UNIVERSITÀ DEGLI STUDI DI CAMERINO
International School of Advanced Studies

COOPERATIVE GROWTH
Mapping scaling strategies for new parameters of wealth

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Thesis submitted to obtain the degree of *doctor philosophiae*
in Legal and Social Sciences, curriculum of Civil Law
and Constitutional Legality - XXXIII Cycle.

Camerino, 2021.

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The form of association which if mankind continues to improve, must be expected in the end to predominate, is not that which can exist with capitalist as chief, and workpeople without a voice in the management, but the association of the laborers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves.

John Stuart Mill, *Principles of Political Economy*, 1848.

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ACKNOWLEDGEMENTS

This PhD thesis would not have come to fruition without the vital contribution and exceptional commitment of several individuals who assisted me throughout this journey and deserve my kind recognition. I am thankful to my loving family Joshua, Adriana, Manoel, Manuel, Almir (*in memoriam*), Nina, Walmir, Ana Paula, Renata, the kids, Beatriz, and Chiquinho's patience and unconditional support. I am genuinely grateful for the marvelous friendships I have made during this period, particularly Hamideh, Ravi, Joanna, and my colleagues, who enriched the entire PhD experience, particularly Alessandro, Giovanni, Jane, and Gerardo. Thank Prof. Francesco Casale, my advisor at *Universitá Degli Studi di Camerino*, for his valuable assistance, patience, and resources. I also thank Prof. Lucia Ruggeri, PhD coordinator of the Civil Law and Constitutional Legality curriculum, for her fundamental guidance during my doctorate program development. Special thanks and appreciation are owed to Prof. Nathan Schneider and Prof. Brad Bernthal, who welcomed me at the University of Colorado Boulder and provided constructive advice for bringing this research to fruition during my experience in the U.S. as a Visiting Scholar. I am grateful for the opportunity to collaborate with the Colorado Office of Employee Ownership. I want to thank the warm and generous cooperative community, including the business teams and leaders, who provided multiple insights to this work through personal communications about their unique and fascinating work experiences, believing this research can spread awareness about the beautiful potential of cooperative ventures. This study also carries proud academic baggage built over my bachelor and masters at the *Universidade Federal de Juiz de Fora*, where I had the honor of learning from Professor Denis Franco Silva (*in memoriam*). Finally, I thank the *Club Alpino Italiano - Sezione di Camerino* for the countless hikes on the Italian Mountains, which hugely inspired my development outside the library.

PREFACE

Eight minutes to eleven o'clock. I stand in front of a crossroad, where I can still see the striped tents of the large marketplace behind Oerlikon Railway Station as well as the bright orange logo of COOP Group right on *Schwamendingerstr.* The weekly market has a long tradition in Zurich due to the top-quality goods on sale directly from the producers, mostly organic from regional farmers, featuring a crowd of health-minded consumers. Right next to it, over 150 years of Swiss cooperative enterprise is illustrated by one of the 2,000 retail outlets of the COOP Group, which began as a small consumer cooperative and became an international retail and wholesale cooperative. Unique structures built on a common core. Both markets share the same economic environment identifying and evaluating potential alternatives to assess the social, technical, and environmental challenges of modern society. Both sum up - in a small local initiative and in an international enterprise - the perspective of different models of entrepreneurship oriented by the urge of a sustainable and democratic-centered economy. They translate the rise of new perspectives on *how to do business*.

The scene I captured in Zurich is a small but significant sample of a bulkier movement that has been quietly growing around the world over centuries. Cooperative endeavors have a blueprint throughout human history. Nevertheless, the modern cooperative can trace its roots to Europe in the late 1700s as a response to changes brought by the Industrial Revolution. Closer to a new technological Industrial Revolution, cooperatives gain novel features and navigate through market pains and opportunities to remain competitive while growing in size and scope. Despite the long history of cooperative enterprises, its significant economic impact, and the substantial data available about these institutions, their vast potential has not been fully explored. They represent a significant portion of the agriculture and food industries, wholesale and retail sales, insurance cooperatives, banking, and financial services, health, education, and social care. Nevertheless, the choice for cooperatives is still shy in most endeavors and there is a profound lack of understanding about what this option truly represents among entrepreneurs, investors, consumers, and policymakers.

A question that has always resonated in my mind since the bachelors is if Law is an emancipatory tool capable of designing in advance a better pathway for society and enticing fundamental changes *or* if our normative body is merely a foxtail - always behind - barely following the brisk development and kaleidoscopic nature of human experience. By the end of the doctorate and the profound dedication towards intellectual matureness, I had the fair expectation of answering this question. However, diving into the search for economic democracy did not provide me with a definitive answer. Still, the doctorate sparked hope of Law as a liberating tool and raised new questions that I am eager to respond to in future developments of my studies. Here I confess the naiveness coming to Italy years ago. My wrongful idea that a PhD would turn me into a subject expert. Little did I know back then that a doctorate serves only to remind us of how shallow our comprehension of the world is, and even individual research objects have a highly dynamic nature and hold a multiverse in itself with a myriad of reflections, beyond what I could anticipate when elaborating the research proposal.

Law alone will never solve all the sores. The intricacy of the *status quo* calls forth a multifaceted approach guided by democratic values and respect for human and environmental wellness. Any 'one size fits all' resolution is doomed to failure. We obsessively search for revolutionary and unprecedented innovations when we already have the structural beams we need to support a new societal standpoint. Hence, it is a matter of hermeneutic recognition of the potential of what has already been built by generations. Cooperatives are a perfect example of an old remedy for novel pains. Many advocates in different times, cultures, and legal systems have pointed toward a more equitable life and economy, proving that it is possible to collectively create value and distribute wealth. The literature is rich and vast. So are the many cases and great stories made by people simply trying to reinvent the way of doing business and impact their community.

While an undergraduate student, I joined an international conference on Human Rights and Business to discuss the harm of mining companies in Brazil and the recurrent violation of fundamental rights in the communities surrounding those operations in my home country. At the time, we analyzed the judicial attempt of a large mining company of avoiding bankruptcy. We evaluated the primary focus on financial metrics within the recovery plan, which marginalized the interests of many families directly impacted by the business activities. The financial safeguard of businesses over people has always been an unsettling idea for me. Money primacy is not quite over, but we have potent alternatives of subverting the logic behind profit at all costs.

Here, I have compiled possible paths for cooperative growth and how they can meaningfully impact our prospects by nurturing new wealth parameters. I uphold that growth and business scalability have a unique denotation based on the pursuit of economic democracy beyond sheer financial metrics. We will indelibly frustrate the safeguard of our democracy if we perpetuate the great divide between the economy and our socio-political choices. Any attempt at building sustainable and perennial democracy in the economic sphere relies on a shift towards non-monetary values. A wise entrepreneur once told me that money is like the air we breathe or the food we eat, what allows the economy to be alive and fuels its operations. Nobody, however, lives *to breathe* or *to eat*. The purpose of life and our economic ventures must trespass the pursuit of money and fulfil a larger mission. Capital is a tool, not a self-centered goal.

CONTENTS

To my loving family

I INTRODUCTION

Democracy is the cornerstone of most western societies, embedded in constitutional legality, sustaining and guiding the whole normative body, including commercial relations, business structures, and contractual frameworks in each law system. Here, cooperatives are appraised as the legal entities of private law that best honor society's choice for democracy, undertaking the political economy of ownership through a joint ownership structure, collaborative governance tools, and collective wealth. The backbone of cooperatives is the set of international values and principles promoted by the International Cooperative Alliance (ICA),[1] incorporated in ILO Recommendation 193/2002, that offers the primary components of cooperative identity in public international law.[2] This general guideline is better described as a polar star, guiding global cooperativism towards a shared identity. Yet, contrasting the concept of a worldwide identity with the specific cooperative disciplines in each jurisdiction, cooperativism is still puzzling with distinct characteristics depending on the socio, political, cultural, and legal environment its inserted.

At the end of the day, there is no single identity.[3] Despite the cross-jurisdictional harmonization efforts, the lack of a homogeneous framework in addition to numerous market pains led cooperatives to transcend a rigid organizational model in order to adapt to recurrent challenges. On the one hand, their unclear identity and institutional incongruencies created an identity crisis (*crisi di identità*)[4] and largely inhibited their ability to grow and stand alongside their non-cooperative counterparts.[5] On the other hand, their need to survive and thrive *despite the absence of a harmonized framework* became the driving force behind their adaptability. Their kaleidoscopic nature became two sides of the same coin: both a challenge and an opportunity for cooperative development.

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1 International Cooperative Alliance, 'Cooperative identity, values & principles' available at www.ica.coop/en/cooperatives/cooperative-identity (last visited 5 June 2021).

2 H. Henrÿ, *Guidelines for Cooperative Legislation* / by Hagen Henrÿ; International Labour Office. – 3rd ed. rev. (Geneva: ILO, 2012).

3 A. Fici, 'Cooperative identity and the Law' *European Research Institute on Cooperative and Social Enterprise (Euricse)* Working Paper n. 023/12, 1-27 (2012); and A. Fici, 'Pan-European cooperative law: Where do we stand?', *Journal of Entrepreneurial and Organizational Diversity*, 1-12 (2013).

4 V. Buonocore, Diritto della cooperatzione (Bologna: Il Mulino, 1997).

5 J. Spicer, 'Cooperative enterprise at scale: comparative capitalism and the political economy of ownership' *Oxford Socio-Economic Review*, Vol. OO, No. 0, 1-37 (2021).

The central argument I address is that cooperatives must continuously design adaptive strategies to overcome poor legal frameworks and the market's competitive logic by crafting tools to support individual cooperative growth or setting up collective pathways for interfirm coordination. Given the lack of a clear identity, capital constraints, and scalability pressure, the way cooperatives grow cannot be properly analyzed in contrast to investor-owned firms, which follow their own rationale and are exposed to discrepant opportunities.

One thing we know: cooperatives are not ordinary companies.[6] Based on the notion that cooperatives grow differently[7] and are sources of 'dynamic adaptability,'[8] they are *highly affected by disincentives to grow but not confined by them.* The policy and laws restrictions combined with systematic financial deficiencies impact their ability to stand alongside non-cooperative ventures, but it does not mean they should retain their initial seed size. Their ingenious nature allows them to coordinate scale towards a growing values-driven presence in the market. I, therefore, ask: Which strategies have been deployed by cooperatives to maneuver disincentives to growth?

The rubric chosen to assess cooperatives is their ability to grow and uphold their democratic core at scale. However, their ability to thrive depends not only on their legal treatment but also on their socio-economic environment. Therefore, this thesis includes their historical background and insertion under a broader umbrella of economic democracy through a cross-border and multidisciplinary approach. As they do not necessarily share the same legal tools in different countries, this work will map individual, collective, and digital growth strategies through case studies and literature review to highlight how cooperatives have managed to scale embedded in alternative ecosystems. The main argument is that growth has unique contours regarding the cooperative subject compared to non-cooperative businesses. These contours, primarily set by values and principles, display great flexibility that allows workers, entrepreneurs, policymakers, and scholars to envision creative designs, contractual frameworks, and network formation to develop their full legal, social, and economic potential.

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6 V. Buonocore, *Diritto della cooperatzione* (Bologna: Il Mulino, 1997) 32.

7 V. Berubé, A. Grant, T. Mansour, *How Cooperatives Grow* (New York: McKinsey: 2012).

8 S. Novkovic, W. Holm, 'Cooperative networks as a source of organizational innovation' *International Journal of Co-operative Management,* Volume 6 Number 1.1, 51-60 (2012).

Cooperation was the *condicio sine qua non* for the advancement of humanity, rooted in ancient social experiences far beyond what the literature fully grasps. As social beings, individuals developed support groups within small circles of hunter-gatherers, eventually leading to large communities that shared and jointly managed common pooled resources. The building blocks of cooperativism are the continuous collection of cross-cultural and cross-generation cases of collaboration. This timeless social standard of survival quietly evolved throughout the ages and gave witness to the unravelling and reinventing of the political, cultural, and social forces. Cooperation strengthened and expanded itself through a non-linear but steady path up to the present day, with plenty of examples among existing cooperatives of solid socio-economic performance.

Concurrently, the history of cooperation captured the noise brought about by the hegemony of capitalism and individualism. Modern society has endorsed individualistic trends that challenged that cooperative essence, reflecting the 17th and 18th centuries' Enlightenment constructions that suited the capitalist conception. The Age of Reason or Age of Enlightenment emerged from a European philosophical movement primarily set against the absolute monarchy to undermine the power of a central authority and the privileges of the nobility and the church. The economic and technological progress brought by the period of mercantilism parallelly led to the silent growth of the bourgeois class. From a modest class in the late medieval period, the bourgeoisie consolidated itself as an influential group during the modern age. The supporting role no longer served the bourgeoisie that pushed the formulation of a new political order in which the government's authority lies in the consent of the governed: a society of free individuals. Freedom of thought and trade, political liberty, and the individual pursuit of economic liberalism brought a significant shift to the social dynamic towards individualistic development that informed the legal evolution, scientific advancement, and multicultural ideals.

