.

possible way to combine risk and return, while, at present, they are devoted to maximize the creation of value for the enterprise proprietors.

From an activity referred fundamentally to the treasury, at the beginning of the XX century, finances passed to be at present in the maximum strategic level of the enterprises. This positioning change is due to strategic decisions of the enterprises; as there were modifications of the context, but also to the influence of important theoretical contributions around which debates are generated, that consolidate the discipline field to in the second half of the XX century.

This theoretical production does not exist in the field of the cooperatives and, therefore, the answer to the question of the nature of finances in the cooperative organizations requires to be built. A first important aspect in this matter is the question of *who takes financial decisions in the cooperatives*. As some authors point out, "*what distinguishes social economy is the capacity of taking decisions in groups of interest, in contrast with the shareholders domain in private enterprises.*"⁵⁵ It is sustained that cooperatives property is in conjunction, collective, undivided and that the decisions are democratic and based on the principle "*one associate one vote.*"⁵⁶ . We return to the role of the *stakeholders* in cooperative organizations. Their existence does not differ to these of the capitalist enterprises, since it is in this environment where this term is in fact created, to denominate the groups interested in the strategic definition of the managerial business.

Now then, who integrate the interest groups in cooperative organizations? For Desroches⁵⁷, the members of the association, the administrators elected by the associates, the directives contracted by the administrators and the personnel contracted by the directives. Among these actors cooperation and competition relationships are established. For Boettcher⁵⁸, the interest groups are constituted by

55 Mendell, M.; Levésque, B. y Rouzier, R. (2003) *El sector sin fines de lucro en una economía cambiante*, OCDE, Québec

56 Esta es la posición por ejemplo de la ACI (1995), de C. Vianey (1994) y de B. Lévesque y M. Mendell (1999).

57 Desroches, H. (1983) *Pour un traité d'économie sociale*, CIEM, Paris.

58 Boettcher, E. (1984) obra citada.

proprietors, managers, personnel and cooperative external members. Among these last ones, the author mentions banks, clients and suppliers. We add the State, social organizations and investors. Do all these actors vote democratically in cooperative organizations? No, only the associates. Then, which is the decision capacity of the interest groups? Is it the coalition with negotiation capacity, power and influence to which Boettcher refers? Are we speaking of the same capacity and with the same factual consequences when we say *"to exercise the right of one vote per associate"* than when we say *"to have negotiation capacity, power and influence"*? In the first one, are we in presence of something formal, derived from a right that can be exercised or not, while, in the second, from something factual, that comes from the possession of certain resources. They are different capacities and from their existence, really depend the financial decisions in cooperative organizations. *Formally*, these differ in capitalist enterprises, where the proprietors have as many votes as capital contributed, while in cooperative organizations the vote is always unitary. *Factually*, however, there would not be so great a difference, because the forms of exercising influence, to hold power and to negotiate, can be the same ones. In fact, in the case of cooperative organizations one can even supposedly appeal to "cooperative" values and principles to justify from the symbolic and ideological so much or more dominance and control as is generally given in capitalist enterprises⁵⁹.

Another central aspect is the matter related to risk and the return rate of cooperative organizations. For some authors, *"great efforts have been done to demonstrate that, contrary to the general belief, social economy enterprises, are, in their majority, less risky and, in some cases, they possess a greater profitability potential than private sector enterprises. The role carried out by the interest groups, in social economy contributes additional resources that are not easily counted in financial terms, but which greatly diminish risk and profitability ... The serious problems end up*

59 Alvesson, M. y Deetz, S. (1996) obra citada.

*in bankruptcy, less frequent than in the private sector, due to external market factors, in which these enterprises operate.*⁶⁰

Every enterprise has economic risk and, if it has debts, financial risk. It also has the risk of the economy activity sector where it operates and, also, for the what is called country risk, and in some way, global risk originated due to world economy interdependence conditions⁶¹. If this is so, why should a cooperative go through these risks in smaller measure than an enterprise? For Mendell, Lévesque and Rouzier, **(a)** because the role played by the interest groups contributes additional resources that are not easily counted in financial terms and **(b)** for market external factors where the cooperative operates. What does this group role consist of? Which are the additional resources that they contribute with? And which would be the external factors? The authors only make reference to the State, as long as it guarantees the financial contributions to the social enterprises, for the nature of the services they render⁶².

Here it is useful to consider the concepts of cooperative integration, social capital and solidarity⁶³. Cooperative integration is given by means of federation processes and participative holdings that improve the performance⁶⁴, as long as social capital is generated building reciprocal trust through social cohesion ("*binding*") or the linking among the actors ("*bridging*"), be it structural as cognitive⁶⁵. Solidarity, on the other hand, implies the construction of a whole composed internally by firmly cohesive elements. The combination of these factors can imply the decrease of cooperative organizations risk, in comparison with the capitalist enterprises. It is the existence of what we could denominate "*cooperative subject*", a collective historical construct that, being undivided, cannot be reduced to individual members and is different to these.

