

# Co-operatives in the time of COVID-19

Co-operative Intelligence Unit Discussion Paper

Fall 2020

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# Co-operatives in the time of COVID-19

## Co-operative Intelligence Unit Discussion Paper

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## Background and Purpose of this Document

The Co-operative Intelligence Unit (CIU) was formed weeks before the COVID-19 global pandemic locked-down the country and initiated broad changes and uncertainty. It includes a group of people from across the country and from a variety of cooperative perspectives including practitioners, government and academic. All share a common passion for advancing the cooperative system.

Our initial intent was to assess the current state of the co-operative sector, identify a desired state for the near to long term, and posit scenarios. From there we would research the drivers of change that would create those scenarios. This would help us provide insight on what the future could look like; and offer strategic foresight to the co-operative sector. **Like Wayne Gretzky, we are interested where the puck could be, not where it has been.**



COVID-19 has challenged the CIU to rethink the factors that will create the future, and how co-operatives will remain relevant and create value to their members. The purpose of this document is to describe factors that could impact future scenarios to develop a better understanding of what needs to be considered in their planning.

This document summarizes the initial work of the CIU, examining the impact of COVID that has a material bearing on cooperatives. The specific lens applied is identifying developments where cooperatives can take specific action to take advantage of opportunities or mitigate threats.

The intent of the CIU was to create a timely thought-provoking document that generates discussion on “where the puck is going” post COVID for cooperatives. We wanted the document to stand out as something clearly useful to a cooperative which can be held against their current strategic plan to ask if there is something the cooperative should be changing. It is not intended to offer solutions, but it does identify implications.

If, after reading this document, cooperative Boards and Management engage in new conversations on how their strategy or tactics should be changing then this work has been a success. If cooperatives take specific action due to these conversations and/or they start asking for more work like this, then the ongoing value of the CIU group would be affirmed (and we’d be very excited).

Your feedback on how the value of this document and how it has been used by your cooperative or entity would be a great help in directing the actions of the CIU to the place of greatest value for our system. If you have any comments or questions, please email Seth Leon, Manager of Co-operative Services, at [sleon@acca.coop](mailto:sleon@acca.coop)

## Longer Term Trends: The Changing State of the Co-operative Sector

Change is constant, and the initial meetings of the CIU focused primarily on the question of how co-operatives react and adapt to change, as well as initiate change. To frame this conversation the CIU worked to describe the current context of the co-operative sector and a preferred future system for it to advance towards. The table below summarizes the CIU's characterization of these states.

The work of the CIU is to encourage, instigate, and share insight on the myriad of ways to move co-operatives from the former to the latter. The pandemic has not changed this, but it has created new opportunities in this space and increased challenges in others.

Discussing the “co-operative sector” is akin to discussing “basketball.” Consider the way basketball encompasses every NBA team and their affiliates; the cultural significance of Charles Barkley; the quality of play at the pickup game at the local YMCA; the growth of professional leagues in Africa; the worries of a Nike executive, and so forth. Similarly, the co-operative sector today is more than just the players. It is part of system defined by cooperatives relationships with relevant institutions, internal cultures and external perception as well as new and emerging dynamics that create both challenges and opportunities in the future. But what that future will look like remains highly uncertain

From (current system)	To (preferred future system)
<b>Cooperatives not considered part of governments' toolboxes</b>	Co-operatives solutions frequently used by policy makers and are embedded in our education system
<b>Cooperatives strong in only 1 of 3 areas: Values or Solutions or Financial Sustainability</b>	Co-operatives are known for strength in all 3
<b>Every cooperative for themselves</b>	Networked and connected
<b>Mirco-organizational thinking</b>	Ecosystem thinking
<b>Amplified by social movements</b>	Self-amplified: advocacy is an embedded strategy

This document focuses on the current situation, heavily impacted by COVID, to discuss the drivers of change that could affect the sector's ability to move from the current to the preferred future system.

## Executive Summary

The CIU examined the COVID and post pandemic world from a variety of perspectives and identified drivers of change (below) that could affect cooperatives and our ability to shape the desired state.

- [Trust in Institutions and Experts](#)
- [Economic Growth](#)
- [Big Government is Back](#)
- [The Co-Operative Ownership Advantage in Big Data](#)
- [The Co-Operative Advantage in Repairing Supply Chains Caused By COVID-19](#)
- [Degrowth and Energy Transition](#)
- [Trust In Institutions](#)

The first three articles explore the entrenched dynamics in our economy that have come to the fore as a result of COVID. This includes an analysis through the COVID lens on economic growth, the level of trust in the institutions that manage the determinants of growth, and how this may impact the way policy is developed and enacted. Moving from the discussion at the macro level, Bill Oemichin presents two case-studies on big-data and agricultural supply chains undergoing significant change and will impact co-operatives. Mike Gismondi's article reframes the discussion on growth, degrowth, to look at how co-operatives will address scarcity in a changing economy in response to climate issues and the opportunities presented by community renewable energy ownership. Last, Elvy Del Bianco focuses on the need for reciprocity to address the challenges of COVID, and how co-operatives can play a role by focusing on their co-operative elements.

Although these authors provide ample breadth and depth in understanding what lies ahead, common themes include:

- The profit maximizing system failed under COVID accelerating the imbalance of power between the needs of all and the benefit of the few in our society (economic, environmental, safety).
- Big is getting bigger as a result of COVID, whether in terms of data or size of business.
- People are demanding a different model as a result.
- Governments are reacting, stepping in to fill the gap created by the system failures in a way not seen before.

Based on these factors, the co-operative sector could consider the following threats and opportunities, and some analysis on what the sector could do moving forward.

### Threats

- Cooperatives already struggle competing with the scale and reach of many profit maximizing entities. This is only going to get worse in a post-pandemic world.
- Most cooperatives are smaller businesses. The forces that have disproportionately harmed small business in Canada during COVID are weighing on us too.

- COVID has moved much more business to the online platform, and these platforms compete on the basis of data as much as product, price or delivery. These large virtual businesses (Amazon being the most visible) will use the breadth of consumer data they are acquiring to expand into other models. Those who have only one stream of data insight (almost all of us cooperatives, assuming we are even compiling and using the data we have) will be at a large competitive disadvantage. And the consumers will have no control over their data or how it is used. There is a big probability that the profit maximizing model will result in failures of trust and application in data that mirrors what we have seen in health etc. under COVID. **Is your cooperative or association ready to be a solution when this happens?**

## Opportunities

- Cooperatives can be the solution to so many of the problems surfaced by COVID because by our design we offer balance, whether environmental or safety or wealth distribution. We can be trusted by government and people in a way profit maximizing entities can't. If governments can find us and we can deliver in areas like senior care and wealth disparity. This can help us advance to a desired state where co-operatives solutions can be frequently used by policy makers and become embedded in our education system.

## So What?

This may be interesting information, but to make a difference we need to turn insight into action. What does this mean in terms of running a cooperative and the actions that could/should be taken?

- **Act now on data management.** Start a dialogue on how your cooperative is compiling and using data. Connect with other cooperatives, through your association or directly, to see how you can work together to broaden and deepen your insight into members and how to use this to improve value to the members. Ask your association about their plans to create a data cooperative and how you can help. Make it clear it is a priority for you. Discuss how this can help members get control and ownership of their data and how you communicate the value of this to the membership. You can start all of this right now.
- **Act now to fill the gaps.** Small businesses have already begun to fail in Canada due to the pandemic. In many cases this is wiping out the capital of a generation of entrepreneurs. New cooperatives can fill this need if we have systems ready to foster their creation, we educate people (former employees of the business that became insolvent for example) on how the cooperative business model works, and we have clear requests of government that will directly drive the creation of these new cooperative businesses.
- **Act now to get a short, coherent story out to consumers and the government on how cooperatives were a source of resilience and trusted balance during the pandemic.** Prove to people that cooperatives can solve and during the pandemic did solve the problems of the profit maximizing model that are creating such anger and distrust particularly in the areas of reciprocity and redistribution. Are we a solution to wealth inequity? Find ways to prove it to people, don't just say it.
- **Identify areas where your cooperative or your cooperative system can carry some of the burden governments are taking on to solve the problems revealed by the pandemic** (seniors housing being a good example). As government gets bigger they will look for partners to help them quickly find solutions that they can trust to not blow up in their faces.

- **Begin a strategic discussion on whether we will find that climate change plays out like COVID did** – a risk we knew existed and was developing but where not enough was being done to mitigate those risks. If so, how is your cooperative acting to help mitigate the risks and are you prepared should it suddenly escalate like COVID did. Examine the top ten drawdown solutions and identify those you can incorporate into your cooperative. <https://drawdown.org/>



## Economic Growth

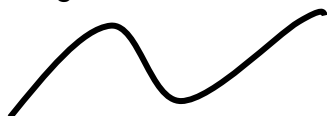
*Ian Glassford, Servus Credit Union*

There is a constant supply of economic forecasts for any cooperative to access. Volume, unfortunately, usually shares an inverse correlation with quality. This does not mean cooperatives should ignore economic forecasts, but it underlines the challenge for cooperatives. The issue is not finding economic forecasts; it is finding forecasts that speak to whether there are economic trends that present material threats or opportunities unique to cooperatives that cooperatives can take action on.