Yet it is true of the undeniable progress of personhood rights and vital concepts of democracy at that time, building an inherently individualistic system was fundamental to laying the grounds of private property held mainly by the capitalist bourgeoisie and the production relations in the industrial society, isolating the workers from the ownership of the means of production. The democracy envisioned in those intellectual elaborations heavily impacted the political sphere but did not have the same potency in the economy. Legal freedom and equality were fundamental to enable free trade, but it did not mean the defense of the same level of economic equality. On the contrary, exploitation based on individual inequality was the driving force of the new financial system. Michel Foucault highlights that the Age of Reason created 'a mass without resources, without social moorings, a class rejected or rendered mobile by new economic developments, developing a sense of liberty far from the true natural liberty: on all sides it is constrained and harried by demands opposed to the most legitimate desires of individuals: this is the liberty of interests, of coalitions, of financial combinations, not of man, not of minds and hearts. (...) Liberty, far from putting man in possession of himself, ceaselessly alienates him from his essence and his world.'[9]

Later, mainly through the emergence of the Industrial Revolution, cooperation got inserted as a legal institutional design in the economic sphere as a way to combine mutual efforts and, therefore, to cope with crises and overcome market hazards. The birth of modern cooperatives – typically referred to as the foundation of the Rochdale Society of Equitable Pioneers in 1844[10] – introduced a formal socio-economic organization settled in democratic principles, social solidarity, and widespread commonwealth.[11] Since then, recurrent economic crises have called forth the restoration and upsurge of cooperation as a vigorous tool to fight capitalism precarity and subvert the excessive focus on individual progress, recovering the community wellness and guiding the economy towards sustainable practices.

However, there seems to be a mismatch between the mounting benefits listed by the literature and what Molk described as the 'puzzling lack of cooperatives.'[12] At first glance, people might wonder why there are so few active cooperatives in the market compared to conventional for-profit businesses. Why does cooperatives' revenue only add up to a small percentage of the global GDP and the world's total employment?[13] Is there anything inherently wrong with cooperative ventures?

The diagnosis is far from obvious. The pivotal change between community wellbeing and individual self-seeking purposes is not enough to explain the crawling rhythm of

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[9] M. Foucault, *Madness and Civilization: A History of Insanity in the Age of Reason* (New York: Vintage Books, 1988) 214.
[10] V. Buonocore, *Diritto della cooperatzione* (Bologna: Il Mulino, 1997) 30-31.
[11] G. J. Holyoake, *The history of the Rochdale Pioneers, 1844-1892* (London: Swan, 1900).
[12] P. Molk, 'The puzzling lack of cooperatives' *Tulane Lar Review,* vol. 88: 899-958 (2014).
[13] World Cooperative Monitor, *Exploring the Cooperative Economy: Report 2020,* International Cooperative Alliance and EURICSE (2020) 1-153; Dave Grace & Associates, 'Measuring the Size and Scope of the Cooperative Economy: Results of the 2014 Global Census on Cooperatives' For the United Nation's Secretariat Department of Economic and Social Affairs Division for Social Policy and Development (2014); also, F. O. Wanyama, '*Cooperatives and the Sustainable Development Goals: A contribution to the post-2015 development debate*' (Geneva: ILO, 2014).

cooperative initiatives in the large picture. On the one hand, cooperativism gradually became a bulkier movement in some productive sectors, especially in agriculture, insurance, and retail, in countries such as the USA, France, Germany, Japan, Netherlands, and Italy.[14] On the other hand, the presence of cooperatives is still shy when compared to large corporate conglomerates.

The explanation of the still mild presence of cooperative ventures in the market seems more a confluence of factors rather than a single isolated motive. Among the reasons why cooperatives have not reached their full socio-economic potential, we can raise the following illustrative and non-exhaustive list of hypotheses:

- Financial constraints.
- Lack of awareness regarding the model among the general population.
- Misconceptions about the model.
- Institutional incongruences.[15]
- Deficiency in public policies encouraging cooperative development.
- Market incentives pushing towards benefit-maximizing forms of production.
- Shortage of service providers that understand the model (lawyers, accountants, banking professionals).
- Costs associated with high levels of transparency and democratic decision-making processes.
- Restrictive ownership mindset culturally nurtured among investors and entrepreneurs.
- Wrong impression of cooperatives as only small local ventures.
- Misjudgment concerning cooperative's ability to grow.

Cooperatives' multifaceted conundrums have been a thorn in their side, especially when systematizing the available growth strategies to overcome the challenges mentioned above. The multifunctional nature of cooperatives in different sectors, sizes, and scopes, rule out any generalist response to their problems. When we talk about cooperatives, we are not

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[14] Ibid.

[15] J. Spicer, 'Cooperative enterprise at scale: comparative capitalism and the political economy of ownership' *Oxford Socio-Economic Review*, Vol. OO, No. 0, 1-37 (2021).

talking about just one universal well-defined legal form. Thus, exploring their development and growing pains demand comprehend their flexibility as a model and how they historically unfold into this international kaleidoscopic entity across multiple legal systems.

Whereas their diversity and malleability are obstacles to a definitive formula, these characteristics also inspire creativity and support plural solutions to overcome growth constraints. In what follows, I dissect the cooperative framework, its origins, and its unique purposes to introduce a novel assessment of cooperative growth. My primary hypothesis is that cooperative growth cannot be purported the same way scalability is reasoned in non-cooperative corporations: appraising cooperative development must reflect their natural, comprehensive values system. As cooperatives suit a panoramic framework based on principles and social goals, their impact could never be reduced to purely financial benchmarks.

First, I explore the economic democracy movement as a counterpoint to precarity capitalism, adopting the concept coined by Albena Azmanova,[16] especially on her claim that precarity is the current version of capitalism over structural crises. Looking at our financial system through this lens, I review the underpinning processes of domination, exploitation, inequality, power, and resource accumulation that sustain the capitalist market since its introduction and trigger its cyclic economic meltdowns. After a brief recollection of the main full-blown recessions, including the COVID-19 crises, and their obnoxious effects in the social and environmental realm, I focus on how democracy has been raised as the pathway to heal the capitalist misfortunes.

Whereas democracy is the center of most constitutional legal systems, it is the institutional compass that guides the entire normative construction of contemporary societies towards systematic unity. The starring role of democracy in the legal and political domains is avidly examined by renowned legal scholars such as Pietro Perlingieri and Luigi Ferrajoli. Meanwhile, a growing movement in the economic sphere recognizes the urgency of bringing this political democracy closer to the economic sphere, highlighting the dichotomy between the market and social choices in favor of democratic processes.

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[16] A. Azmanova, *Capitalism on Edge: How Fighting Precarity Can Achieve Radical Change Without Crisis or Utopia,* New Directions in Critical Theory, (Columbia University Press, 2020).

Economic democracy, as the name suggests, is an eclectic movement combining multiple proposals to link the rights guaranteed to citizens in a democratic society and the rights that workers access in their workplace, reducing inequalities and better distributing the wealth produced by all. As cooperative organizations play a central role in the economic democracy movement, I proceed with the cooperative principles and main categories to illustrate the building blocks for a cooperative future based on mutuality and commonwealth. I follow each principle established by the International Cooperative Alliance, inspired by the Rochdale Society of Equitable Pioneers, to underline how the cooperative framework is a web of values and noble purposes centered on sustainable and holistic development. A better understanding of cooperative's chameleonic nature sets the base that allows us to confront how unique their scalability process is, unfitting any orthodox measurement of growth.

This theoretical pathway leads to the primary goal of this work: reframing the perception of growth to propose new parameters of impact when analyzing diverse cooperative growth strategies. A break with the financial standards imposed by the conventional economy is long overdue since the assessment of cooperatives' impact could never be reduced to purely economic milestones. Any numerical formulation ignores the values-driven nature of cooperative action and the directed social and environmental impacts that often cannot be expressed mathematically. Only by acquainting novel perspectives on this polymorphous entity can we successfully grasp the innovative strategies that modern cooperatives are creatively engineering to achieve the impact they desire in the market despite the many drawbacks. The cooperative framework suggests multifaceted dimensions of growth, including growth by geographic expansion, enlargement of the membership base, built-in quality, boosting a culture of innovation, and net worth.

Unpacking the cooperative framework into a new growth perspective is a crucial invitation to, then, navigate through the strategies engineered by modern cooperatives worldwide, creatively designing scalability based on their respective mission. Thus, the original contribution of this work is: mapping cutting-edge or well-established growth strategies to new parameters of wealth. Each of the following cases reveal a unique method towards their business development, either through collective articulation, creating networking designs, alliances, and groups, or through the deployment of individual arrangements to boost their socio-economic impact. It is important to note that none of the approaches covered here suggests a definitive pattern to be generally followed by their counterparts. In fact, each collaboration and institutional design example encourages ingenuity and represents the cooperative movement's adaptability across different sectors and legal systems to overcome growth constraints.

I introduce the versatility of collective strategies that honor ICA's principle 6, stimulating broader cooperation among cooperatives and nurturing the benefits of collective action. First, I navigate through the Mondragon milestone as the most famous case of cooperative growth through a corporate umbrella, combining several cooperative ventures to achieve global impact. The Mondragon experience shows the achievements and the pitfalls of cooperative expansion as well as the ideas that inspired other cooperatives worldwide.

Secondly, I present the unique multi-stakeholder network among single-stakeholder cooperatives strategy for interfirm-coordination designed by a group of values-driven entrepreneurs in the solar energy sector of Colorado (USA). The Namasté Network was the object of a separate case study developed in co-authorship with Nathan Schneider at the University of Colorado Boulder.

Then, still within the collective growth strategies, I present the rich Italian cooperative ecosystem since the country's legislation and cultural background triggered one of the most comprehensive legal frameworks in terms of collective articulation and political representation, including national alliances, consortiums, and groups across several industries. The Italian cooperative literature also offers refined insights regarding the cooperative nature, its history, and prospects.

After covering three remarkable cases of collective articulation, I present four additional resources that can boost the growth of individual ventures: investor membership, venture capital, cooperative startup accelerators, and debt financing. The first growth strategy portrayed covers the insertion of impact investors into the cooperative membership base, with or without governance rights. The heavy financial influx into conventional investor-owned businesses creates a notorious competitive disadvantage to cooperatives and other mission-driven firms. The financial constraints can hinder cooperative development since profitability is not the primary focus of the venture, and, for the most part, investors are eager for financial returns. However, we shall notice that there is no absolute incompatibility between investment and values-focused projects. This may not be the general rule, but some investors want to invest their resources in projects that transcend their personal financial expectations. Recognizing the role of investors who support cooperative initiatives does not mean emptying the democratic content of these entities at the service of capital. On the contrary, recognizing the possibility of investor membership is simply honoring the cooperative's autonomy. This strategy does incite controversies among cooperative enthusiasts facing the fear of demutualization. Meanwhile, the U.S. Uniform Limited Cooperative Association Act and the Italian financing shareholders represent the midline between investment and cooperativism.

As cooperatives are an integral part of the market, they can take advantage of the innovations present in it, adapting them to their own ends. Investor-owned startups have thoroughly enjoyed the benefits of incubators and accelerators to speed their development. Along the same lines, cooperative accelerators have spanned the intricacy of modern entrepreneurial instruments to seed cooperatives, offering support mechanisms to boost their growth, mindful of their unparalleled nature. Despite the little systematic literature about these institutions, democratic-based programs have been developed in multiple countries to assist young cooperatives, notably the US-based Start.coop, the UK UnFound, and the Italian CoopUp.

To reduce the gap in financing, cooperatives, small businesses, and marginalized communities can enjoy the resources provided by cooperative banking. Despite the new financing tools present in the current market, access to debt financing is still a relevant component of business development. Therefore, credit unions play a dual role in terms of cooperative growth: they are themselves an example of cooperative scale-friendly structures reaching a large membership base and sizable revenues, internally organized in a not-for-profit democratic manner, while they also serve their members by providing capital resources to persons and institutions that might face difficulties in accessing the products and services offered by commercial lenders.

Finally, on the cusp of the Fourth Industrial Revolution, I present two connected strategies of cooperative scale in the digital economy through the deployment of advanced technology, shared ownership and control. Platform cooperatives have been designed to counter the precarious work conditions and unstable employment relations in the platform economy, proposing user buyouts or grassroots cooperation to properly value the user's labor and resources and break the growing monopoly held by tech giants. One step further, the newest blockchain protocols promise a complete decentralization of financial services removing financial intermediaries from the equation, providing a myriad of tools for autonomous applications. Blockchain technology, still in its infancy, contemplates the cooperative framework in two ways: they offer the infrastructure to applications for cooperatives to implement secure voting processes, register new members, and many other services. At the same time, the blockchain itself is run by protocols controlled by the community of users. Among the generations of blockchain, I dive into the groundbreaking proposal developed by the Cardano protocol, focused on economic sovereignty and the development of the Global South.