60 Mendell, M.; Levésque, B. y Rouzier, R. (2003) obra citada.

61 Agüero, J. O. (2006) *Las dimensiones del riesgo involucradas en las decisiones financieras*, Revista Científica Visión de Futuro, UNaM-FCE, año 3, volumen 5, Posadas.

62 El artículo citado de Mendell, M.; Levésque, B. y Rouzier, R. (2003) se refiere a Canadá.

63 Angers, F. A. (1976) *La coopération. De la réalité a la théorie économique*, Fides, Montreal; Putnam, R. D. (2000) *Bowling Alone. The collapse and revival of american community*, Simon and Schuster, New York; De Melo Lisboa, A. (2004) obra citada.

64 Fischer, K. P. (2002) obra citada.

65 Baquero, M. (2004) *Capital social* en Cattani A. D. (comp.) *La otra economía*, Altamira, Buenos Aires.

This subject, built and sustained collectively, is the one that moves, reflects and condenses the cooperative action of the human group that integrates a cooperative organization. It is the one that responds for working on the whole, beyond the individual members. Cooperation is *a doing on the whole*, a collective action. Just as the enterprise is the result of an entrepreneurship, the cooperative organization it is the result of cooperation. The entrepreneur is a social subject that carries out and sustains an economic enterprise, as long as the cooperative subject is the one that carries out and sustains the cooperative action.

According to the postulates of the economic theory, the enterprises try to maximize the economic benefit obtained with a certain investment structure. For the financial theory, they try to maximize the return obtained with capital immobilization, that is to say, they try to create value for the enterprise proprietors, so the key is the concepts of stock capital, funds flow, time value of money, appraisals of return and associate risk. Can we sustain these same concepts in connection with cooperative organizations? The answer to this question implies the analysis of several aspects that are key for understanding the finances nature in these kinds of organizations.

The Latin origin of the word, *lucre* means profit or gain that it is obtained from something. In the economy theory it is identified with the benefit obtained from an investment. The maximization of lucre, private property and market freedom, are the fundamental principles of capitalism and of capitalist enterprises that assure the reproduction and accumulation of capital. For the economists of the XIX century, cooperative organizations solved two basic problems derived from the industrial revolution: **a)** the alienation of work force caused by the separation between work and property of production means⁶⁶ and **b)** the separation between capital property and enterprise control⁶⁷. For these economists the cooperative system implies the

66 Mill, J. S. (1848) *Principles of Political Economy with Some of Their Applications to Social Philosophy* y Walras, L. (1898) *Estudios de economía social*, mencionados por Olivera, J. H. G. (1995) *Teoría económica y sistema cooperativo*, conferencia pronunciada el 8 de Junio de 1973, *Realidad Económica* N° 131, IADE, Buenos Aires.

67 Marshall, A. (1890) *Principios de economía*, mencionado por Olivera, J. H. G. (1995) obra citada.

overcoming of the salaried regime, constituting this a strong stimulus that improves economy productivity. Also, when not pursuing lucre, they equal price with the average production cost, tending towards a production level in higher equilibrium than capitalist enterprises. They lose this advantage when they are assimilated to the capitalist enterprises⁶⁸.

The cooperative organizations do not have lucre as an objective; neither do they constitute investment opportunities for capital reproduction and accumulation. Therefore, they do not try to maximize a return rate on a stock of immobilized capital. Their purpose is to offer services to their associates and to build collectively the *cooperative subject* by means of equitable participation, democratic control and solidary responsibility.

The stock capital invested in cooperative organizations constitutes an installed capacity of services to its associates, a productive capacity and not capital immobilization for lucre. The concept of flow of funds generated by an investment in a capitalist enterprise is replaced by the concept of *flow of services* in a cooperative organization. In the same way, the time value of money is replaced by the concept of *value of use of money*, more linked to the necessity of funds of the cooperative organization than to the return rate required by a capitalist investor in the sense of capital cost of opportunity. Although risk is an implicit component in every economy activity, with or without lucre objectives, in cooperative organizations it does not have the association sense to a certain return rate, demanded as compensation for it, but to the possibility of variation of the conditions of the context where the cooperative action is registered.

Another important matter is the generation of surpluses, financing and capitalization, three topics very much linked among themselves. The *surplus* concept in the cooperative organizations differs totally from the lucre concept that we approached previously. We can define it as *the remainder of revenues* that result after covering all

68 Olivera, J. H. G. (1995) obra citada

costs and necessary expenses to obtain them. This definition is very near the concept of *economic surplus* sustained by Sbatella as “*the difference among what a society produces and the costs of this production.*”⁶⁹ Which is the sense of this remainder of revenues for cooperative organizations? We can justify it in four necessities: **a)** the growth of the organization; **b)** the increase of stock invested capital; **c)** the constitution of reserves that serve as guarantee and risk liability and **d)** the increase, diversification and improvement of services to the associates. As not being for lucre, the cooperative surplus does not have as an objective the distribution or the payment of returns on the invested capital. However, in an economy where the prices are fixed by the market, the revenues of the cooperative organizations would not be different to the capitalist enterprises. As the market prices include the lucre or economic benefit pursued by these enterprises, in the case of the cooperative organizations that operate with these prices remainders of revenues would be generated to assist those necessities and even to distribute them to the associates, unless their costs and expenses are superior to the capitalist enterprises and there are no remainders.