The objective of the CIU when proposing the document was to create something that added value beyond what could be found from other sources, value that spoke to the world of cooperatives specifically. Our look at the economy post COVID uses this lens.

For those interested in a conventional economic forecast we caution that containing COVID is still very uncertain, which makes near term forecasting slightly less reliable than horoscopes. With that in mind, the following appears to be the more likely medium-term economic growth path.

- There is pent up demand, which will create a sharp economic jump when it is safe for people to resume normal activities. That won't go on forever. The result will likely be a recovery that looks something like this, with an overall upward trend interrupted by soft patches.



- Due to lost production from failed businesses and damage done to consumers through wage losses and reductions, the recovery will likely be slower than normal overall. As we have seen through the pandemic, some sectors such as technology will be largely unaffected.
- A “demand drought” caused but below normal rates of consumption quite possibly will lead to increased trade tensions as countries act to keep as much of their populations consumption for their own industries.
- Inflation should be subdued for a number of years, keeping interest rates lower.
- It is possible that inflation will accelerate due to the aggressive fiscal policy of governments, but that will take time and is probably dependent on a sharp and sustained increase in economic activity.

Beyond the more conventional view of economic growth in the coming years we see an additional set of economic outcomes relevant to cooperatives that can be acted on to address the associated opportunity and/or threat.

- More Big, Less Small (*i.e.* the growth of Amazon, and the personal wealth of Jeff Bezos, and the closing of small businesses)
- Entrepreneurial Rain Shadows. Smaller firms involved in innovation and/or meeting needs in local markets will disappear.
- The Poor Get Poorer. Immediate impacts of COVID has increased poverty level. The recovery period will see an increase in this trend.

The following table summarizes these factors and offers suggested co-operative actions. The next section elaborates on these factors.

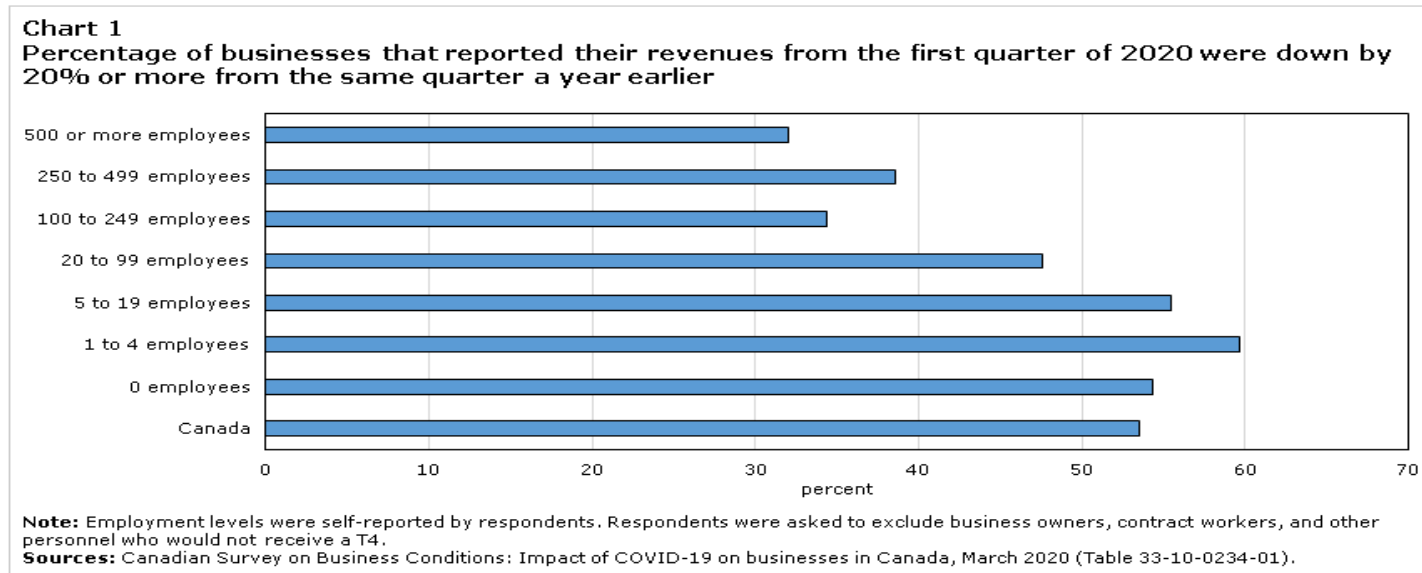
	Implications	Suggested Cooperative Action
More Big, Less Small	<ul style="list-style-type: none"> <li>- Greater concentration of economic power in larger, generally profit maximizing entities</li> <li>- Increased competitive pressure on cooperatives, particularly smaller ones</li> </ul> <p>Possibly grassroots backlash against bigger getting bigger trend</p>	<ul style="list-style-type: none"> <li>- Accelerate work on cooperative collaboration with a focus on technology and economies of scale</li> <li>- Identify (as individual cooperatives and as a system) sectors that may lose/are losing small businesses and develop plans to fill those gaps</li> <li>- Document your plan to expand in the coming recovery now (promotion, funding, target markets)</li> </ul>
Entrepreneurial Rain Shadow	<ul style="list-style-type: none"> <li>- Gap in economic recovery where entrepreneurs would normally function</li> <li>- Opportunity for new cooperatives to take on this role</li> </ul>	<ul style="list-style-type: none"> <li>- As a system identify where gaps will be created by this, develop training and promotion to encourage creation of cooperatives to fill these gaps</li> <li>- Turn a small team loose now with a mandate to identify ways your cooperative can replace some of the entrepreneurial spirit lost in your community</li> </ul>
The Poor Get Poorer (During COVID and Post COVID)	<ul style="list-style-type: none"> <li>- Growth from the economic recovery is not equally distributed</li> <li>- Greater need for socially oriented business model</li> <li>- Addressing wealth disparity becomes a problem that societies seek a solution to, growth opportunity for cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>- Put more emphasis behind getting your story out, how you have made a difference for people during the pandemic and emphasize how it is rooted in cooperative values</li> <li>- Work with your system to communicate how the cooperative structure naturally addresses the root issues causing this</li> <li>- Have a clear list of “asks” ready that will allow you/your system to grow rapidly should government include you in helping resolve this situation</li> </ul>

More detail regarding these economic trends and their implications for cooperatives follows in the sections below.

## More Big, Less Small

There is considerable data indicating that we are heading for a world where big companies get bigger and we see fewer small companies due to the economic damage from COVID. This trend was already underway as small companies became a smaller part of the economic landscape. In 1988 small businesses (firms with less than 500 employees) employed 54.5% of U.S. workers. By 2017 that number had dropped to 47.1%<sup>1</sup>.

Further, COVID appears to have accelerated the trend in Canada, hitting small businesses harder than large businesses.



Source: Statistics Canada

As noted by the OECD when commenting on the impact of COVID “the effect on SMEs is especially severe, particularly because of higher levels of vulnerability and lower resilience related to their size.”

COVID’s expected acceleration of this decline in small business in coming years has a number of implications, and possible actions, for co-operatives;

1. This tends to be the space we live in, meaning we face similar threats from any further economic disruptions.
2. The concentration of economic power in the hands of fewer, generally profit maximizing entities, will create an even more challenging competitive environment for cooperatives.

While hardly profound, points 1 and 2 emphasize the importance of cooperatives cooperating more to share investment in areas like technology (identified by many small businesses as one area of competitive disadvantage) and simply economies of scale. Cooperatives should be accelerating their collaboration in this space.

3. A gap or vacuum may open in the space formerly occupied by these small businesses. Cooperatives are logical solutions to fill this gap if we as a system have the structures in place to nurture such growth.

<sup>1</sup> Census Statistics of U.S. Businesses, Heather Long/The Washington Post

4. The likelihood of a grass roots backlash against this concentration of power increases as the concentration grows.

Points 3 and 4 present an opportunity for individual cooperatives and the system overall if we have positioned ourselves as a recognized effective alternative solution. There is an increased potential to be rewarded for our efforts in this area in the post COVID economy because cooperatives offer a solution to a problem that is increasingly compelling to people. There is real growth potential here for cooperatives, but only if we position ourselves for it. As the old saying goes, there is little point sitting in the airport waiting for your ship to come in.