After mapping these innovative, unorthodox, or unprecedented strategies for cooperative development, I conclude that cooperatives are organic entities, adapting to the challenges and opportunities of their time. Instead of a stringent scalability approach, they individually and collectively cultivate inventive answers to their most pressing dilemmas, surviving and burgeoning further along with human ongoing social evolution. This recognition does not close the book but rather represents the beginning of future research developments to build an economic methodology capable of measuring cooperative growth, effectively honoring the cooperative framework

A qualitative approach rooted in the literature review, archival texts, case studies, personal communications and interviews is the primary methodology adopted in the research, blending empirical and theoretical methods. A robust literature review backs my claim that cooperatives are a vital mechanism to fight capitalism precarity and renew the prospects of a healthy productive system. With the economic democracy movement lens, the data were systematically gathered based on cooperative growth and innovation. It is relevant to clarify that the goal is not to judge each chase's efficiency but to portray their experimental and creative solutions to perennial problems faced by their counterparts.

II ECONOMIC DEMOCRACY AS A COUNTERPOINT TO PRECARITY CAPITALISM

This section is devoted to framing the current stage of socio-economic development and its position on the cusp of the Fourth Industrial Revolution after the historically cyclical crisis of the market. Furthermore, this section presents how the debate regarding economic democracy has been intensified as a viable solution to overthrow this era of precarity, inequality, monopolies, and oppression, beginning with a horizontal people-centered approach to wealth distribution as well as recognizing wealth as a social relation.

The history of market power is centered around capital accumulation and wealth-based hierarchical structures. The continuous accumulation of resources has not been an isolated phenomenon, triggering many ecological and socio-economic conundrums throughout human development and culture. In pursuing technological advancement, progress and well-being, capitalism - on its present and past dominant contours - has damaged the resources it relies on, including the labor force and the environment, falling into recurrent crises along the way.[17] Therefore, understanding the current condition of the global economy is elemental to fully open the debate as to how a new market dynamic through cooperation plays a decisive role in power redistribution and economic sustainability, establishing new parameters of wealth.

The world is moving towards an exponential concentration of market power[18] and totalitarian tendencies[19] on a new stage of precarity capitalism.[20] These trends have their

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[17] A. Azmanova, *Capitalism on Edge: How Fighting Precarity Can Achieve Radical Change Without Crisis or Utopia, New Directions in Critical Theory (New York: Columbia University Press, 2020).*

[18] The Nobel-prize winner, Joseph Stiglitz, underlines that 'our economy is marked in industry after industry by large concentrations of market power' and 'a growing political and economic divide.' See America Has a Monopoly Problem–and It's Huge' *The Nation* (2017) available at www.thenation.com/article/archive/america-has-a-monopoly-problem-and-its-huge/; 'Monopoly's New Era' *Social Europe* (2016) available at socialeurope.eu/monopolys-new-era; 'Are markets efficient, or do they tend towards monopoly? The verdict is in' *World Economic Forum* (2016) available at www.weforum.org/agenda/2016/05/joseph-stiglitz-are-markets-efficient-or-do-they-tend-towards-monopoly-the-verdict-is-in/ (last visited 11 January 2021).

[19] Hannan Arendt argues that a movement of expansion for expansion's sake, and a never-ending accumulation of power, driven by political greed, business speculation, and predatory capitalist searches for new investments results in the rise of imperialism, the brutal imperialist exploitation of overseas possessions, the creation of an immense collection of atomized individuals, the loss of the sense of community, and totalitarian trends. See H. Arendt, *The Origins of Totalitarianism* (San Diego: Harcourt Brace & Company, 1951).

[20] Precarity capitalism is how Albena Azmanova frames a new version of capitalism regarding its structural crises in her latest book *Capitalism on Edge: How Fighting Precarity Can Achieve Radical Change Without Crisis or Utopia,* New Directions in Critical Theory (Columbia University Press, 2020).

foundations in the ruthless wealth maximization through the competitive production of profit. This section aims to review the evolution of capitalism from the perspective of vertical expansion and power accumulation in contrast to the cooperative alternative that scales, mainly, horizontally through networks and cooperation among firms. The analysis ultimately includes the comprehension of profit, whether as a primary objective or as a consequence of the market dynamics, and the understanding of the role played by inequality, uneven power distribution, and the depletion of pooled resources throughout the history of modern society.

Economic development has gone through many changes over time. I am examining the roots of capitalism and how it has changed the relationship between labor and the market by intertwining history and economics. The link between both subjects is the accumulation of capital and power – the very essence of capitalism - occurring through the economic processes of production, exchange, and the allocation of wealth. Capitalism cannot be permanently driven by sheer competition, monopolism, domination, exploitation, and endless insecurity. The economic system must be sustained by a value-based blueprint, performing inner changes to subvert its hierarchical design fixed in vertical growth through the competitive production of profit, isolated from the democratic values nurtured in the political sphere. Remodeling the economic processes outside the primary capitalist goal of capital accumulation to match Constitutional principles opens the possibility of creating value and distributing wealth instead of empty profitability, connecting the market to communities and their wide range of vital social interests.

The history of domination and exploitation traces back to the birth of humankind. The ancient Sumerian civilization in Mesopotamia was composed of hierarchical social classes controlled by a compact and powerful aristocracy holding the wealth and influence over a great mass of free workers and enslaved people.[21] The same was true about the Inca Empire, where nobles served as government, religious, and military leaders of the empire;[22] as well as centuries of the great Roman Civilization, with the power firmly in the hands of monarchs, emperors, and the patricians;[23] and even in ancient Greece where small groups of elites still had harsh policies of domination and not everybody was considered a citizen

[21] S. N. Kramer, Mesopotâmia: o berço da civilização, tradução Genoíno Amado (Rio de Janeiro: Livraria José Olympio Editora, 1969).
[22] B. A. Somervill, *Great Empires of the Past: Empire of the Inca* (New York: Shoreline Publishing Group, 2005).
[23] T. R. Martin, *Roma Antiga: de Rômulo a Justiniano,* tradução de Iuri Abreu (São Paulo: L&PM Editores, 2014).

capable of joining its infant democracy.[24] Each civilization builds particular creeds to justify non-egalitarian systems and social dominance hierarchies, including a divine will, lineage or economic power. Across human cultures, social hierarchy and oppressive systems result from complex and multifaceted expressions of human will, agency, and mind.

At the root of group dominance are dynamics of group-based social inequality under several criteria, from ethnicity to religion and many other socially constructed categories, where one group is thought of as superior, artificially justifying the subjugation of some people's value over others. Inequality and exploitation typically lead to economic anger and public discontent. Even in ancient civilizations, the Law has played a central role in mitigating class conflicts based on legal certainty by setting comprehensible rules to rely upon, balancing the power, and predicting authorities' behavior. During ancient Rome, the famous Conflict of the Orders resulted in claimed measures against the abuses of patricians over plebeians, including the promulgation of the Twelve Tables and other written Laws up to the celebrated *Corpus Juris Civilis*.[25]

The law governing society can be an emancipatory tool from poverty, oppression, tyranny, and institutionalized discrimination. However, it can also be an instrument of domination often manipulated to advance the privileges of a powerful few in control of the central institutions. Equality, self-sovereignty, democracy, and constitutionalism are ideals with liberating power that gradually evolved throughout human societal development, though remain far from accomplished. Even though a millennia has passed since the emergence of the first rudimentary ideas of democracy in ancient Greece or the rights that emerged during the old Roman civilization, there is still an abyss between the rights formed in the political sphere and the current market practices. More in line with our current belief systems, capital still plays a decisive role in measuring power and establishing the individual position within contemporary society. Critical decisions regarding societal prospects lay in the hands of a narrow elite in charge of enterprises with forces dwarfing that of entire countries. Understanding the current paramount power held by private hands is a matter of grasping the historical legacy of accumulation in production, exchange, and the distribution

[24] K. A. Morgan (ed.), *Popular Tyranny* (Austin: University of Texas Press, 2003).
[25] D. Johnston, *Roman Law in Context*, Part of Key Themes in Ancient History (Cambridge University Press, 1999); also T. R. Martin, *Roma Antiga: de Rômulo a Justiniano* (L&PM, 2014).

of wealth. In the words of Harold James, 'accumulation is what gives the past power over the present.'[26]

Power domination and capital accumulation find their remodeled contours in the nineteenth century, starting with the increasing power of modern states, industrial growth, colonialism, and deep class struggles in a growing multicultural society. The nineteenth-century represented the triumph and the transformation of capitalism into the specific form of liberal bourgeois society, in which imperialist character brought a highly asymmetric relation between metropolises and dependent countries.[27] The wealth produced by the colonies - with no states or constitution theories - boosted European powers' development and their respective legal, political, and economic institutions. Because of colonialism, the world became a deeply dichotomous system, polarized between the developed and the underdeveloped, the dominant and the dependent, as it remains. Imperialism in the global space explores the uneven geographical conditions under asymmetrical exchange relations in which capital accumulation occurs, violating the presumed equality condition in perfectly functioning markets.[28] In each stage of capitalism development, the peculiarities on how this wealth and power accumulation is pursued may change. Still, through different phases of capitalism, from commercial and industrial capital to war and financial stages of capital, there is a continuous attempt of accumulating power.

In the XXI century, colonial powers ravaged developing countries, exploiting them ruthlessly, extracting their resources, doing little to build their economy beyond empirical dependence. Eduardo Galeano meticulously unveils the nature of contemporary imperialism: 'companies are called "multinationals" because they operate in many countries at once, but they belong to the few countries that monopolize wealth; political, military, and cultural power; scientific knowledge; and advanced technology. The ten biggest multinationals today earn more than a hundred countries put together. "Developing countries" is the name that experts use to designate countries trampled by someone else's development.'[29] Technology pivoted the territorial-based imperialism to a financial and information-based dominance. Imperialism has the ongoing capability of adopting novel frames. It is a diffuse political-economic process in which command over and use of capital takes precedence based not

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[26] H. James, 'Capitalism *Da Capo' The American Interest* (2015) available at www.the-american-interest.com/2015/04/09/capitalism-da-capo/ (last visited 3 March 2020).

[27] E. Hobsbawm, *The Age of Revolution: 1789-1848* (New York: Vintage Books, 1996).

[28] D. Harvey, *Spaces of Capital: Towards a Critical Geography* (Routledge, 2001).

[29] E. Galeano, *Upside Down: A Primer for the Looking-Glass World* (New York: Picador, 2001).

only on territorial control but also on mobilizing human and natural resources towards political, economic, and military needs.[30] Globalization works as a magnifying glass, blurring geographic frontiers and asserting economic power all over the globe.

The promises ingrained in the economic growth towards a better future for humankind, including technological and medical advancements, reveal capitalism's inherently futuristic nature.[31] However, these ongoing promises have been recurrently convulsed by crises. Known as the first modern financial crisis, the general capitalist crash of 1825-1826 arose from a British speculative bubble after years of prosperity brought by the cotton-dominated industrial economy, leading to an unbearable social misery and the revolutions of 1848 in Europe.[32] The notorious banking panic was a market-induced financial crisis spurred by ordinary financial activities such as banknote issues and stock market speculation. Risky loans, asymmetric information, monetary shocks, and frenzy speculative investments led the financial distress until the bubble burst.[33]

On the other side of the Atlantic, a prosperous decade of brisk expansion of the U.S. economy was followed by the Wall Street crash of 1929. The so-called 'Great Depression' marked the recession of the industrialized Western world after years of continued prosperity, inciting a worldwide economic collapse.[34] Various theoretical propositions tried to explain the onset of the depression and why a deep systemic flaw catalyzed the financial crash following a stunning period of economic prosperity and cultural changes. The New Era euphoria, the climax of a business cycle hosting key technologies, the growth of excess capacity in American industry combined to underconsumption, contractions of investment, the decline in foreign trade, institutional dysfunction all came together in a confluence of forces that ultimately affected the common man, the fabric of American life, and the

30 H. Arendt, *The Origins of Totalitarianism* (San Diego: Harcourt Brace & Company, 1951).

31 Richard Reeves emphasizes that 'this future orientation is one of the most striking hallmarks of modernity. Pre-capitalist societies looked to the past – to founding myths, old religions, and ancestral lines. Capitalist societies look to the future – to new inventions, broader horizons and greater abundance.' See 'Capitalism used to promise a better future. Can it still do that?' *The Guardian* (2019) available at www.theguardian.com/commentisfree/2019/may/22/capitalism-broken-better-future-can-it-do-that (last visited 3 March 2021).