When the revenues of the cooperative organizations do not come from market prices, how do they fix the surplus rate? In this case, the surplus rate would depend exclusively on the decisions that are taken in connection with the four necessities mentioned previously. Now then, how do they decide the type of growth, the stock capital invested, the level of reserves and the kind of services for the associates? Are these decisions independent among themselves? How are they linked with the financing and the capitalization of the cooperative organizations? In the case of the enterprises, growth depends fundamentally on the market, of the conditions of the economy and financial context and on the internal decisions based on strategies and corporate policies, while the stock of invested capital is in connection with the objective of maximization of the economy benefit and the constitution of reserves in connection with legal requirements. In cooperative organizations, growth as well as capital stock

⁶⁹ Sbatella, J. (2001) *El excedente económico en la República Argentina*, Realidad Económica N° 181, IADE, Buenos Aires.

and the volume of reserves would result from internal decisions more than from external conditions and they would be in connection with the capacity of services to the associates. The remainders of revenues, at the same time that they would result from these internal decisions, they constitute an important component of the structure of financing of the cooperative organizations.

Kai Rehfeldt links financing with development level of cooperative organizations. He distinguishes three phases in this development. The first one corresponds to the creation of the cooperative, where it has a monopoly position in the market and advantages in the commercialization. The basic financing instrument is the contribution of the associates and there can be additional contributions with more contractual demands. The second begins when the cooperative has a greater integration with the market. There exists a greater volume of sales and bigger financing necessity. The short term financing is given with the suppliers and the medium to long term with the financial entities. The associates guarantee with their patrimony the cooperative debts. There is tension between the financial matter and the purely cooperative one. The capitalist partners ask that the cooperative guarantees its debts with the reserve, that should be distributed among the associates. The last phase takes place when the cooperative is exposed to the market competition. There is the need to make decisions with approach to efficiency. The financing is given through the capital markets and the cooperative principles decrease, due to the variety of financing sources.

Although this author's outline is interesting, it deserves several objections. The first one is its linearity and rigidity. The cooperative organizations are not necessarily constituted under monopoly market conditions. Neither it necessarily continues an integration stage with the market and then another to the exhibition market competition. It is not necessarily given in the cooperative organizations, this sequence lineal monopoly-integration-competition. The second objection refers to the financing kinds that the author proposes for each stage. The suppliers and the banks can also be in

the beginning of the cooperative organizations and the financing with own capital is also given in the following stages. The third objection refers to the efficiency approach and reduction of the cooperative principles that the author places in the third stage. The appropriate use of the financial resources is a basic decisive approach that is not reserved to a particular stage of the development of cooperative organizations. On the other hand, the variety of financing sources does not imply in itself the reduction of the cooperative principles, since in any stage the cooperative organizations can be financed with a variety of sources, including the state financing that the author does not mention. In itself, the emission of bonds, for example that the cooperative organizations can carry out in certain capital markets of developed countries, does not have different effects on any other debt contracted with third parties, that also require certain legal measures, guarantees and can be charged compulsively in the event of non-fulfilment.

A last objection refers to the tension that the author mentions between what is financial and what is purely cooperative. Is there a "*financial world*" with autonomy and its own rules that are in tension with another "*purely cooperative world*" within the cooperative organizations? What is in permanent tension in the cooperative organizations, such as enterprises and in the organizations in general, are the interests, values and objectives of the members of the organization. This supposedly pure cooperative world does not exist in the cooperative organization, since this is not more than the result of the cooperative action that, as all human action, is of contradictory and conflicting nature.

The decision on the cooperative surplus is part of the financing problem within the cooperative organizations and this, in turn, is not independent of the growth problem, of investment and of the objective of service that constitutes the reason of being of these organizations. In this same order is also registered the transformation of

capital surplus, well-known commonly as a capitalization problem cooperative organizations.

CONCLUSION

The organizational theory has developed a diversity of concepts, categories and focuses that can constitute important starting off points for the development of organizational studies in the cooperative field. This would contribute to a better understanding of this kind of organizations, where they intersect and condense the policy, associative, cultural, economic and financial dimensions. As was presented in this paper, cooperatives only have historical existence as organizations and they do not have a supposed double associative and managerial nature. We reject this dichotomic duality outlined by many authors and we sustain that it is only due to the lack of development of organizational studies in this field.

The understanding of the cooperative phenomenon and their concrete expression in cooperative organizations are a necessary previous step for the debate about the finances in this kind of organization that cannot be detached from the social finances field, since the cooperatives share the same principles and elements that sustain a great variety of human enterprises and organizations that integrate the wide field of social economy.

In this paper some key matters have been discussed for a necessary debate on finances in cooperative organizations that it illuminate the research in this field and, that it may be uses as a building point from here on.

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