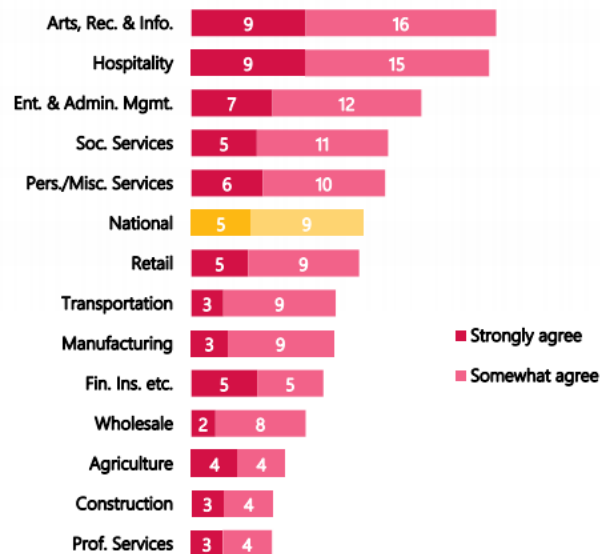
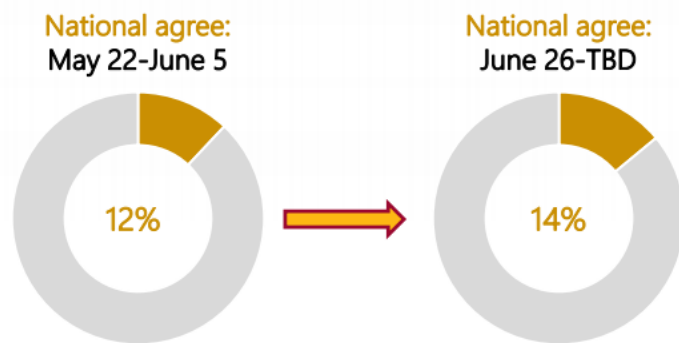
If your cooperative does business in a sector that is seeing increased bankruptcies, has it developed a plan to exploit opportunities when the recovery comes around (and they always do eventually)? This may include identifying customer/member groups whose business may now be seeking a new home, talking to your financial institution about the financing needed to tool up for greater growth, or looking at new markets (geographic, demographic or product) that are opening up due to the closure of businesses. Identify a small team and turn them loose to build a recovery plan for your cooperative with a focus on opportunities like this in the post COVID world.

### Entrepreneurial Rain Shadow

There is no doubt that Canada is going to see a wave of business failures due to COVID and, as noted above, small businesses will likely be disproportionately represented. This will shape the form of recovery since a business that has ceased to exist can't contribute to any rebound. More than this, however, Canada will lose some portion of a generation of entrepreneurs since their capital will be wiped out with their business.

The table below from the Canadian Federation of Independent Businesses provides a sense of the possible magnitude and which parts of the economy could be most affected.

# “I am actively considering bankruptcy/winding down my business as a result of COVID-19”, by sector (% response)



Source: 1) CFIB, Your Business and COVID-19 – Survey Number Fifteen, June 26-TBD, 2020, preliminary results, n = 3,877;  
2) CFIB, Your Business and COVID-19 – Survey Number Eleven, May 22-June 5, 2020, n = 7513.

Every economy needs entrepreneurs to drive innovation and growth, and the damage from COVID could be material for Canada’s economy in this space. There is an opportunity here for the cooperative system to acquire new vitality by proactively fostering a new generation of cooperative entrepreneurs. The economic opportunity here is not so much one of basic growth by acquiring more market share but rather one of grassroots growing of cooperatives in spaces that gone barren due to COVID. (If you find the agricultural references a bit painful, you probably haven’t been enjoying the fertilizer that has been liberally spread throughout this section, but what do expect from an economics commentary?)

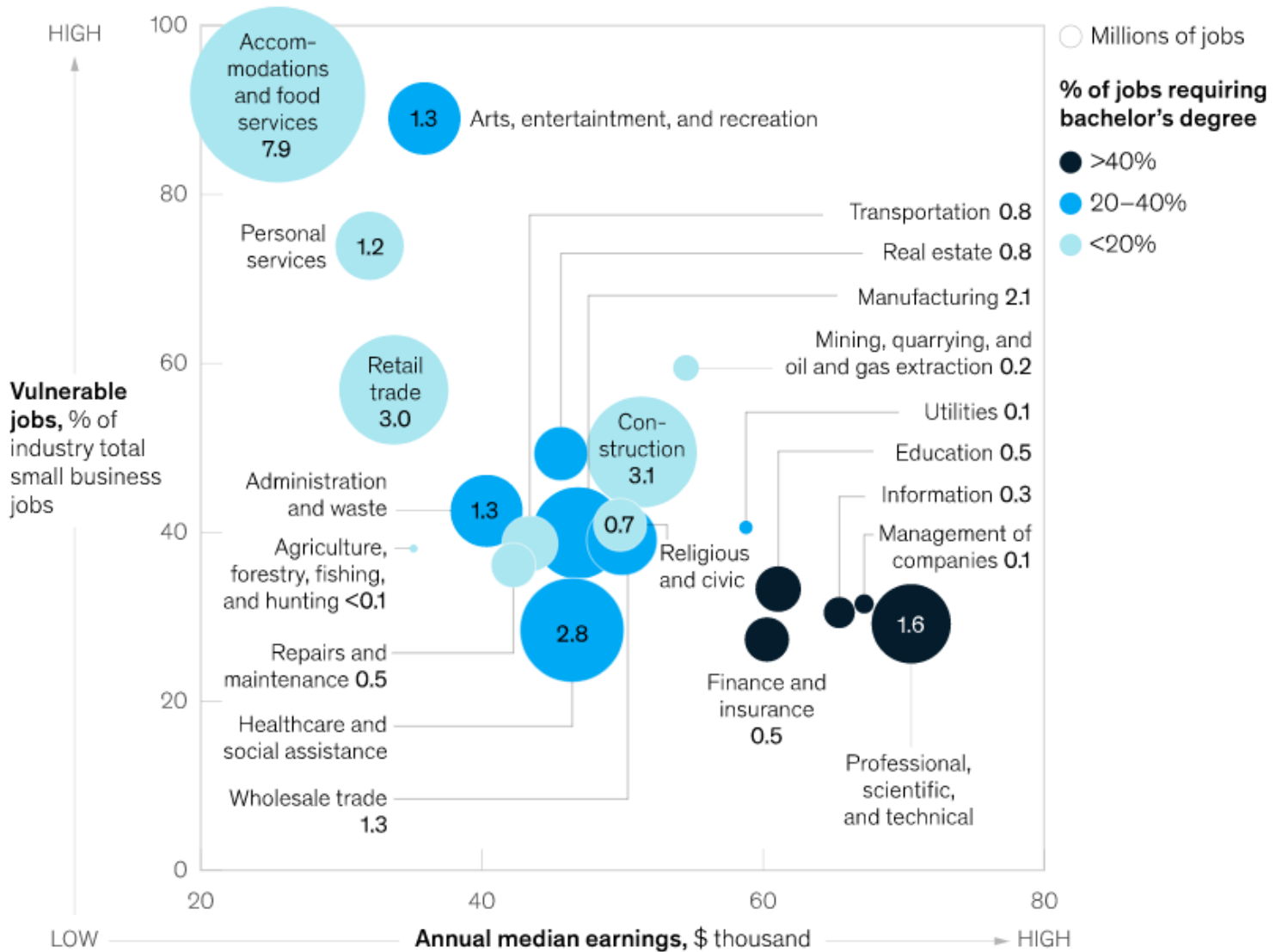
The action required to exploit this opportunity and help boost the next recovery is increased system investment in education and support for people looking for the right business model for their new endeavor, ongoing business support for these cooperative entrepreneurs to help them through the first years and possibly some creativity like spinning off a cooperative from your current entity to pursue an opportunity that isn’t a perfect fit for our current strategy.

## The Poor Get Poorer (During COVID and Post COVID)

One area of economic growth that we expect to see post COVID is acceleration of wealth inequality. A strong, and unfortunate, economic trend emerging from the world under COVID is that its impact was felt much more by the less advantaged. The evidence we see indicates this disturbing trend will continue when the economy emerges from COVID, bringing with it all the tensions and issues of growing income disparity.