32 E. Hobsbawm, The Age of Revolution: 1789-1848 (New York: Vintage Books, 1996).

33 M. D. Bordo, 'Commentary' Federal Reserve Bank of St. Louis Review, 77-82 (1998); and A. J. Dick, 'On the Financial Crisis, 1825-26.' *BRANCH: Britain, Representation and Nineteenth-Century History*. Ed. Dino Franco Felluga. Extension of *Romanticism and Victorianism on the Net* (2012), available at www.branchcollective.org/?ps_articles=alexander-j-dick-on-the-financial-crisis-1825-26 (last visited 4 May 2021).

34 E. Hobsbawm*, The Age of Extremes: The Short Twentieth Century*, 1914-1991 (London: Abacus, 1995).

economy worldwide.[35] The disaster that had befallen the economy struck businessmen and ordinary people who sowed the financial whirlwind, turning into 'not only a financial collapse but a human, family tragedy,'[36] which included an abnormal suicide wave.[37]

The New Deal implemented by Franklin D. Roosevelt prompted the socio-economic recovery after the Great Depression and translated into multi-faceted measures to relieve the high unemployment levels and stabilize industrial and agricultural production. Between the Second World War and the middle 1970s, the world enjoyed certain stability. Keynesian economic policies led to the capitalist Golden Age, and the world situation became reasonably stable.[38] However, the Golden Age left out most working-class people, and a postwar strike wave swept the US. Turbulent politics started to undermine national stability, instigating debates on morality and conservatism, acute poverty and racial violence towards the black community, the lack of social safety, growing civil rights advocacy, the stagnating profits, rising unemployment, inflation, and the inability to compete in the international economy.[39] After the 70s, the international system found itself headed for a long-winded period of crippling economic recession, a new era of austerity, due to the fiscal and energy crisis that faded away from the earlier assumptions of economic growth.[40]

The market's vicious cycle struck again in mid-2007 when the credit bubble bursts in the US, stemming from an earlier expansion of mortgage credit and excessively loose monetary policy, throwing the world economy into a new downward spiral.[41] A history of fraudulent dealings, deregulation, high-risk behavior, corruption, a cheap credit, and mortgage-backed securities bubble up to a saturation point, recklessly tanking the economy

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35 M. Klein, *Rainbow's End: The Crash of 1929,* Pivotal moments in American history series (New York: Oxford University Press, 2001).

36 G. Thomas, M. Morgan-Witts, *The Day the Bubble Burst: A Social History of the Wall Street Crash of 1929* (New York: Doubleday & Company, 1979).

37 J. K. Galbraith, *The Great Crash of 1929* (Boston: Mariner Books, 1997).

38 S. A. Marglin, 'Lessons of the Golden Age: An Overview' in *The Golden Age of Capitalism: Reinterpreting the Postwar Experience*, Stephen A. Marglin and Juliet B. Schor, (University Press Scholarship, 1992).

39 K. Phillips-Fein, *Invisible Hands: The Businessmen's Crusade Against the New Deal* (London: W. W. Norton & Company Ltd, 2009).

40 Starting in the 1970s, Western countries - in different forms and at different speeds throughout the countries - witnessed oil crises, rising inflation, and, subsequently, unemployment, combined with intensified international and domestic competition, conjuncture that 'provided strong ideological support for privatization, deregulation, self-reliance, and a general opening-up of social and economic arrangements to the logic of "free" competitive markets.' See W. Streeck, K. Thelen, *Beyond continuity: institutional change in advanced political economies* (New York: Oxford University Press, 2005). Also, N. Angley, 'Careening from crisis to crisis in "The Seventies"' *CNN* (2015) available at edition.cnn.com/2015/07/14/living/seventies-crisis-ford-carter-time/index.html (last visited 5 March 2021).

41 D. Harvey, *The Enigma of Capital and the Crises of Capitalism* (New York: Oxford University Press, 2010).

to a full-blown recession.[42] Significant losses were felt by large banks and financial institutions, as well as by the average person and small businesses, showing that markets can fail, and the failure drives huge costs and vast impacts amongst all its participants - regardless of who was directly responsible for the failure.[43]

Yet the economic meltdown arose primarily from the greed and mismanagement in the American housing market; it drove the world economies into subsequent lethargic performance and a profound confidence dilemma toward public and private institutions.[44] As a reflection of the Eurozone crisis, the derogatory acronym 'PIIGS' was often used, denoting Portugal, Ireland, Italy, Greece, and Spain, as the main characters of the severity and extent of the crisis in the region. The Italian economy performed very poorly in the aftermath of the economic turmoil, marked by rising unemployment, high debt levels, increased marginalization of certain social groups, political instability, and a long-lasting economic decline,[45] worsening the previous chronically low economic growth.[46]

After the 2007-2008 financial panic, economic growth slowly resumed, though the recovery was fragile. Thus, when the COVID-19 pandemic hit the global economy, it generated a massive shock in the business ecosystem. The breakneck pace of the infections escalated during the pandemic took a toll on many industries, with stay-home orders, social distancing protocols, and all non-essential businesses ceasing in-person operations. The widespread pandemic protocols were a devastating shock on small businesses, bringing what is sure to be long-standing effects to local communities.[47] The pandemic outbreak aggravated the state of chronic inflammation that has already inflicted this socio-economic stage of human development: geopolitical crisis, human pressures on the Earth's ecosystems,

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[42] G. Pizzutto, *The US Financial System and its Crises: From the 1907 Panic to the 2007 Crash* (Milan: Palgrave Macmillan, 2019); Scott Nations, *A History of the United States in Five Crashes: Stock Market Meltdowns That Defined a Nation* (New York: William Morrow, 2017).

[43] R. Mohan, 'Global Financial Crisis: Causes, Impact, Policy, Responses and Lessons' *Stanford Center for International Development,* Working Paper No. 407, 1-38 (2009).

[44] T. C. Earle, 'Trust, Confidence, and the 2008 Global Financial Crisis' *Risk Analysis*, Vol. 29, No. 6, 785-792 (2009); also R. Swedberg, 'The Structure of Confidence and the Collapse of Lehman Brothers' M. Lounsbury, P. M Hirsch (ed.) *Markets on Trial: The Economic Sociology of the U.S. Financial Crisis: Part A* (*Research in the Sociology of Organizations, Vol. 30 Part A*), 71-114 (Bingley: Emerald Group Publishing Limited, 2010).

[45] R. Di Quirico, 'Italy and the Global Economic Crisis' *Bulletin of Italian Politics,* Vol. 2, No. 2, 3-19 (2010).

[46] H. Morsy, S. Sgherri, 'After the Crisis: Assessing the Damage in Italy' *International Monetary Fund, Working Paper* 10/244 (2010).

[47] D. Wilmoth, 'The Effects of the COVID-19 Pandemic on Small Businesses' *U.S. Small Business Administration Office of Advocacy Report* (2021) available at advocacy.sba.gov/2021/03/02/the-effects-of-the-covid-19-pandemic-on-small-businesses/ (last visited 5 July 2021); also A. W. Bartik, M. Bertrand, Z. Cullen, E. L. Glaeser, M. Luca, C. Stanton, 'The impact of COVID-19 on small business outcomes and expectations' *PNAS,* vol. 117, no. 30 (2020).

rampant poverty and inequality, high levels of unemployment, growing performance pressure, lack of trust, and economic uncertainty. Albena Azmanova asserts that these symptoms, rather than capitalism's collapse, are signs of a new stage of universal insecurity, which the author diagnosis as *capitalism precarity*.[48] Even though this new form of capitalism arose in the early twenty-first century, its roots refer to historical social interactions imbued with power and capital accumulation.

At this point, a crisis is not just an extraordinarily arduous moment but the consequences of the neoliberal policy failures and perpetuated signs of a profoundly unequal system unable to deliver prosperity for all. The growing poverty and precarity that stain the social fabric reflect deregulation, privatization, tax cuts, cuts to public investments and budgetary austerity, devoid of alternative policies towards wealth distribution and better working and living conditions. Azmanova dismisses the claims of capitalism's demise by upholding the fact capitalism is *per se* a creative engine of prosperity, continuously reinventing itself regardless of public disgruntlement and its innate crises.[49]

The exhaustion of natural resources and ongoing degradation of Earth's ecosystems have not cut short capitalist expansion. Giant private enterprises are pivoting towards outer space through satellite launches, space tourism, asteroid mining during a modern run for space exploration, settlement, and commerce among different influential players. Once again, capitalism is signaling its creative power and remarkable ability to reinvent itself, reaching an entirely new level of vertical scale. [50] The announced collapse of capitalism only means the collapse of capitalism's contours as we know it today. The current unprecedented pace of transition to a high-technological Industrial Revolution, which includes the new space race in addition to the current global pandemic and respective economic crisis, calls attention to how the market will be shaped in the near future.

Rather than waiting for a lethal crisis capable of wiping out capitalism, Albena Azmanova proposes a radical progressive change by subverting the system's driving force: 'the competitive production of profit.'[51] Even though capitalism has been shaped into various institutional arrangements over time in different societies and circumstances, the competitive

48 A. Azmanova, *Capitalism on Edge: How Fighting Precarity Can Achieve Radical Change Without Crisis or Utopia, New Directions in Critical Theory (New York: Columbia University Press, 2020).*
49 Ibid.
50 V. L. Shammas, T. B. Holen, 'One giant leap for capitalistkind: private enterprise in outer space' *Palgrave Commun* 5, 10 (2019).
51 Ibid.

production of profit, the exploitation of uneven conditions, the agglutination of resources and capital, are constant forces consolidating a single dynamic of vertical growth based on a never-ending accumulation of power and wealth.

Therefore, a path of collective emancipation should be framed around democratic values to emancipate society from the new post-neoliberal precarious capitalism. Restraining capitalism's vicious circles entails raising our democracy into the economic sphere through broad ownership and new patterns of wealth distribution. This is a matter of cohesion, acknowledging the structural flaws in contemporary democracies and aligning societies' choices in their political sphere to their economic system.[52]

Democracy and equality are inserted in most Western Constitutions, shaped by the civic visions, and the struggles of plural societies, engineered to nurture intercommunal prosperity and dignity. Luigi Ferrajoli defines democracy as 'a method of forming collective decisions, the set of rules that attribute to the community, and therefore to the majority of its members, the power - direct or through representatives - of making decisions,' including the appropriate formal procedures to safeguard the collective will and its substantial dimension: fundamental rights of freedom, equality and autonomy.[53] Within the omnipotence of the constitutional paradigm, Ferrajoli presents a *Manifesto per l'uguaglianza,* defending that 'the principle of equality is not only a political value as an end in itself and the main source of democratic legitimacy of public institutions, but above all a principle of reason that should inform any policy capable of facing the global challenges on which our future depends.'[54]

Acknowledging the superiority of democratic principles in all spheres of life to fulfil vast constitutional legality, Pietro Perlingieri outlines that 'the free development of the human person is to be deemed superior to any concurrent economic interest.'[55] Private-law relationships and the financial system as a whole are not exempt from applying constitutional norms and the legal system's values rooted in collective choices that comprise a clear human-

52 David Ellerman argues that 'the ―unalienable rights‖ to democratic self-determination that we enjoy in the political sphere should not suddenly evaporate in the other spheres of life.' In *The Democratic Corporation,* p. 39 (Beijing: Xinhua Publishing House, 1997).

53 L. Ferrajoli, *La democrazia attraverso i diritti: Il costituzionalismo garantista come modello teorico e come progetto politico* (Lecce: Gius. Laterza & Figli, 2013); also in M. Bovero, L. Ferrajoli, *Teoría de la democracia. Dos perspectivas comparadas* (Instituto Federal Electoral, 2012).

54 L. Ferrajoli, *Manifesto per l'uguaglianza* (Bari: Gius. Laterza & Figli, 2018).

55 P. Perlingieri, 'Constitutional Norms and Civil Law Relationships', Francesco Quarta (translation), *The Italian Law Journal*, Vol. 01, No. 01, 17-49 (2015).

centered blueprint. The constitutional legality translates a mandatory pathway towards the personhood rights of self-determination and dignity in every expression of the political and economic sphere, enticing systematic unity. Nevertheless, the financial realm features the perennial erosion of the same norms. Greedy financial choices continually put democratic systems under threat, corrupting that unity.

How can self-sovereignty and self-rule be considered inalienable in the political realm while persons are accepted to yield those rights daily in their workplace? The concept of 'citizen-as-worker'[56] is engrained in a multidisciplinary movement towards a political economy based on economic democracy, universal self-employment and self-sovereignty, cooperation, broad ownership, and governance over the productive capital. David Ellerman explains that a pathway to economic democracy entails the replacement of employment contracts for membership in democratic worker-owned firms, taking into account that membership is the economic version of citizenship.[57] Since the abolition of slavery, the labor force has been inalienable, and, technically, workers cannot sell their labor. In conventional firms, workers maintain their autonomy through an employment contract disguised as a contract of cooperation. This 'cooperation,' however, only includes the joint responsibility for the outcome. Therefore, Ellerman defends that joint responsibility should also mean shared rights in the outcome, entitling workers to take their fair share of the wealth they actively built.[58]

The recognition of workers' fair share of the value they create is a fundamental component of a democratic economy, which symbolizes the displacement of human beings to the center of economic relations - a place previously occupied by sheer capital. Rebalancing economics and politics overturn the basic assumptions about our economic life to tackle the pressing challenges of sustainable development. The route to overcome capitalism precarity is through global cooperation swapping places with the untrammeled competition witnessed in today's market. An age of convergence can spread prosperity in place of the growing inequality gap, which means that 'the per capita income in poorer regions rises more rapidly in percentage terms than the per capita income of the richer regions, so that the ratio of per capita incomes of the poorer regions to the richer regions

[56] D. Ellerman, *The Democratic Worker-Owned Firm: A New Model for the East and West* (New York: Routledge, 2015).
[57] Ibid.
[58] D. Ellerman, 'On the Labor Theory of Property: Is the Problem Distribution or Predistribution?' *Challenge,* 1-18 (2017).

rises toward one, that is, toward the same standard of living.'[59] However, this economic convergence does not rely solely upon the magnitude of global economic activity but on whether or not the poorest can effectively get their share of the wealth; in other words, how concentrated or distributed is the income across society.

The need to reform the work relations and introduce democracy into the workplace is not new but has been reinvigorated facing the fourth industrial revolution. The growing use of automated technology, artificial intelligence, and efficiency-based algorithms leads to unprecedented automation of the production process, ultimately reducing average wages, increasing job insecurity, and widening the social gap.[60] Digital labor privileges extreme specialization and full insertion in the information society to enjoy the wealth created while individuals marginalized from the information hub will be doomed to the other end of the social hierarchy. Nathan Schneider notes: 'when capital investments automate production, it doesn't make labor more productive; it makes capital more dominant and labor less essential.'[61] Hence, the future of work depends on non-hierarchical structures, innovative management, and alternative organizational models focused on the people on the frontline of the wealth-creation process.

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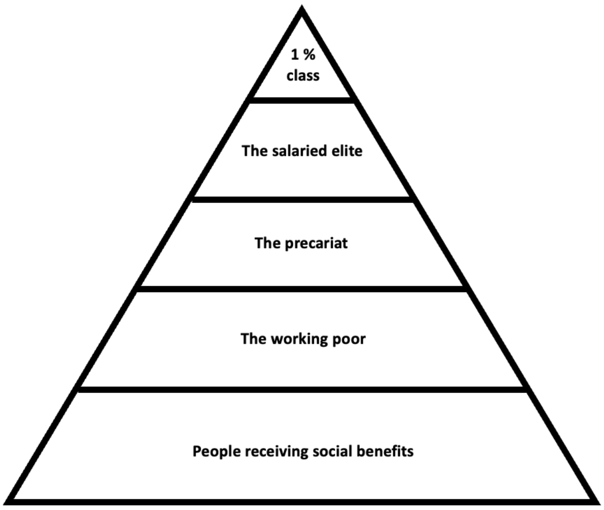
[59] J. D. Sachs, *Common Wealth: Economics for a Crowded Planet* (Penguin Books, 2009) 45.

[60] J. A. Johannessen, *The Workplace of the Future the Fourth Industrial Revolution, the Precariat and the Death of Hierarchies* (Routledge, 2018).

[61] N. Schneider, 'Digital Kelsoism: Employee Stock Ownership as a Pattern for the Online Economy' In *Beyond 2020: Reimagining the Governance of Work and Employment in a Rapidly Changing World*, ed. Dionne Pohler (Cornell University Press, 2020).

Figure 1 – The new social stratification in the Fourth Industrial Revolution



Source: J. A. Johannessen, *The Workplace of the Future the Fourth Industrial Revolution, the Precariat, and the Death of Hierarchies* (Routledge, 2018).

What these alternative organizational models stand for? After centuries of the dichotomy between a private property market economy based on the employer-employee relationship and socialism through a public-run economy, there is no doubt capitalism prevailed. Part of the literature, following Louis O. Kelso's Capitalist Manifesto, envisions alternative forms of ownership and governance as a shared capitalism-based organization of an industrial economy rooted in economic freedom and private property.[62] Others consider the universal self-employment in the workplace fundamentally antithetical to the hierarchical employer-employee relationship.[63] Still, there is a positive convergence in acknowledging that economic democracy does not necessarily fit the traditional conception of capitalism *versus* socialism and that incorporation of democracy in the workplace is the way to fight inequality and economic precarity. On the one hand, economic democracy is rooted in wealth distribution, mitigation of labor exploitation, and the abolishment of authoritarian-based hierarchies in the workplace, resembling socialist trends. On the other hand, workers and users get private ownership of the means of production. The bottom line is that economic democracy through broad ownership and governance is, *per se,* capable of

62 L. O. Kelso, M. J. Adler, *The Capitalist Manifesto* (New York: Random House, 1958).
63 D. Ellerman, *Property & Contract in Economics: The Case for Economic Democracy* (Cambridge: Blackwell Publishers, 1992).

transcending past dualisms, presenting an alternative and revigorated option based on cooperation to fight the threat of imminent human demise.[64]

Aware of these trends towards mounting inequality, the renovation of the work relations and productive processes rouse multiple propositions concerning how to overcome the severity of the economic imbalance. One approach to overthrow the democratic void in the market is 'shared capitalism,' straightening the employment relations to the business performance through individual employee stock ownership, profit sharing, gain sharing, stock options, and other hybrid forms of wealth distribution in the workplace. Regardless of the strategy adopted, all of them conveys an extension of political democracy into the firm, but this extent varies according to the level of ownership and governance each option foresee.[65]

In the 70s, Louis Kelso's Employee Stock Ownership Plan (ESOP) became a policy innovation in the US employment law, designed to mitigate the concentration of ownership of capital and promote a more sustainable employment environment by offering shares of capital stock and performance-based earned income to employees in their workplace in addition to their wages. This concept of employee share plans is not a rigid model with various levels of ownership distribution, including fully or partially fully employee-owned businesses, and it is not necessarily connected to governance rights. Kelso attempted to infuse capitalism with the idea of a democratic firm, stating that 'the concentration of capital ownership will tend at some point to become a monopolization of the principal means of production by some members of the economy. When this happens, others will be excluded from opportunities to which they have a natural right.'[66]

Along the same lines, Joseph Blasi, Richard Freeman, and Douglas Kruse call this capital wealth hold by employee-owners as their 'citizen's share,' for the value created directly from their work. They trace back the foundations of the US society since the preeminent intention of the Founding Fathers of a prosperous community, healing the 'tension between inequality and democracy.'[67] The potential of employee-ownership is also reinforced by Henry Hansmann, who breaks down the benefits and costs associated with employee

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64 N. Chomsky, *Cooperación o Extinción,* traducción Jesús Negro García (Ediciones B, 2020).

65 D. L. Kruse, R. B. Freeman, J. R. Blasi, *Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-Based Stock Options* (Chicago: The University of Chicago Press, 2010).

66 L. O. Kelso, M. J. Adler, *The Capitalist Manifesto* (New York: Random House, 1958) 96.

67 J. R. Blasi, R. B. Freeman, D. L. Kruse, *The citizen's share: putting ownership back into democracy* (New Haven & London: Yale University Press, 2013) 195.

ownership and takes into account the expense of the decision-making process among large groups of patrons, information asymmetry, and the performance promises connected to the model.[68] There are, in fact, robust efficiency reasons for assigning ownership of a firm to its workers, including better communication, avoidance of opportunism, reduction in worker alienation, and productivity.[69]

An economic system in harmony with nature and the community stands in need of a legal system capable of accommodating the complexity of networks, different patterns of organization, alternative institutional designs, the assembly of cooperative stakeholders, diffused property rights and ownership models. Envisioning the 'Ecology of Law' - in line with other movements of solidarity and economic democracy - Ugo Mattei and Fritjof Capra defend that: 'developing tenure systems characterized by their generative capacity and that favor sustainable production over rent extraction is perhaps the most important frontier of property law. Translating capital and technology into commons requires an ecological legal order based upon genuine respect and a common purpose, which each community would be able to interpret and apply according to its own cultural traditions, business opportunities, and shared desires.'[70]

Inserted in this boundless movement of economic democracy, the focus of this thesis falls on cooperatives, a particular model of ownership and governance that precedes the Employee Stock Ownership Plan and other hybrid forms of employee-ownership. Cooperatives are, *per eccellenza,* the portrait of the uppermost form of democratic organization, designed to meet their members' social, economic, and cultural goals. They nurture the highest standards of cooperation, equality, and autonomy, celebrating the collective power of their member-patrons. Thus, the core of the following section is the assessment of the cooperative ownership and governance model, its principles, and potential drawbacks, laying the foundation to understand better how they can grow and fulfil their mission of fighting capitalism precarity.

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68 H. Hansmann, *The ownership of enterprise* (Cambridge: The Belknap Press of Harvard University Press, 1996).

69 Ibid.

70 F. Capra, U. Mattei, *The Ecology of Law: Toward a Legal System in Tune with Nature and Community* (Oakland: Berrett-Koehler Publishers, Inc. 2015) 139.

III THE BUILDING BLOCKS FOR A COOPERATIVE FUTURE

The first woman to be awarded the Nobel Prize for Economic Sciences, Elinor Ostrom, built a pedagogical and ground-breaking framework regarding collective action, demonstrating that a cooperative strategy is the best way of handling pooled resources and sustaining a stable, long-term government of the commons.[71] Her work on analytical institutional economics - particularly on common-property resource regimes - asserts that the users' self-organization and self-governance can solve the pains connected to the lack of well-defined property rights over a particular resource. Ostrom provides the counterargument to the so-called 'tragedy of the commons'[72] by mapping and describing a range of cases of shared resources that people in various communities have successfully managed. Her vision upon resources jointly held by multiple individuals unveils the importance and viability of a third way for community governance fostering cooperation and collective choice arrangements to establish or modify the rules.

In the previous section, we explored the connection between the economic democracy movement and the capitalism precarity, sustaining that broad ownership and governance in the economic sphere can heal the symptoms of an inherently ill economic system, vulnerable to a recurrent crisis. Now, we will deepen the collective power analysis through cooperatives, which are bred-in-the-bone of democracy, raising central values and principles to safeguard the protection of the people and the planet over utter profitability. Even though they join the general economic democracy movement, they preceded employee stock ownership plans, profit sharing, gain sharing, stock options, and other hybrid forms of shared capitalism previously mentioned.

Cooperative tenant farming in Babylonia and burial benefit societies in ancient Greece reveal the early presence of cooperatives in human history since the first civilizations.[73] The narrative of modern human origins remains up to debate and new twists due to continuous discoveries in the evolution of species, using DNA analysis, greater

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[71] E. Ostrom, *Governing the commons: the evolution of institutions for collective action* (New York: Cambridge University Press, 1990).

[72] In general lines, 'The Tragedy of the Commons' refers to the hypothesis that self-interested individuals will tend to exploit the commons for their own benefit without limit in the absence of regulation, leading to the commons' depletion and ruin. See G. Hardin, 'The Tragedy of the Commons' Science, New Series, Vol. 162, No. 3859, 1243-1248 (1968).

[73] C. T. Autry, R. F. Hall, *The Law of Cooperatives* (American Bar Association: 2009).

computational power, and other available techniques thanks to cutting edge technologies. Most of the unknown regarding early civilizations - what Yuval Noah Harari called 'the curtain of silence'[74] - comes from the lack of developed writing and other shreds of evidence about their modes of societal organization. Still, according to the interdependence hypothesis, as modern humans began forming cultural groups, they became obligatory collaborative foragers such that individuals were interdependent with one another and, therefore, had a direct interest in their partners' well-being, engaging in complex forms of social coordination, communication, and cognitive developments.[75] In the ancient world, civilizations were born out of the urge to carefully govern the commons, ensuring no one seized the food and water resources. The first Sumerians had to enforce cooperation and oversee the fair division of the limited water, collaboratively constructing canals and reservoirs to capture floodwaters, which led to consolidating the first villages in the region of the Fertile Crescent.[76]

Meanwhile, the cradle of modern cooperatives was Europe in the late 1700s, where organizations resembling today's consumer cooperatives arose in response to harsh changes brought by Industrial Revolution.[77] Among the first cooperative formations, the Rochdale Society of Equitable Pioneers - founded in Manchester, England, in 1844 - became the forerunner of the core principles that guide current cooperativism. That small cooperative retail resembled a consumer cooperative focused on the trade of affordable groceries and home goods, as well as on the provision of social and educational facilities for the fellow workmen, wrestling the atrocious effects of the early industrialization and urbanization in the district of Lancashire. What stands out the most regarding the Rochdale cooperative is the set of principles envisioned by the members, emphasizing democratic control. Even though the principles have somewhat been modified along the way, the democratic nature still rests as a fundamental element of the cooperative.