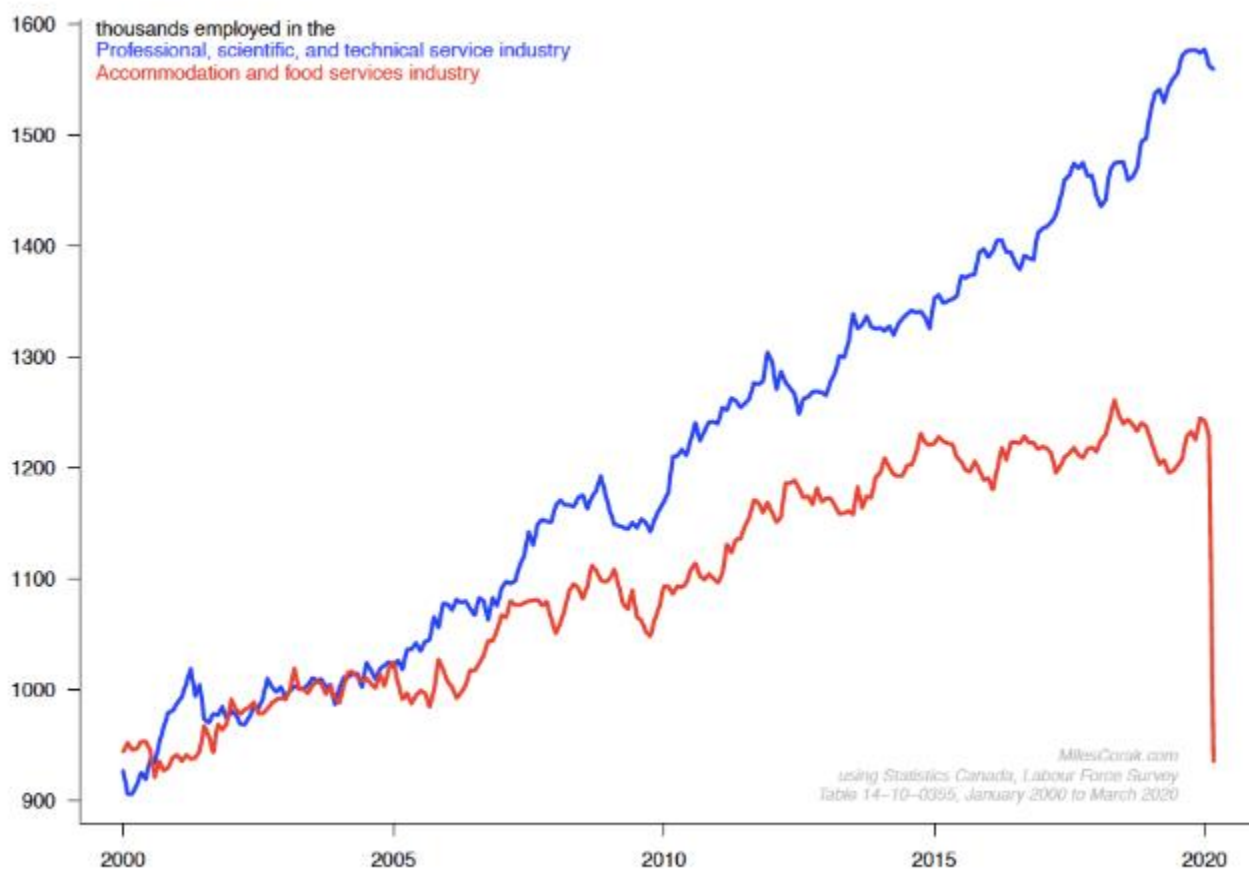
Most will know already that COVID tended to disproportionately affect those with less skilled jobs and lower wages. The chart below of US data provides a quick visual of the vulnerability of jobs to COVID consequences with an overlay of education and income.

**Vulnerable small-business jobs<sup>1</sup> by industry, earnings, and education**



Source: McKinsey & Company

For a Canadian insight, a stark illustration of the contrast can be found in this chart compiled by the Broadbent Institute showing how COVID impacted employment in different workforces.

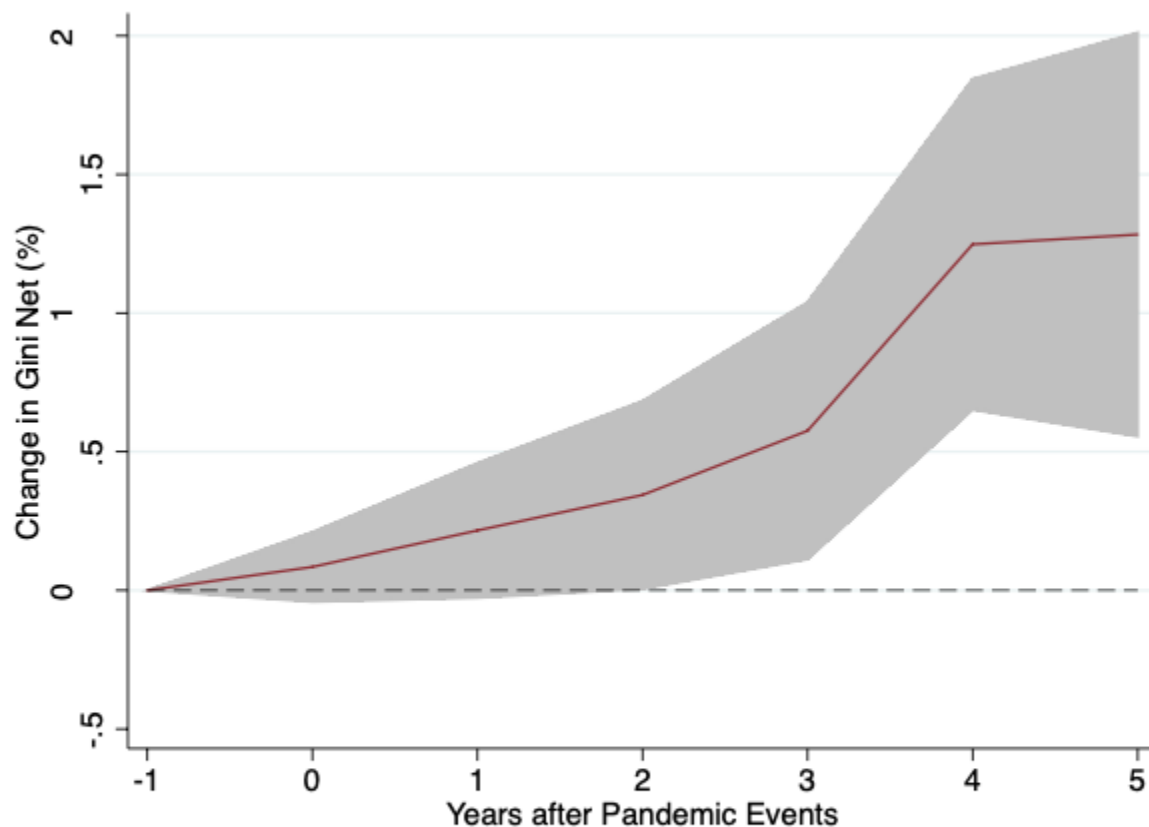


Source: Derived by the author using Statistics Canada, Labour Force Survey, March 2020.

Source: Broadbent Institute

This would be less disturbing if our expectations were that when the economy returns to normal levels of growth the vulnerability and impact from the changes COVID has effected would disappear too. Unfortunately, it is likely that the changes from COVID will continue to affect the less advantaged in a post COVID world.

History indicates that income inequality will increase in the years following a pandemic rather than reverting to previous levels. A European study looked at the impact of pandemics on the Gini Coefficient (a measure of wealth equality/inequality) and found that the negative effects actually accelerated after the pandemic ended.

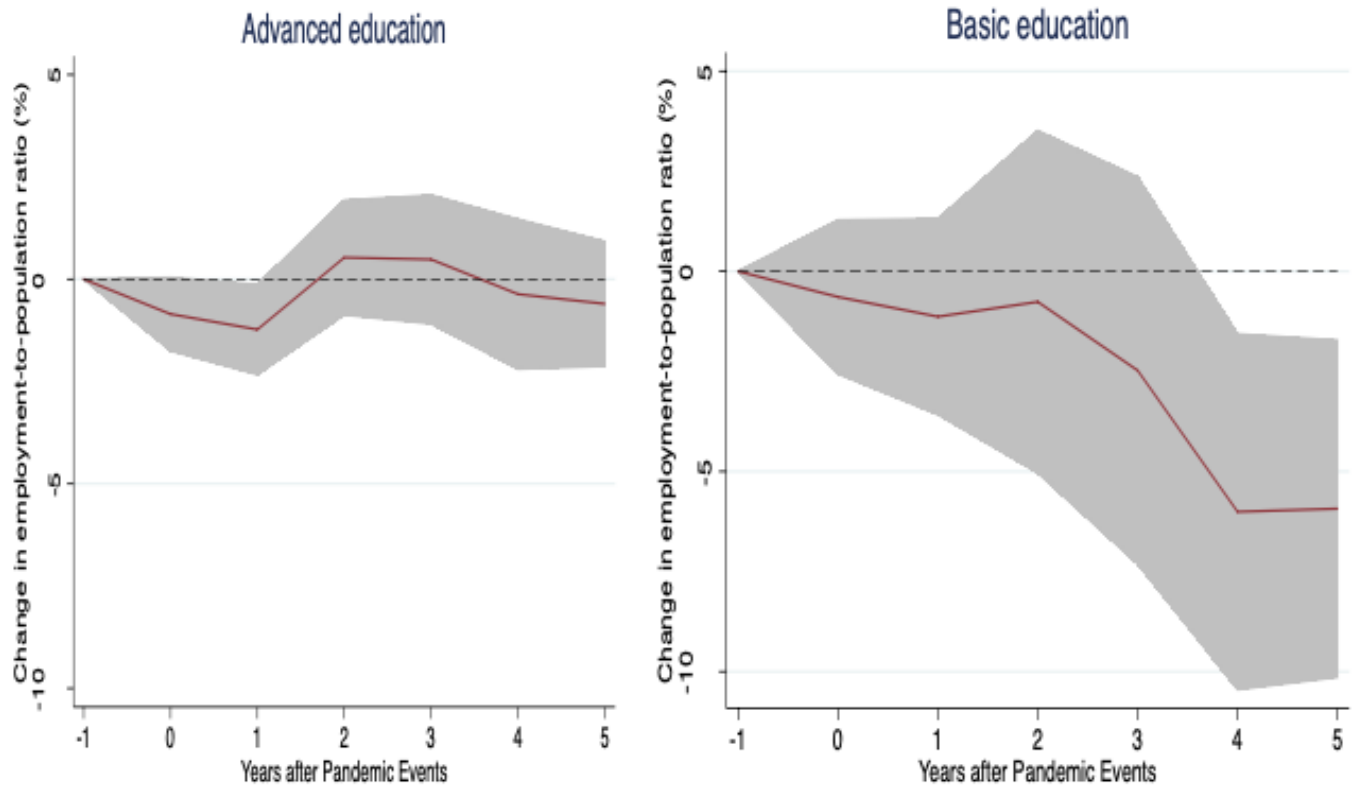
**Figure 1** Impact of pandemics on inequality

*Notes:* The figure shows the impulse response (and 90% confidence bands) of the net Gini to a pandemic for five years after the event for 175 countries over the period 1961-2017. The baseline specification includes two lags of the dependent variable and current and two lags of the pandemic dummy variable. Gini coefficients are from the Standardized World Income Inequality Database. See Furceri et al. (2020) for details.