74 Y. N. Harari, Sapiens: A brief history of humankind, 68-69 (London: Vintage Books, 2011).

75 'New collaborative skills and motivations were scaled up to group life in general, as modern humans faced competition from other groups' See M. Tomasello, A.P. Melis, C. Tennie, E. Wyman, and E. Herrmann, 'Two Key Steps in the Evolution of Human Cooperation: The Interdependence Hypothesis' *The University of Chicago Press on behalf of Wenner-Gren Foundation for Anthropological Research*, *Current Anthropology*, Vol. 53, No. 6, 673-692 (December 2012); M. Tomasello, I. Gonzalez-Cabrera, 'The Role of Ontogeny in the Evolution of Human Cooperation' *Hum Nat* 28, 274–288 (2017).

76 S. W. Bauer, *The history of the ancient world: from the earliest accounts to the fall of Rome* (New York: W. W. Norton & Company, 2007).

77 L. Pitman, 'History of Cooperatives in the United States: An Overview' *UW Center for Cooperatives* (2018), available at resources.uwcc.wisc.edu/History_of_Cooperatives.pdf (last visited 2 June 2021).

Figure 2 - The Rochdale Pioneers

Source: Euro Coop - European Community of Consumer Co-operatives, available at www.eurocoop.coop/coop-page/history.html (last visited 2 June 2021).

Figure 3 – The Pioneer store in its original state

Source: G. J. Holyoake, *The history of the Rochdale Pioneers, 1844-1892* (London: Swan, 1900).

The Pioneers gradually shaped cooperative morality in contrast to a bitter competition. Guido Bonfante, explains that, at that moment, *di fronte alla necessità di soddisfare bisogni elementari che soprattutto all'origine del fenomeno nascevano dagli squilibri del sistema capitalistico, tutti i cooperatori dovevano essere su un piano di parità: per quanto possibile poi, la cooperativa doveva mirare ad eliminare gli squilibri e quindi ad allargare la propria azione a coloro che si trovavano in un medesimo stato di bisogno.*[78] Therefore, the Pioneers created a plan of dividing the residue profits among all the members in proportion to their respective quarterly purchases with the society while nurturing their earnest desire for intellectual self-improvement, allocating part of the funds for educational purposes. In 1855, a cooperative conference held at Rochdale resulted in a declaration of principles, including: 'that human society is a body consisting of many members, the real interests of which are identical; that true workmen should be fellow-workers; and that a principle of justice, not of selfishness, must govern our exchanges.'[79]

The above principles and goals bear clear similarities with the set of principles and values currently determined by the International Cooperative Alliance (ICA), the global cooperative representative body since 1895 which defines a cooperative as an 'autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.'[80] The ethical values upheld by the international community are 'self-help, self-responsibility, democracy, equality, equity, and solidarity, as well as leaders' honesty, openness, social responsibility, and caring for others.'[81] These guiding tenets come into fruition in all respects through the following principles:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives
7. Concern for Community

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[78] G. Bonfante, *La Società Cooperativa* (Milano: Wolters Kluwer, 2014) 61.
[79] G. J. Holyoake, *The history of the Rochdale Pioneers, 1844-1892* (London: Swan, 1900) 51.
[80] International Cooperative Alliance, 'Cooperative identity, values & principles' available at www.ica.coop/en/cooperatives/cooperative-identity (last visited 5 June 2021).
[81] Ibid.

Since 1937, the first formulation of the Cooperative Principles in Paris represents a unique collection of principles that together form one comprehensive framework, encompassing multiple features of the production and management process. The framework is not limited to profit-sharing or distributed ownership. Its nucleus necessarily embraces ownership, governance, and external impact. Thus, the ubiquity of cooperative endeavors explains why they are optimum representatives of the democratic choice made in the political sphere to guide modern societies. Driven by a mutualistic purpose, cooperatives commit themselves to comply with the rules and principles, monitoring whether the values of cooperation are genuinely reflected in their performance. Vincenzo Buonocore cautioned that these general principles must be translated into legal norms to be implemented, granting each legislator margins to establish the actual fruition of the cooperative framework, which can be eventually stretched enough to nullify the mutualistic scope.[82]

The openness expressed in the 1st Principle is a powerful heritage from the Rochdale Pioneers. Voluntary and open membership means cooperatives are 'formed by the free choice of the persons who are members of it, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.'[83] This principle silently carries two fundamental democratic components: freedom, expressed in volunteerism, translating the right of members to freely choose how to spend their time, work, and resources; and equality. Cooperatives are part of the community and work as social tools, which the primary focus, in general, is creating benefits for their members. The principle recognizes the inherent dignity of all persons and seals the commitment to build a plural and non-discriminatory membership base, exercising ideological neutrality and tolerance.

Then, democracy appears explicitly in the 2nd Principle through the decision-making process centered on democratic member control according to the universal rule of one member, one vote. Again, the broad governance highlights the equality among the patrons and the universal accountability across the membership base. Closely linked to the notion of political democracy, there is the understanding that people have fundamental rights for democracy to work, such as voting on their leaders, freely manifesting their ideas, and accessing information with outstanding levels of transparency. These rights are comparable

82 V. Buonocore, Diritto della cooperatzione (Bologna: Il Mulino, 1997) 31.

83 International Co-operative Alliance, *Guidance Notes to the Co-operative Principles,* available at www.ica.coop/sites/default/files/publication-files/ica-guidance-notes-en-310629900.pdf (last visited 25 May 2021).

to the rights cooperatives introduce to the market to overcome the conflicts between conventional business structures and the societies' ethical choices for democracy.

Not only do members have the right to join the governance dynamic but also to share the economic outcome of the cooperative venture. The cooperative structure is designed to safeguard the interest of its members, which also includes financial advantages. In Brazil, for instance, the Law n. 5764/1971 establishes that a cooperative society's contract is signed by persons who reciprocally undertake the contribution of goods or services to the exercise of economic activity for the common benefit without the objective of profit.[84] This 'lack of profitability' regards the speculative return on capital invested, as capital is the common property of the cooperative, and profitability is not the primary business purpose. Instead, the surplus is devoted to setting indivisible reserves, developing the cooperative by the provision of common services, and benefiting the patrons according to their transactions through the joint structure. Even though the relationship between profitability and cooperatives varies in different legal systems according to multiple interpretations, ICA's 3rd Principle states this inherent duty of sharing the value created among the participants. This principle highlights that the 'key economic concept enshrined in it is that in a cooperative capital is the servant, not the master of the enterprise. the whole structure of the cooperative enterprise is designed around the concept of capital being in service of people and labor, not labor and people being in servitude to capital.'[85]

As self-managed organizations, the autonomy and independence expressed in Principle 4 are critical fundaments of cooperatives, so they freely rule and govern their operations. Neither governments nor external investors have the power to subdue, discriminate or create constraints to the internal cooperative development, instrumentalizing them for purposes outside their own activities, as the control rests solely with the member-patrons. This principle is particularly debated when introducing investors into the membership base - as it will be further discussed in this work - considering that the relationship with financial markets and financial institutions cannot compromise the cooperative identity.

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[84] *República Federativa do Brasil*, 'Lei nº 5.764 de 16 de dezembro de 1971,' article 3rd, available at www.planalto.gov.br/ccivil_03/Leis/L5764.htm (last visited 12 June 2021).

[85] International Co-operative Alliance, *Guidance Notes to the Co-operative Principles,* available at www.ica.coop/sites/default/files/publication-files/ica-guidance-notes-en-310629900.pdf (last visited 25 May 2021) 30.

The 5th Principle of education, training and information signals the mission and willingness of sponsoring the intellectual maturement of society regarding the nature of cooperation and advantages of collective action to consolidate a vast flow of shared experiences, ideas, and joint projects, beyond the firms' central operations. Individual cooperatives, business networks, and representative organizations also embrace different educative strategies in order to instruct the members about the values and principles that guide the entire cooperative existence. Furthermore, inspired by the tools used by investor-owned startups, the cooperative movement began to incorporate the mechanisms of business incubation and acceleration into the cooperative system, which provide intensive mentorship and training to seed-stage cooperatives willing to match high standards of growth.

Regarding the educational agenda, Martha Nussbaum emphasizes the urgency of disrupting the structural education-for-economic-growth model that primarily fuels the market progress, replacing it with humanistic education to further the needs of a democratic society.[86] Cooperative organizations can and must break up with a limited business-oriented curriculum - creating useful profit-makers - enlighten a pathway towards a healthier community, educate thoughtful citizens, and show the practical consequence of self-governance, freedom of speech, and respect for difference and understanding of others. Cooperatives' long-term sustainability depends on collective intelligence, where people understand, defend, and actively participate in the economy to create actual value over emptied profits.

Throughout this work, Principle 6 of cooperation among cooperatives assumes a starring role in respect of cooperative growth by collective action. Like other principles, cooperation is a corollary of democracy. It translates the value of inter-firm solidarity and the desire to mutually generate broad socio-economic impact, integrating all different lines and sectors of the movement. This cooperation exceeds the individual collaboration among workers and users and amplifies the scope of cooperation, either through national apex alliances, such as in the Italian cooperative ecosystem or through business conglomerates, informal networks, and other institutional designs that enable spread awareness, advocate

[86] M. C. Nussbaum, *Not for Profit: Why Democracy Needs the Humanities* (Princeton: Princeton University Press, 2016).

for common demands, share resources and information, and consolidate a cohesive movement.

The final principle, 'concern for community,' draws attention to the prospects of cooperatives inspiring, creating, and contributing to impactful policies addressing their immediate local communities' wellbeing. Cooperatives are capable of nourishing a 360-degree sustainable development in harmony with nature and people's needs, putting together significant contributions in terms of human and financial resources. Within this scope, they can position themselves at the forefront of the most urgent social conundrums, such as racial-based oppression, lifting marginalized groups. While conventional for-profit enterprises invest in sustainability as a marketing strategy, often generating a misleading process of 'greenwashing,' without assuming a true favorable environmental policy or an actual eco-friendly business model, cooperatives and other social-centered enterprises can effectively combine the demands of economic development and protection of common resources.[87] Historically, they have been important actors in attending to impoverished people and underprivileged social groups, safeguarding community development by complementing public welfare systems and building social trust.[88]

Moreover, Jessica Gordon Nembhard brings a new lens to the cooperative movement and recovers the intertwined path of economic cooperation and the history of the civil rights movement, particularly concerning the economic insertion of the Black community. Black groups have always been pushed to organize their socioeconomic lives collaboratively, whether formally or informally, to confront socioeconomic marginalization in the face of overwhelming odds - past enslavement, white supremacist violence, exploitation, and exclusion. Cooperatives have played a critical role in building their sense of community and identity, achieving economic development and overdue well-being by racialized groups through Black co-ops, collective economic action, and social entrepreneurship based on democratic economic participation.[89]

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87 D. Caterino, 'Nome e labeling della società benefit: nuove frontiere del contrasto al greenwashing' in *L'impresa sostenibile: alla prova del dialogo dei saperi,* (eds) Daniela Caterino and Ivan Ingravallo (EuriConv, 2020).

88 Cooperatives disseminate trust and enable the accumulation of social capital. This trust is fundamental to 'reduce uncertainty and transaction costs, enforce contracts, and facilitate credit at the level of individual investors, thereby enhancing the efficiency of exchanges and encouraging investment in ideas, human capital and physical capital.' See F. Sabatini, F. Modena, E. Tortia, 'Do cooperative enterprises create social trust?' *Euricse Working Paper*, N.043 (2012).