Source: VOXeu

The drivers of this are largely the same as the factors that created the impact disparity during the pandemic – less skilled jobs are more vulnerable, the better educated have more options when problems arise, areas negatively affected by the pandemic tend to concentrate in lower skilled jobs.



**Figure 3** Impact of pandemics on employment outcomes

If this was not bad enough, it is probable that the changes that we have seen under COVID with a trend toward working from home (some of which will of course continue post COVID) once more favours those with higher education and white collar jobs.

**Table 1**  
**Percentage of primary income earners holding jobs that can be done from home, by education, sex, and type of family unit, 2019**

Education level of main earner	No high school diploma	High school graduate	Post-secondary (below BA)	Bachelor's degree or higher	All education levels
	percent				
<b>Unattached individuals</b>					
<b>Both sexes</b>	12.5	23.6	32.3	65.1	40.6
Men	10.4	16.4	24.2	65.7	33.4
Women	19.0	36.7	43.3	64.6	50.0
<b>Lone parents</b>					
<b>Both sexes</b>	19.8	28.1	39.9	65.7	43.4
Men	22.2	20.5	24.4	68.5	35.0
Women	18.9	30.9	44.2	64.8	46.0
<b>Single-earner couples</b>					
<b>Both sexes</b>	12.8	25.9	30.9	65.6	39.7
Men	9.4	19.0	24.2	66.1	35.4
Women	23.9	39.1	43.9	64.7	48.5
<b>Dual-earner couples</b>					
<b>Both sexes</b>	13.0	29.1	33.2	67.6	45.0
Men	11.2	23.6	26.2	66.8	38.2
Women	31.6	41.8	49.8	62.1	61.6

Sources: Statistics Canada, Labour Force Survey and The Occupational Information Network (O\*NET).

Activate V  
Go to Setting

The trend to greater wealth inequality was well underway before the pandemic began, but it has been accelerated by COVID. Evidence points to a continued acceleration once the economy begins its recovery. This presents a situation that cooperatives can help mitigate due to our fundamental purpose and function, and an opportunity to increase the role cooperatives play in the new economy. It is an opportunity to make a needed difference and grow in the process.

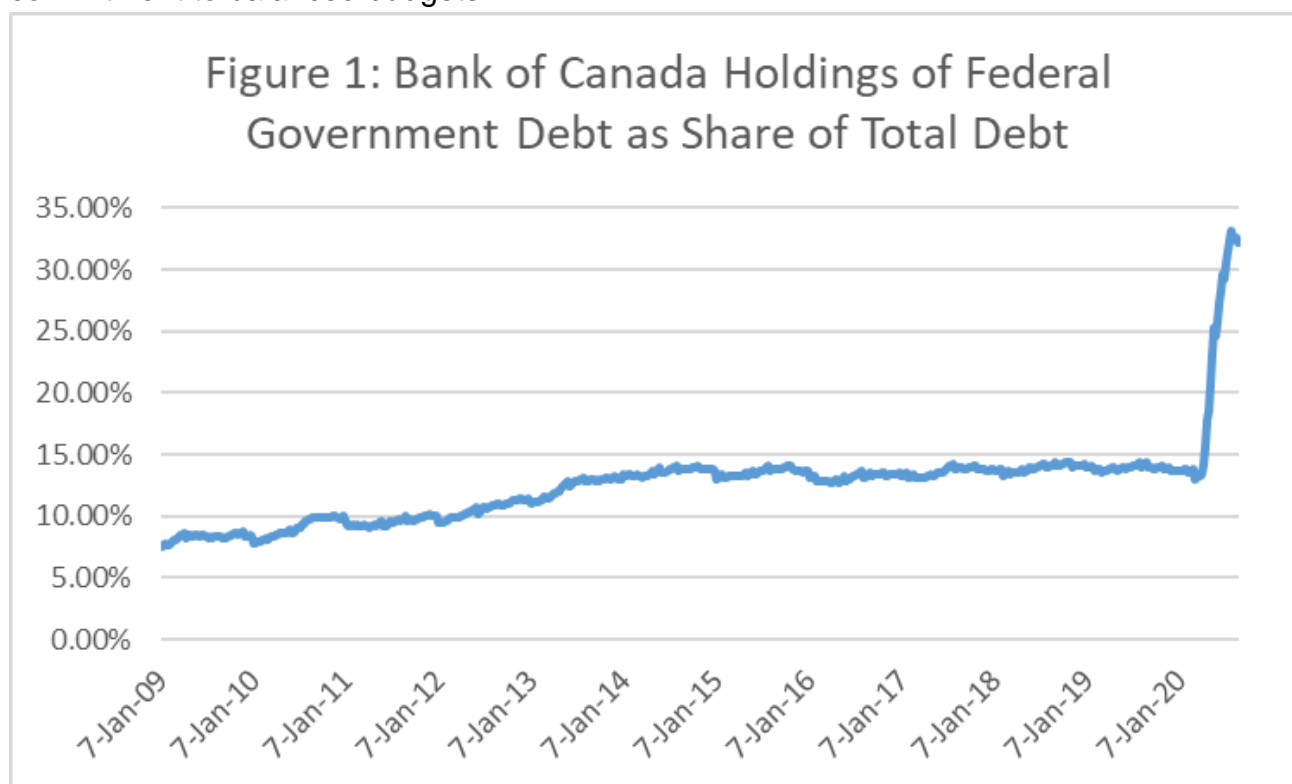
Many will correctly note that a similar view was expressed after the Occupy movement swept North America and that in the end very little came of it for cooperatives. We contend that this time could be different for two reasons:

- Wealth disparity could be reaching a breaking point for society where so many have felt the pain from COVID economic damage and will be more sensitive to a small portion of the economy doing better from the damage while so many lose ground in the new economy. Rather than working to convince people that this is a problem that cooperatives can solve, government and consumers in general could actively seek solutions that aren't part of what is seen the problem (business models with a sole focus of profit),
- If cooperatives take proactive steps (individually and as a system) to get their story out about how their resilience through the pandemic, how they helped communities and employees during this time and how this is all part of our fundamental DNA then we can be ahead of this wave and ready for it when it crests. This is action cooperatives can take today.

## Much Ado About Something: Big Government is Back – Implications for Co-operatives

**March-Andre Pigeon**  
**Director, Canadian Centre for the Study of Co-operatives**  
**Assistant Professor, Johnson Shoyama Graduate School of Public Policy**

In her studies of common pool resources, the late great political scientist Eleanor Ostrom observed that people are only really moved to change the rules of the game when the *status quo* is no longer tenable. For the last 40 years, the economic rules of the game have pivoted around a handful of policy anchors known as the Washington Consensus – liberalized trade, central bank inflation targeting, privatization of state-owned enterprises, labour market reforms, and at the heart of it all, a commitment to balanced budgets.



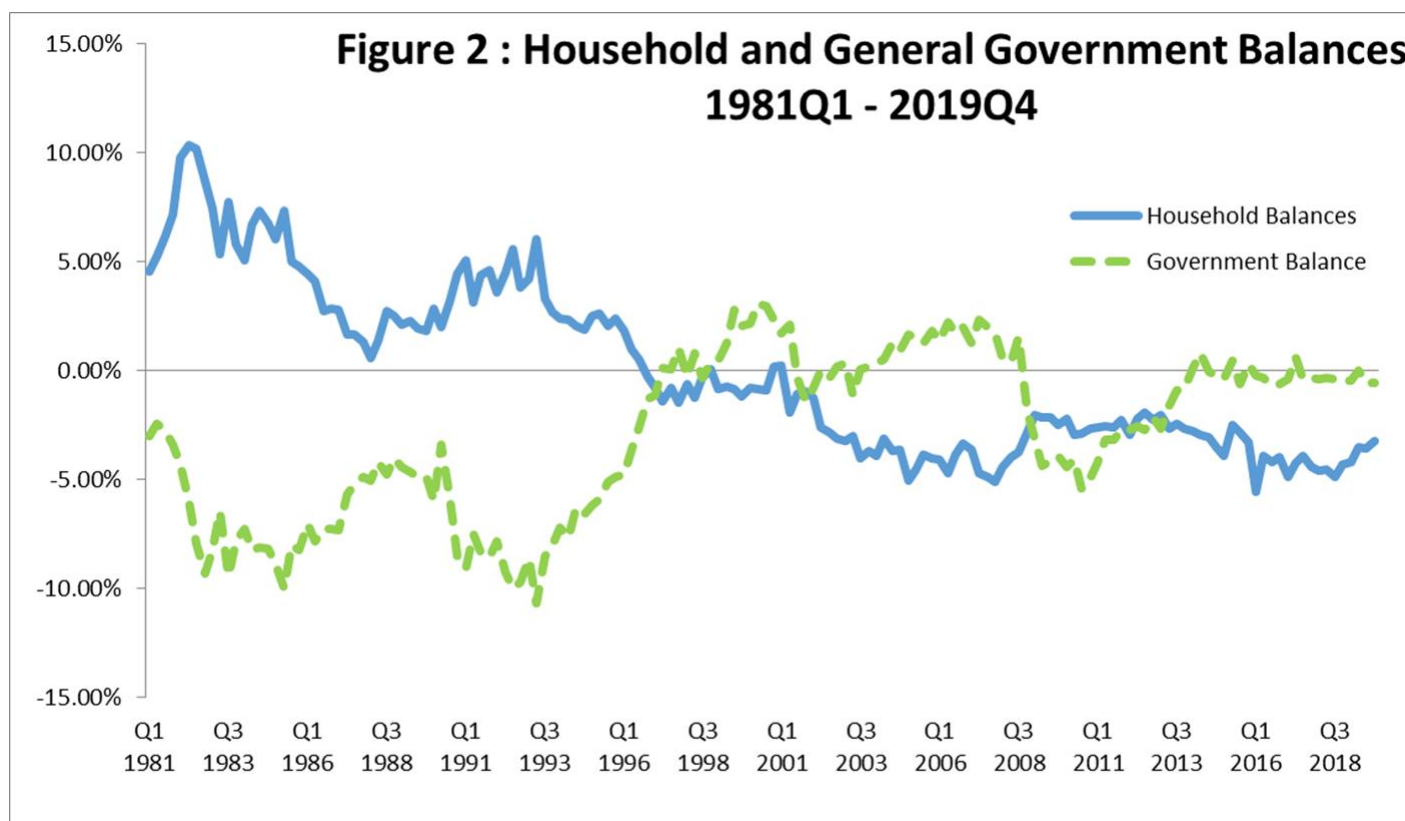
With COVID-19, the question arises whether these policy anchors will endure. As the Economist [noted](#) in an editorial from its July 25<sup>th</sup> edition, there is a “profound shift taking place in economics as a result of the COVID-19 pandemic.” For co-operatives, this shift is important because over the 40 years that the Washington consensus prevailed, the sector has endured waves of demutualization and failures, anemic formation of new co-operatives (albeit not universally) paired with a growing centralization of power in hitherto decentralized co-operative systems (e.g., retail, financial co-operatives) and a less-than-ideal policy environment. This has played out against a social backdrop

of growing income inequality and financialization, an environmental backdrop of climate change, and now, a COVID-19 public health crisis.

There are signs that at least one of the “Washington Consensus” policy anchors, the balanced budget commitment, is coming unstuck. In early July, the federal government estimated a record [\\$343 billion deficit](#) for 2020-21 and a related \$1 trillion debt. Meanwhile, the Bank of Canada is helping finance this spending, now holding \$300 billion or just about a third of all federal un-matured debt (see Figure 1).

### Pulling up the Anchor?

If the fiscal and monetary policy anchors that have shaped the Washington consensus are starting to slip, policymakers will as the Economist suggests, start asking themselves what could take their place. Increasingly, there is some evidence that they are giving consideration to modern monetary theory (MMT), a school of thought at odds with long-standing conventions about the proper conduct of fiscal and monetary policy. Whereas conventional accounts posit a finite amount of money that governments compete to use, MMT stresses that sovereign government deficit spending *necessarily* increases financial assets in the economy – there is no crowding out of private investment and no necessary increase in interest rates. If anything, government deficits are associated with *improved* household finances. Figure 2 shows how Canadian household finances tend to move inversely to government deficits: when they increase, household finances improve (move above the zero line) and vice-versa.



Relatedly, whereas conventional accounts assume that sovereign governments must sell bonds to fund deficits, MMT stresses that sovereign governments choose to (but need not) issue debt to

provide an important risk-free benchmark asset for the financial sector and investors. Whereas conventional theorists worry about fiscal sustainability, MMT notes that sovereign governments can *always* pay debts owed in their own currency and that interest rates are under the control of central banks that can be fruitfully thought of as price-setting monopolists – they control interest rates (the price of money) because they control the supply (of money).

Whereas conventional accounts emphasize the potentially inflationary impact of government money creation, MMT notes that government spending need not be any more inflationary than spending arising from private credit creation. Finally, whereas conventional accounts tend to emphasize the mathematical necessity of budgetary balance over some time horizon to avoid explosive debt spirals, MMT stresses that this view ignores the real power of a sovereign government to spend and pay any debt in its own currency.

### Implications for Co-operatives

If policymakers begin to set policy according to MMT precepts, then we can anticipate the following consequences:

- *Bigger Government*: while MMT is compatible with smaller government (i.e., it could be used to justify tax cuts), most advocates favour a large role for the state. For co-operatives, bigger government could spell trouble because historically, co-operatives have emerged and prospered when they fill a vacuum resulting from market failures and the absence of government. Birchall (2011) for example notes that health-care co-operatives tend not to do well in countries with socialized healthcare systems. On the other hand, governments have played a key role in nurturing electrical, telecom, renewable-energy and other capital-intensive co-operatives, often as an alternative to state-ownership and market solutions. In Quebec, governments have often paired activist policies with strong *support* of the co-operative sector.
- *Less Leveraged Households*: An MMT-inspired government means less financially stressed households (see Figure 2 above). For credit unions, this means abundant liquidity and strong loan demand; for other co-operatives, it might mean more willingness to pay more to shop at a local co-operative instead of the big multinational with the lowest cost products.
- *Lower for longer*: If policymakers are really serious about MMT, this probably means a continuation of low interest rates for the foreseeable future, just like we've seen in Japan for the last 30 years.
- *More free time*: If bigger government translates into the introduction of a new income support policy like a basic income guarantee, it could provide people with the time and resources to take a more active interest and participation in co-operatives. If, instead, governments introduced a job guarantee program as was [being contemplated in Australia](#), this too could flow down to the co-operative sector as MMT advocates have long touted it as a “place” that could help put people to work.

Of course, bigger government can mean big problems – waste, corruption, and indifference to local concerns. Should policymakers adopt an MMT view on the proper conduct of fiscal and monetary

policy in a post-COVID era, it will be incumbent on civil society and co-operatives to help ensure that *their* values around decentralized democratic control, self-help, and a respect for local decision-making also become key policy anchors for the next 40 years.

## The Co-operative Ownership Advantage in Big Data

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**The New Smart Economy:** The explosion of “Big Data” being generated by smart devices as part of the Internet of Things (IoT) is exploding across many different industries and sectors. To take just one example, smart devices in agricultural equipment such as farm tractors, combines, and field drones generate data that did not exist less than a decade ago because farm implements contained analog as opposed to digital equipment. The data collected by smart sensors includes weather conditions, soil quality and elevation, crop growth, insect impact, livestock health, equipment performance, etc. This data is intended to allow farmers and ranchers to gain real time information that helps in planning processes and eliminates the inefficient use of seed, fertilizer, pesticides and herbicides, feed and irrigation. The smart devices are also intended to lead to better crop or animal controls and higher crop or animal quality.

**The Smart Economy Challenge:** Data is being collected all across Canada in many ways both known and mostly unknown. While equipment manufacturers, product providers or service providers argue the collected digital data helps them to offer more valuable and targeted products and services to consumers, business owners, and farmers and ranchers, the data becomes proprietary and is often monetized with the primary financial benefit not going to the farmer or rancher generating the data.

**Who Really Owns the Data:** To use the farmer and rancher example once again, most farmers and ranchers believe the data generated from their farming or ranching operation belongs to them. However, this is often not the case. Many of the contractual agreements accompanying the purchase of equipment or other agricultural products and services state that data generated from smart devices is the property of the manufacturer or service provider and is “shared” with the farmer or rancher using the company’s products or services. Of course, this contractual language is often buried within the multi-page legal agreement.

One of the most aggressive companies in this respect is Monsanto, a primarily agricultural chemical and seed genetics company recently purchased by German-owned Bayer. Monsanto is pushing big-data analytics across all its business lines, from climate prediction to genetic engineering. Monsanto is trying to persuade more farmers to adopt its cloud service and says farmers benefit most when they allow the company to analyze their data in a data stream with other farmers to help them find the best solutions for each patch of land. However, this data, while being used to help farmers and ranchers make planning decisions, is also being used to help Monsanto sell additional products and services to the same and other farmers and ranchers.

Another example is Syngenta, a formerly American-owned agricultural chemical and seed genetics company that was recently purchased by ChemChina, a company in turn owned by the Chinese government. This purchase is raising concerns in the United States about Chinese government access to American agricultural planting and production data.

Overall, agricultural researchers are concerned that vast amounts of agricultural data are being accumulated by four companies: DowDuPont, Syngenta-ChemChina, BASF and Bayer-Monsanto. A research paper by the Konkurrent Group states that competition between these “Big Four” agricultural companies will:

“[I]ncrease the farmers’ dependence on the Big Four’s digital platforms, where based on the data collected, farmers will rely more (rather than less) on the Big Four’s traits, seeds, and pesticides for their increasingly automated precision farming.”