89 J. G. Nembhard, 'Benefits and Impacts of Cooperatives,' working white paper for the *Center on Race and Wealth*, Howard University (February 2014), available at https://community-

All these principles - anchored in worker-control, transparency, resistance to bias and prejudice, fairness in wealth distribution - create unique socio-economic agents that operate across individualistic and competitive markets seeking the common good, mutual responsiveness, and collective action without losing their identity. Deeply rooted in democracy, cooperatives create the image of citizen-consumers or citizen-workers to safeguard people's sovereignty over the market and strengthen a values-based economy. Stefano Zamagni and Vera Zamagni impeccably describe this cooperative uniqueness as it follows:

> The cooperative is a genuine, two-faced Janus.[90] It combines two distinct if not conflicting dimensions: the economic dimension of an enterprise that operates within the market and accepts its logic, and the social dimension of an institution that pursues meta-economic aims and produces positive externalities for other agents and for the entire community. This dual nature is what makes the cooperative so difficult to explain and so hard to govern. If conventional economics has trouble explaining the conduct of an agent who does not pursue only self-interested ends, social science also has trouble understanding how an agent like the cooperative can successfully act through the market to forge strong ties of solidarity and advanced forms of participatory democracy.[91]

Even though cooperatives share these essential ethical tenets, they do not necessarily share the same infrastructure. In fact, cooperative is a stretchable concept that suits a myriad of institutional designs crossing multiple industries, purposes, and business models – what Guido Bonfante identify as 'cooperative polymorphism.' Not only there are various categories of cooperatives, but they can also individually curate their governance and ownership structure as long as the democratic axis is preserved. Among the main cooperative models, there are wholesale cooperatives or modern retail or purchasing cooperatives, worker cooperatives, credit unions, producer or joint farmers' cooperatives, social cooperatives, and user or platform cooperatives.

Retail or purchasing cooperatives are comparable to for-profit buying groups – but member-owned, member-controlled – and emerge when groups of businesses or persons

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wealth.org/sites/clone.community-wealth.org/files/downloads/0213-benefits-and-impacts-of-cooperatives.pdf (last visited 25 May 2021).

[90] The expression 'two-faced Janus' is a referend of ancient Roman religion and myth. The Roman god Janus was a prestigious divine figure usually depicted with two faces - one looking to the past and the other to the future - a symbol of all beginnings and endings. Therefore, Janus is commonly referenced as the image of duality.

[91] S. Zamagni, V. Zamagni, *Cooperative Enterprise: Facing the Challenge of Globalization* (Cheltenham: Edward Elgar, 2010) 1.

combine their bargaining power to access goods in bulk at lower prices and better terms to reduce costs, reach greater efficiencies and aggregate their market power while remaining independent and completely autonomous. Among several perks, the US National Cooperative Business Association (NCBA CLUSA) list the following advantages enjoyed by members, as well as suppliers, consumers and the surrounding economies, as they 'reduce administrative overhead, increasing efficiency and savings; achieve greater economies of scale when buying goods and services, saving valuable resources; decrease costs by purchasing goods in bulk through nationally leveraged pricing; maintain public trust through ethical, transparent procurement practices; enable access to a wide variety of quality products from reliable suppliers; enable independent businesses to compete with retail chains.'[92] Purchasing cooperatives are scale-friendly structures by nature, as the collective bargain power gives independent businesses better odds of achieving economies of scale. Large purchasing cooperatives commonly pivot their business model to host services excessively pricey to a single business afford, widening the organization purpose towards training, centralized billing and label, marketing, etc.[93]

Well-established purchasing cooperatives in North-America include, for instance, the Ace Hardware Corporation, an Illinois-based hardware cooperative with over 50 million members and $6.1 billion in total revenue;[94] Amicus Solar purchasing cooperative with 63 independent solar energy companies with a project portfolio reaching all US states, Washington DC, Canada, and Puerto Rico, generating over $750M in revenues combined;[95] Recreational Equipment Inc. (REI) is a retail cooperative of outdoors equipment founded in 1938 in Seattle, currently holding over 20 million members, nearly 15,000 employees, operating in 168 locations.[96]

Another fundamental category of cooperatives is worker cooperatives. Conventional for-profit firms esteem labor solely as a production factor. Meanwhile, in worker

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92 NCBA CLUSA, 'Purchasing coops,' available at ncbaclusa.coop/resources/co-op-sectors/purchasing-co-ops/ (last visited 2 July 2021).

93 S. Seguin, 'What is a Purchasing Cooperative?' *Purchasing Cooperatives: Thoughts and strategies for running a purchasing cooperative or buying group* (2020), available at purchasingcoop.com/?p=52 (last visited 13 July 2021).

94 Ace Hardware Corporation, 'About Us' available at myace.com/about-us/ (last visited 13 July 2021).

95 Amicus Solar, available at www.amicussolar.com (last visited 13 July 2021).

96 'More than 70 percent of our annual profits are invested back into the outdoor community through dividends to REI members, employee profit-sharing and retirement, and investments in nonprofits dedicated to the outdoors.' See www.rei.com/about-rei (last visited 13 July 2021); also B. Lam, 'How REI's Co-op Retail Model Helps Its Bottom Line' *The Atlantic* (2017) available at www.theatlantic.com/business/archive/2017/03/rei-jerry-stritzke-interview/520278/ (last visited 13 July 2021).

cooperatives, employees undertake a more prominent role at the center of the production process, holding the ownership of the means of production and becoming member-owners, resources, and governors of their own firm. The participation of employees in the decision-making process in labor-managed organizations deeply evolve the workplace relationships into what David Ellerman calls 'workplace democracies.'[97] Workers have equal access to membership - regardless of their occupational group – hold voting rights following the one-member-one-vote standard and share the business outcome.

Considering the firm as 'a collection of processes that build up specialized assets over time,'[98] cooperators build social capital and derive direct utility from cooperation, which influences production efficiency and surplus levels. Worker ownership modifies the objective function of the cooperative to focus on maximizing income per worker and stabilizing employment levels.[99] Therefore, they are usually more resilient in the face of economic crises, experiencing fewer firm shutdowns and better preserve jobs compared to investor-owned firms, and maintaining sustainable employment levels in the community.[100] This sustainability results from practices of collective entrepreneurship, in which economic control relies on the hands of the workers and the communities they depend on to grow.

Worker cooperatives can be created as a labor-managed firm from scratch or result from worker buyouts, converting from non-cooperative companies. Especially during economic downturns, worker buyouts can redeploy the firm's capabilities for local needs by restructuring the business.[101] Hence, employees purchase an ownership stake in the firm that

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97 D. Ellerman, 'Worker Cooperatives as Based on First Principles' *Journal of Entrepreneurial and Organizational Diversity - JEOD,* Vol. 5, Issue 1 (2016) 20-32.

98 R. Rob, P. Zemsky, 'Social Capital, Corporate Culture, and Incentive Intensity' *The RAND Journal of Economics*, Vol. 33, No. 2 (2002), 243-257.

99 M. Albanese, 'Social and Relational Variables in Worker Cooperatives: Implications for the Objective Function' *Journal of Entrepreneurial and Organizational Diversity - JEOD*, Vol. 9, Issue 1 (2020) 26-44.

100 Virginie Pérotin explains that 'worker cooperatives, by providing institutions in which employees control most aspects of their job and firm strategy (including pay and employment trade-offs) internalize a number of externalities to the conventional operation of firms. They provide good, stable jobs in which employees' potential and creativity can flourish. In addition to promoting economic democracy, worker cooperatives offer sustainable and local employment and are likely to have a number of positive effects on their communities' economies, public finances and health.' See V. Pérotin, 'Worker Cooperatives: Good, Sustainable Jobs in the Community' *Journal of Entrepreneurial and Organizational Diversity - JEOD*, Vol. 2, Issue 2 (2013) 34.

101 In Italy, the worker buyouts phenomenon in recent years translates the rise of businesses' conversions in crises by their employees in regions hard-hit by recurrent economic crises, given their possibilities for helping local economies overcome financial difficulties. The country counts with a set of policies, laws, and financial instruments that spur employee-led buyouts, including the *Legge Marcora* 49/1985 framework. See M. Vieta, 'The Italian Road to Creating Worker Cooperatives from Worker Buyouts: Italy's Worker-Recuperated Enterprises and the Legge Marcora Framework,' *Euricse Working Papers*, N. 78 (2015); and M. Vieta (ed.), S. Depedri, A. Carrano, 'The Italian Road to Recuperating Enterprises and the Legge Marcora Framework:

employs them based on their own entrepreneurial initiative and resources via personal savings or loans. The conversion allows the labor force to rescue bankrupt companies or those with no succession plan, keeping the jobs and wealth created locally owned and helping local economies overcome financial hardships. As the generation born between 1946 and 1964 - the co-called baby boomers - are entering their 60s, the term 'silver tsunami' has been used concerning the wave of retirement, particularly among traditional business owners. Facing retirement, baby boomers can choose to sell their companies to other investors or entrepreneurs, pass the business to the younger generation within the same family, or consider converting to a worker cooperative. The third option is appealing to businesses without interested heirs or with low attractiveness for external investors.

Cooperatives are also active in the financial sector. Credit unions or cooperative banking are alternatives to commercial lenders and traditional for-profit financial institutions created, owned, and operated by their members to provide banking services. They are not-for-profit institutions, not publicly traded, and are usually exempt from paying corporate income tax on their earnings or awarded by other tax incentives. Guided by mutualistic purposes, credit unions must observe functional and structural peculiarities and comply with the integrative elements of their mandatory mutual nature of the exchange between cooperators and the cooperative.[102] Moreover, cooperative banking must promote the responsible and sustainable growth of the territories in which it operates and contribute to constructing the common good. They are instrumental in creating effective forms of economic-financial democracy.[103] Among the following sections, cooperative banking will be regarded as a critical tool for cooperative growth, not only for being a type of cooperative that generally achieve economies of scale but also for providing capital for other cooperatives, small businesses, and communities that struggle with access to capital through mainstream intermediaries.

Producer cooperatives are support organizations to producers from the same sector, making similar goods or offering matching services, so they reach a common goal through

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Italy's Worker Buyouts in Times of Crisis' *Research Report N.015 by Euricse, CFI Cooperazione Finanza Impresa, and University of Toronto - OISE Ontario Institute for Studies in Education - Centre for Learning, Social Economy & Work* (2017).

102 Regarding the mutualistic purpose, see Emanuele Cusa in 'Lo Scopo Mutualistico delle Banche di Credito Cooperativo' *Banca Borsa Titoli di Credito,* Anno LXXI, Fasc. 4 (Milano: Giuffrè Editore, 2008) 455-472.

103 E. Cusa, 'La funzione sociale delle banche di credito cooperativo tra legge e contratto' *Rivista della cooperazione*, n. 4 (2005) 11-20.

mutual assistance. The producers jointly design a separate legal entity to sell or market products, co-packing, and processing to add value to the collective production, as well as setting prices, quantities, quality standards, and payment methods. Beyond operating policies, their cooperative agreement must also establish each member's capital contribution and ownership. Together, they can bargain better prices and conditions of production inputs, improve product or service quality, share hired labor, co-invest in the equipment and infrastructure, negotiate jointly, create a unified sales strategy, address common challenges, expand their market, share distribution costs, implement effective coordination mechanisms, and process member products through a central hub. In addition to these marketing advantages, any surplus profits are distributed back to the members in proportion to their contribution to the cooperative. Most agricultural cooperatives fall into this category, creating one farm operation with multiple owners or articulating several separate producers that share access to resources and services.[104] Cooperative farming often encompasses the establishment of supply chains among local farmers and small cooperatives to organize their production system, honoring the principle of cooperation among cooperatives.

Social cooperatives raise the bar of the social dimension, targeting an even broader impact, especially in areas usually not targeted by other cooperatives. They embody an open group of beneficiaries, widening advantages to customers and users independently to the share acquisition, fading the lines between members and the larger community while investing in external social initiatives. They embrace a strong sense of social responsibility at the local level, responding to emerging social demands by mobilizing local development resources, often through the collective articulation of consortiums. This sector includes health, social, and educational services, research, professional training, tourism, and the safeguard of natural resources. Social enterprises also focus on immigration, tourism, the labor market, disadvantaged people, and other impactful areas usually not covered by the mainstream for-profit private sector: the management of artistic, cultural, and recreational activities, social housing, microcredit, fair trade, development cooperation, and social agriculture.

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104 F. Gilbert, K. Ruhf, L. Brushett, *Cooperative Farming: Frameworks for Farming Together* (Northeast SARE - Sustainable Agriculture Research & Education) available at resources.uwcc.wisc.edu/agriculture/Greenhorns_Cooperative_Farming_Guidebook.pdf (last visited 18 July 2021). Also, *United States Department of Agriculture,* 'Cooperatives in Agribusiness' Cooperative Information Report 5 (2011).

Social cooperatives embrace a high inherent economic risk in their economic and entrepreneurial dimensions, considering their operations' non-profit nature limits the financial resources available, centered on members' contributions. The continuous activities generate accountability for the enterprise. Besides, the constraints in the distribution of economic results among members and employees are motivated by the aim of preventing profit-maximizing behavior. In this sense, cooperative shares usually cannot be transferred, and the reserves are indivisible. In terms of governance, there is an acute participatory essence regardless of the capital contribution. The decision-making rights are based on equitable participation, following the principle of 'one member, one vote' and incorporating all stakeholders' voices on the decisions. The cooperative integration through consortiums of social cooperatives allows them to overcome the certain growth constraints imposed by their non-profit nature, combining the resources and collective power.