**The Co-operative Opportunity:** Co-operatives are most often created when for-profit businesses do not see profitable opportunities to provide products and services to consumers. An important example is rural electrification beginning in the 1930’s across Canada and the United States and a more current example is renewable energy. In much of North America, electrical co-operatives lead the way in providing renewable energy to producers.

The creation of the Big Data Economy has largely left consumers and agricultural producers behind. What if data co-operatives were created by consumers, small businesses, and agricultural producers that would allow the members to negotiate with the four big agricultural companies so that their data co-operative becomes the data owner? This would allow the data co-operative to decide when, and how, the collected data would be used. One example of such an agricultural data co-operative is [Growers Information Services Coop](#) headquartered in Texas. Collaborative partners could be data tech companies and research universities such as the University of Alberta, the University of Saskatchewan, and the University of British Columbia. All three rank in the top ten Canadian research universities for agricultural research. By building co-operatively owned data systems, farmers and ranchers could ensure control over their data remains with them and that they reap the benefits of such data ownership.



## The Co-operative Advantage in repairing supply chains caused by COVID-19

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The Economy in the Era of COVID-19: COVID-19 has been historically disruptive to the Canadian economy and to economies around the globe. Particularly hard hit are a number of sectors in agriculture and food, including meatpacking, dairy production and processing, and beef, swine and potato production.

For example, the closing of schools across Canada disrupted supply chains in a significant way. K-12 public and private schools typically purchase vast amounts of food during the school year to feed to 4.86 million students (2018 estimate) across Canada, or 13% of our nation's population. The rapid closure of schools in early March due to COVID-19 meant that many schools no longer required food to be delivered. In many cases, the food was specially packaged for schools, including 250 ml milk cartons. At the same time, the rapid closure of Canada's 97,500 restaurants also meant the food packaged for them was also not needed, such as French Fries, and 10% have permanently closed since March. Much of this food went to waste because it could not be easily repackaged in smaller portions for home use. This, in turn, led to food being dumped by farmers because there no longer was a market for their production. Again, in turn, this led to a rapid decrease in prices being paid to farmers for various commodities because they were suddenly no longer in demand.

Furthermore, food processing facilities were severely impacted by thousands of workers, many from marginalized communities, who became ill with COVID-19. This negatively impacted the ability of the meatpacking plants such as Cargill's High River plant to produce processed meat products, for example, leading to supply issues at retailers across Canada. While this occurred to a lesser degree in Canada than in the United States, Canadian supply chains have not been immune.

What Are COVID-19's Implications for Supply Chains: While there has been some recovery from these disruptions as new supply chains are developed, the COVID-19 food disruption demonstrates the reality that food supply chains across Canada are too brittle and require recalibration. Many food processors, such as meatpackers, have increasingly centralized processing facilities and some have prioritized delivering processed food products to overseas consumers. One example is Smithfield Foods, a 62% owner of Schneider Company in Saskatoon, where an estimated one-third of the company's processed pork products are being exported to China while shortages existed on North American grocery store shelves. Smithfield Foods itself became Chinese owned in 2013.

The Co-operative Opportunity:

(1) Develop Local Emergency Response Co-operatives. Co-operatives are uniquely tied to the communities in which they operate. COVID-19 has made clear that there is significant fragility in the nation's food chains because of increasing centralization of food processing. Food processors are beginning to understand this is both a challenge and an opportunity and co-operatives have the opportunity to collaborate with processors to build decentralized local facilities or could take the lead in building such facilities on their own. This may require federal or provincial government involvement. The U.S. Department of Defense, among others, is researching the impact COVID-19 has had on U.S. food systems and a diverse collaborative of federal government officials, university researchers, agricultural leaders and disaster response experts have been meeting to plan food emergency response plans for the United States. A similar plan could be initiated by Canadian co-operatives, through the leadership of the University of Saskatchewan to develop similar response

plans for Canada, and a possible partnership with the University of Wisconsin-Madison and other academic partners in the United States.

(2) Develop New and More Resilient Supply Chains. Co-operatives in the United States are working with Park City Group to develop new food supply chains through an initiative called Food Source USA. This initiative matches buyers and sellers of food products through a transparent online marketing system that assists both parties in avoid food system chokepoints. This system helped dairy farmers, for example, to find outlets for processed cheese that was no longer being purchased by restaurants and this, in turn, alleviated milk dumping in the Upper Midwest. These American co-operative collaborators have offered to work with Canadian co-operatives to develop Food Source Canada.

(3) Develop a Canadian Food Plan. Moreover, because co-operatives enjoy uniquely strong ties to their communities, there is an innovative opportunity for co-operatives to take a collaborative and leading role with federal, provincial and local emergency preparedness agencies to develop plans ensuring a sufficient supply of nutritious food producers in an emergency such as a pandemic. Collaborations could be expanded to include local law enforcement, community public health agencies, hospitals, and local businesses to develop emergency preparedness response co-operatives. This is a model that is already being developed in places like Wisconsin and the ability of co-operatives to respond to effectively respond to disaster emergencies has often been tested and successfully demonstrated.

## De Growth and Energy Transition

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Between now and 2050, trends in climate change will impact agriculture, construction, energy, finance, fire and flood insurance, food, health and leisure, tourism, transport and more—all sectors where cooperatives and mutuals operate successfully. Some scientists reason that human industrial and social activities have begun to broach planetary limits and threaten to undercut the basis of human life and society.

Economic growth has become the problem, not the answer to human wellbeing.

“What happens after growth?” asks Vaclav Smil, Canada’s leading thinker on energy and the history of economic growth.

We need to change course, he says, to limit the material use of nature, conserve ecosystem services, shift to renewables and energy efficiency, reduce the intensity of material throughput and consumption, and forge broad moral agreement on what constitutes ‘enough’ for human basic needs and well-being.

The **degrowth movement**, whose slogan is *Less is More*, suggest just such a sustainable way beyond the contradictions of endless growth.

**After growth comes degrowth.**

But degrowth is not what you think.

Degrowth is a process of change in how we do cooperative business. Not the end of business. Degrowth recognizes the acceleration of climate change impacts like wildfire and strange weather, overconsumption of material resources, and the social inequality caused by current and future negative and positive climate changes.

To re-position themselves, cooperatives should anticipate these threatening trends in economic, societal and ecological disruption, and begin to engage the principles of degrowth, not endless growth.

De-growth will require a re-focus away from financial growth planning into business strategies that reduce throughput of biophysical resources (raw materials, energy, carbon and pollution waste) and address social inequality, ecological and social justice challenges.

As values driven enterprises faced with transition, however, coops have a head start in the re-design of competitive businesses and services for turbulent times. They know how to gain the trust of people, to grow loyal memberships, address community problems, and combine the public good with good profits.

Cooperative leaders should be looking hard at the trend in the decentralization of energy generation and the future of community owned renewable energy utilities. A quick glance to the United States shows that renewable energy dominates not only popular imagination, but also economic investment. The emerging decentralization of energy generation represents a unique opportunity space, as provinces and communities replace centralized fossil fuel energy generation with utility scale, low-

carbon community generation (solar, wind, biogas and more, including emerging storage options). Decentralized energy generation brings opportunities for local community investment and multi-stakeholder cooperative ownership. Other opportunities for coops exist in clean electricity retail and technical services, installation, and even manufacturing. As cities and communities worldwide re-municipalize electricity generation, they are also exploring **district energy projects** that generate heat – for downtowns, industrial parks, condominium blocks, neighborhoods or a college campus. Combining prairie coop development experience with Alberta’s workforce skills in the energy field is another opportunity, for example, platform coop businesses focused on **aggregation and verification of carbon credits for** small energy generators (See Equus’s efforts using digital tools like blockchain and distributed ledgers with central Alberta farmers who produce solar power on farm and export to the grid).

Alongside today’s energy transition, old-time community cooperative missions appear new again. Multi-stakeholder clean energy cooperatives combine democratic and social value propositions with local investment, environmental sensibilities and making money. Some work with municipal governments in public-social partnerships to develop their own energy utilities and keep utility dollars in the local economy, providing for other social and community needs like equity and fairness in the transition ahead. As Herman Daly reminds us all “life, or a society, ought to have some purpose beyond economic growth.”

Finally, a cooperative vision that combines cooperative care for society and care for nature with sustainable degrowth should feel familiar to most cooperators– whose originators combined the provision of basic needs with social and community well-being under another well-known slogan: cooperative commonweal.

### Further Reading

- [Quest Canada Smart Energy Communities](#)
- [Smart Energy Benchmark](#)
- [Top 10 Drawdown Solutions](#)
- [EQUUS REA](#)
- Smil, V. (2019) **Growth: From Organisms to Megacities**, MIT Press.

## Trust in Institutions & Experts

*Elvy Del Bianco, Cooperative Portfolio Manager, Community Business & Investment, Vancity*

The failings of the market-centric approach have been laid bare during the pandemic. The market has been unable to respond in a timely and cohesive fashion, and in some places is actively working against addressing the containment of the virus for fear of a negative impact on the bottom line. While the public realm has stepped up its role dramatically and returned to the welfare stance of the past, this represents a significant change from its *laissez faire* approach of recent decades and lacks the resources to sustain itself. Meanwhile, the under resourced civil society works overtime to manage the worst of the impact, despite being large excluded from the decision-making process dominated by public and market forces.

Bringing all these components into a closer alignment would necessitate strengthening the reciprocal function, with cooperatives playing a key role.

How could co-ops step into the gap? What is the mechanism for cooperatives to build trust? What's the opportunity for cooperatives?

Is a co-op an economic entity that provides social returns or a social entity that provides economic benefits? Ultimately, a co-op's success lies in its ability to blur these distinctions, with economic value inextricably linked to social values.

Fundamentally, co-ops must provide an economic value; that is, operate efficiently enough to serve its members' needs and to sustain itself over the long term. No margin means no mission. However, focusing solely on business side is, by itself, insufficient. Competing solely on economic terms is the corporate game.

The very recent implosion of a major cooperative is instructive in this regard. Established in the 1970s by a small group of backcountry adventurers, Mountain Equipment Co-op was focused on providing a discreet set of goods that reflected high quality and good value, sourced against a supplier code of conduct. Served by a staff comprised mainly of outdoor enthusiasts, member loyalty ran deep.

In recent years the co-op adopted a traditional corporate retail approach, diversifying its products well outside its traditional offerings and embarking on an aggressive growth strategy. While it was subsequently possible to find traditional products among the yoga wear and pet accessories, "MEC" staff turnover had increased dramatically and the experience had fundamentally changed, had moved beyond the service to members to capture a much broader, and less committed, audience. Inevitably revenues were insufficient to match expenditures.

Overinvestment in the business appears to have been accompanied by underinvestment in the co-op's social life. Member engagement withered away, staff knowledge of the cooperative model

An argument can be made for cooperative enterprises as the ultimate agent for reciprocity. A properly functioning cooperative is a generator of trust and social capital by necessity. A legally constructed community of interest -with a market orientation, democratically controlled, in service of the common needs of its members- cooperatives succeed or fail on their ability to support reciprocity to meet the needs of members in the face of organizational and market challenges. Furthermore, cooperatives are agents of redistribution by creating meaningful work opportunities and by making goods and services available to a wide constituency of users.

declined precipitously, and board candidates were deemed “preferred” for their experience managing large businesses but not their cooperative values or knowledge of the model. That the sale of MEC’s assets to an American-based investment firm came without informing the membership or giving them a voice in the decision fits all-too-well with the withering of its social characteristics: demutualization, not with a bang but a whimper.

While business considerations will always demand attention and difficult decisions, cooperatives need to lean into their principles and values to better inform those discussions. Supporting and investing in these aspects of the co-op, creating the venues where reciprocity can be practiced and social capital can be accumulated is a means of realizing both social and economic returns.

The blueprint lies in the Cooperative Principles.

Principles 1 and 2 spell out the democratic orientation of a cooperative. While the importance of AGMs and board elections are not in dispute, it might serve co-ops to apply these principals to focus on equating membership with ownership through member engagement and participation. Creating authentic channels of communication and discussion, where members can voice their concerns, needs and satisfaction before, during and after general assemblies are instrumental to positioning the co-op not as an impersonal machine serving only financial objectives but as a social structure that actively strives, however imperfectly or messily, to meet the needs of its owners. Such active communication also provides an excellent means to inform the tweaking of service offerings or the exploration of new business opportunities in response to real and changing member needs, and so maintain the relevance of the co-op over time.

While most exchanges in the market are focused on transactions of money for goods or labour, the cooperative is ideally placed to provide something fundamentally more important. Principal 5 and the education of members and the training of staff and board directors has always been critical to ensuring the operation and governance of the co-op. What more might be possible?

Some food co-ops are adept at providing education on their products and cooking tips; the credit union movement supports a comprehensive financial literacy program to ensure that all members make informed decisions about accessing credit; some co-ops sponsor co-op-specific post-secondary education of their members to ensure the enterprise is managed properly as a cooperative. What else might be possible if all co-ops deployed educational opportunities with the common goal of developing people as human beings?

In recent years many co-ops seem to interpret principal 7, Concern for Community, to mean care for the environment; this is evident in the many co-ops that support renewable energy systems, zero emissions courier services, shared car ownership, the diversion and repurposing of waste materials, and even the articulation of public policy to address climate change.

Opportunities to co-ops to build reciprocity lies in addressing other pressing concerns, particularly racism and discrimination. While many co-ops strive to serve their memberships, often those memberships are not very demographically diverse. Better reflecting the nuanced composition of our communities in our membership and boards and using this diversity to inform discussion and, ultimately, business practices could place co-ops as a key venue for reconciling differences and building solidarity.

## Concluding Remarks: From the Current to the Preferred State

This document has discussed different factors that will impact co-operatives in the coming years. As a summary, some of the drivers of change are discussed in relation to their impact on the preferred future state for co-operatives.

### Co-operatives solutions frequently used by policy makers and are embedded in our education system

Glassford's article describe an economy with higher levels of inequality, a loss of small businesses and longer-term poverty. These factors may have broader implications due to their impact on students and younger people in the labour market: *i.e.* lower enrollment in post-secondary, higher youth unemployment, and fewer young entrepreneurs willing to risk and innovate. Pigeon argues this may encourage policy makers to consider Modern Monetary Theory (MMT) for solutions.

On the one-hand if co-operatives can advocate effectively and *show* government their ability to address challenges such as youth unemployment, this could be an opening to build strategic partnerships with policy makers. If MMT type policies result in greater government intervention in the economy, co-operative may have to adjust by identifying which areas they can offer meaningful partnerships. Gismondi's work on energy transition points to specific areas where co-operatives and government could align on large-scale projects.

Del Bianco offers more context on this issue, pointing to the larger role co-operatives can play in meeting member needs and building strong communities. Driving this would be a high level of accountability to the mission of a co-operative, combined with transparency and openness, which, again, makes co-operatives a strong partner for policy makers.

Over last forty years, government has continuously downloaded and outsourced the delivery of social-service programs to not-for profits, charities, and corporations. With more inequity in the economy and high youth-unemployment will policy makers continue this approach, and if so, can co-operatives show they are trusted partners.

Alternatively, co-operatives may play a different role with a more active and interventionist government. FDR's New Deal, responding to the great depression in the 1930s comes to mind. Rural Electrification Associations were developed in tandem with government infrastructure projects.

In any event, co-operatives will need to advocate and show their unique value proposition to be effective in delivering programs and as trusted stewards of public funds.

### Co-operatives are known for strength in Values, Solutions, and Financial Sustainability

The recent/evolving situation regrading MEC comes to mind in this category. Large corporate firms can and will take over co-operatives that are not strong in these areas.

In a broader sense, Glassford has framed market trends with larger investor-owned firms getting larger. A market with less players, means a propensity for larger firms to acquire smaller/weaker firms and engage in some form of price control (to charge more), or leverage their purchasing power to impacting the cost and access of inputs, and/or put up barriers to entry or participation by other firms. Further, the growth of the big-data industry bends towards larger firms, reinforcing their position in the market.



If the trend is towards a small group of large multi-national corporations dominating the market, co-operatives are in for more than a fight; it could be a war of attrition. Larger firms will be competing *for* markets rather than competing within them (hence the war of attrition analogy).

Oemichin's two articles consider these factors and articulate strategies that speak to the three strengths of the preferred future state. First, focusing on member solutions, such as control over their data, and preventing access by the large incumbents. Whereas the large firm's strategy is to own *all* the data, a data co-op only needs to take care of its members. Second, the impact of COVID is creating a window of opportunity for co-operatives to take advantage. Supply chains have been disrupted. Could co-operatives respond quicker than their corporate counterparts?

Gismondi also points to increasing pressures and scarcity of natural resources, *i.e.* fewer firms competing for less resources. If co-operatives can address these issues by addressing energy transition (less dependence on fossil fuels) and consider their performance on both financial and non-financial outcomes, they may be able to offer a better value-proposition to their members.

If co-operatives can identify unique offerings to their members that larger firms cannot provide, they will have an advantage. To do so, co-operative will require strong member engagement. At the same time, co-operatives that can pivot into new markets and establish long-term contracts will be able to limit competing directly with larger firms.

### Networked and Connected

The ability of the co-operative sector to be networked and connected is impacted by the aforementioned forces, such as: distribution of market power, levels of inequality, and the role of government. Increasing the role of co-operatives in these areas, and in proposing alternatives will require co-operatives working together. The strategic advantage and the reasons to be more networked and connected could become more pronounced.

### Ecosystem Thinking

Similar to the drivers for a more connected and networked co-operative sector, Ecosystem Thinking, could become more prevalent as a response to our constantly changing economy. Supply Chain, Big-Data, and Energy Transition, will require coordinated actions beyond one single co-operative.

The potential loss of small businesses, including firms involved in innovation or new markets and products, may open up new opportunities for mergers and acquisitions by co-operatives. This would allow for co-operatives to acquire new business units, adapt new technology across their entire organization, and provide ore member benefit.