In Italy, the parliament officially crafted this legal entity in 1991, spreading the framework to other European countries during the '90s.[105] The Law n. 381 of 1991, still effective, regulates the social cooperatives for the management of services with a total allocation of profits and operating surpluses for institutional purposes. They benefit from a reduced tax regime due to their general interest in human and communal promotion, and they can include other public or private juridical persons as members. In the aggregation case among different firms, the consortium must consist of no less than seventy percent of social cooperatives.[106] In 2016, the Law n. 106, in compliance with law 381/1991 and the Italian civil code, set the base for a comprehensive reform of the Italian third sector, defined as a complex of autonomous initiatives of citizens who contribute in an associated form to the pursuit of the common good on a non-profit basis. The revision mainly affected transparency and accountability, fostering greater involvement of employees, users, and other people invested. Among the institutions that embody the third sector, social cooperatives, and their consortium acquired the qualification of social enterprises. In the following year, the legislative decree n. 117 established the Code of the Third Sector, consolidating the discipline regarding the third sector entities for the cohesion and social protection of voluntary

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105 J. Defourny and M. Nyssens, 'Social Co-operatives: When Social Enterprises Meet the Co-operative Tradition', *Journal of Entrepreneurial and Organizational Diversity*, 11-33 (2013).

106 *Legge* n. 381, 8 *novembre* 1991, art.8.

organizations such as associations, philanthropic bodies, social enterprises - including social cooperatives and their consortiums regulated by the Law. 381 of 1991 - among others. The sector was then subject to additional reforms to adjust interpretative doubts and protect its broad social function.

Finally, user or platform cooperatives are products of the sharing economy, developing a common internet-based infrastructure to co-create knowledge and solutions for wicked social problems.[107] The platform cooperatives are sustained by peer-to-peer production and collective management, sharing platform ownership among users to promote democracy in cyberspace. The deployment of the cooperative framework into labor platforms, in particular, results from the labor market pains and employment precarity in the conventional investor-owned platforms. Platform commons enable community engagement, boost digital social innovation,[108] and safeguard users' privacy and personal data against over-exploitation motivated by harsh profitability, unleashing the internet from the hands of a few tech-giant corporations.[109] Considering the vast scalability potential provided by the digital revolution, platform cooperativism is one of the growth strategies explored in the following sections.

All these categories exemplify Guido Bonfante's description of cooperatives' functional polymorphism[110] and the chameleonic nature of the cooperative movement, capable of fitting many business models and productive sectors. As different as they are, the thread that connects each one of these cooperative experiences is the democratic nature based on the principles mentioned above. Self-defined rules run the cooperative movement across the economy to achieve common goals, deploying mutual-benefit coordination mechanisms to strengthen its mutualistic purpose, sharing resources, not for the purpose of private speculation.[111] Despite the multiple proven benefits of purpose-driven collective action, many cooperatives still find difficulties growing and eventually achieving economies of scale. The plurality of forms and institutional designs dispel any 'one-size-fits-all' solutions since some cooperatives are naturally more scale-friendly than others. Still, they share the

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107 About the digital revolutions and socio-economic developments of the platform business and organizational model, see G. Parker, M. W. Van Alstyne, S. P. Choudary, *Platform Revolution: How Networked Markets Are Transforming the Economy—and How to Make Them Work for You* (W. W. Norton & Company, 2016).

108 I. Qureshi, S. L. Pan, Y. Zheng, 'Digital social innovation: an overview and research framework' *Wiley Information Systems Journal* (2021) 1-25.

109 T. Sholz, N. Schneider, *Ours to Hack and to Own: The Rise of Platform Cooperativism, A New Vision for the Future of Work and a Fairer Internet* (New York & London: OR Books, 2017).

110 G. Bonfante, *Trattato di Diritto Commerciali: La Società Cooperativa,* vol. 5 (Milan: Wolters Kluwer, 2014).

111 V. Buonocore, Diritto della cooperatzione (Bologna: Il Mulino, 1997) 47.

unfairness of scalability standards, considering they nurture a holistic development vision that surpasses pure financial parameters. Therefore, the next segment will challenge the conventional idea of business growth, suggesting a broader perception of scalability before deepening the innovative strategies that have been crafted to overcome the barriers felt by grassroots cooperation.

IV ACHIEVING IMPACT AT SCALE

Scalability represents a critical focus of commercial ventures and yet remains a challenging goal for a cooperative business. Traditionally, a scaleup entrepreneur aims to build a growing venture capable of scaling its operations, triggering a sudden paradigmatic shift in the marketplace, capturing extraordinary value, and surpassing financial milestones. This roadmap has been exemplified most successfully by the exponential advancement of digital technologies and subsequent performance pressure on businesses to achieve global impact at scale. These economies of scale are the engine of the industrial economy through massive fixed costs and low marginal costs, meaning that 'firms achieving higher sales volume than their competitors have a lower average cost of doing business, allowing them to reduce prices, which increases volume further, permitting more price cuts—a virtuous feedback loop that produces monopolies.'[112] As a result, investors chase investment opportunities in entrepreneurial projects qualified to build significantly more income and optimal returns, efficiently deploy the factors of production, and upswing revenue without generating the same degree of expenses,[113] preferably through a replicable model.

Scalability is a *performance measure* that computes how large and fast a business can grow its earning potential expressed through quantifiable financial results. This measure captures the improvement of capital efficiency and suits a vertical up-scaling trajectory rooted in profitability, and it is typically conceptualized on an individual business basis. The growth is measured through the company's assets, considering the financial augmentation received by investors and entrepreneurs. Such a dimensional perspective on business growth reflects the inherent nature of traditional for-profit corporations and their primary ambition for achieving robust wealth maximization. Thus, the question arises, can we assimilate cooperative growth in the same way?

As alternative forms of ownership and governance beyond the traditional for-profit model start to occupy new spaces in our economy, in addition to the prominence of non-investor-owned businesses in many vital industries, there is a growing need for understanding their unique processes and performance beyond the conventional wisdom. These alternative

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112 M. W. Van Alstyne, G. G. Parker, S. P. Choudary, 'Pipelines, Platforms, and the New Rules of Strategy' Harvard Business Review (2016) available at hbr.org/2016/04/pipelines-platforms-and-the-new-rules-of-strategy (last visited (last visited 22 June 2021).

113 Ideally, the incremental costs of investing in new customers decline over time.

models aspire to accomplish determined goals;[114] therefore, their impact measurement methods must reflect their purpose. Compared to the profit-maximization business model, social and cooperative endeavors seek to achieve transformative impact beyond financial metrics. While recognizing that the economy of scale may eventually deflate the cooperative tradition, Vincenzo Buonocore rejected the idea that co-ops must necessarily remain small.[115] Cooperatives may adapt to the ongoing changes in the social-economic environment, outline growth strategies, and reach advanced levels of development, as long as the pursuit of scalability does not lead them to abolish their essence. [116]

Scalability has always been a weakness for cooperatives competing in a savage market saturated with private capital injections into their traditional counterparts. Moving away from monetary metrics and the endless pursuit of extraordinary valuations, I propose an alternative growth framework, fundamentally prioritizing social impact and co-owner benefit over sheer profitability. Within the unorthodox market of cooperatives, the formulation of a feasible cooperative-centered growth framework is long overdue. The growth analysis must encompass the complete cooperative framework to fairly rate their impact, considering their socio-economic goals are *per eccellenza* broader than other participants in the market. Cooperative entrepreneurship aims to bring the rigor and depth needed to achieve desired impacts on social and environmental issues looking beyond the incentives of vertical financial growth.

Not only do cooperatives have the ability to innovate, but also to replicate and scale innovations through a horizontal organizational model capable of generating a variety of positive externalities. It is vital to understand better how cooperative, sustainable, and innovative movements spur transformative change and generate a comprehensive impact that spreads beyond the people directly involved in their initial development. In this regard, cooperative growth has a double feature: economically scaling independent cooperative endeavors and collective cooperative expansion. Scaling independent cooperatives allows the venture to remain focused on the steady growth of its own operations, incorporating or creating alternative tools to boost scalability, while collective strategies - through networks, alliances, groups, and conglomerates - generate internal growth and, simultaneously, contribute to the development of the cooperative movement at large.

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114 I. So, A. Staskevicius, 'Measuring the "impact" in impact investing' *Harvard Business School,* 1-58 (2015).
115 V. Buonocore, *Diritto della cooperatzione* (Bologna: Il Mulino, 1997) 19-22.
116 Ibid.

Acclaimed examples of collective articulation include the Mondragon Corporation, a worldwide business project launched in 1956 in the Basque Country, which created a grand entrepreneurial ecosystem through a central corporate umbrella articulating numerous separate, self-governing cooperatives based on inter cooperation.[117] Another notorious case of successful cooperative integration is the national policy developed in Italy, which embodies multiple mechanisms for collective articulation, including national alliances, consortiums, and cooperative groups. Finally, in the United States, Colorado houses an intricate multistakeholder network of single-stakeholder cooperatives in the solar energy industry, combining 'heavy' local entities with larger numbers of employees and non-liquid capital with 'light,' leaner entities that facilitate economies of scale.

Individual cooperatives focused on their internal business operations are typically confronted by conundrums regarding access to financial tools and opportunities to effectively scale their operations. However, attentive to modern technologies and new capital resources, cooperatives have fashioned novel growth strategies, deploying digital appliances and innovative approaches to not only survive in the current market but to thrive, accomplishing transformative impact beyond their original scope.

Even though Moore *et al.* concepts of 'scaling out, scaling up, scaling deep'[118] were originally envisioned as non-profit institutional scales to achieve broader systemic impact, I borrow their understanding of possible paths towards transformative growth by deploying them not only to social innovations but also to for-profit cooperative ventures as well. Their 'scaling deep' framework includes more extensive institutional changes (laws and policies), the replication of successful innovations in different communities, and the long-lasting transformation of the social system's beliefs, values and cultural practices.

The growth objectives included in this framework are not necessarily antithetical to financial returns. Instead, the framework suggests multifaceted dimensions of growth,

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117 S. Kasmir, *The myth of Mondragon: cooperatives, politics, and working-class life in a Basque town* (New York: State University of New York Press, 1996); G. MacLeod, *From Mondragon to America* (Sydney: University College of Cape Breton Press, 1997); W. F. Whyte, K. K. Whyte, *Making Mondragon: the growth and dynamics of the worker cooperarive complex,* Second Edition (New York: ILR Press, 1988); G. Cheney, *Values at work: employee participation meets market pressure at Mondragon* (New York: Cornell University Press, 1999); K. Bradley, A. Gelb, *Co-operation at work: the Mondragon experience* (London: Heinemann Educational Books, 1983); H. Thomas, C. Logan, *Mondragon: An Economic Analysis* (London: George Allen & Unwin, 1982).

118 M. Moore, D. Riddell, D. Vocisano, 'Scaling Out, Scaling Up, Scaling Deep: Strategies of Non-profits in Advancing Systemic Social Innovation' *The Journal of Corporate Citizenship,* Issue 58, 1-18 (2015).

marrying cooperative values to firm performance, including the following dimensions of growth:

- Growth by geographic expansion
- Growth by enlargement of the membership base
- Growth by built-in quality
- Growth by boosting an innovation culture
- Growth by net worth

Geographic expansion requires caution under the risk of overextension. Cooperatives desiring to scale from one region to another or from regional hubs to national markets may have reached their full potential in their current location and, therefore, may consider broadening their ventures into other similar operating environments. Not every cooperative seeks this kind of growth nor presents the necessary capability to sustain the intricacy of this process. Still, those willing to embrace a more comprehensive business coverage to attract new customers, members, or users, must focus on logistical advantages that each market can offer, along with the high regulatory complexity of a multiple-location operation and the consequential infrastructure required to foster this scale. In section XXX, the Namasté Network elucidates how geographic scalability can be achieved by combining scale-friendly cooperative structures with lean local businesses to gain the benefits of a more significant geographic impact without overextending the operations of a single cooperative.

Smart growth means sticking to one or a few locations while stretching the membership base to benefit a larger group of patrons and effectively serve their economic, social, cultural, and environmental needs. Perhaps, a cooperative may remain close to its roots and not display a significant accrual on its net worth but still achieve a new growth milestone through an affluent membership, efficiently managing the common aspirations of the individuals or corporate organizations that integrate its ownership scheme. Membership scalability vastly varies according to different conditions but must honor the fundamental pursuit of inclusiveness, bringing people together in a collaborative setting without discrimination.[119]

Assessing cooperative growth is a matter of the degree to which it can uphold its democracy-centric core values and manage its participatory nature effectively at scale. As the

[119] Voluntary and Open Membership is the 1st Principle of the International Cooperative Alliance.

business decides to enlarge its membership base, expand operations to other regions, or undertake new funding to support its growth, the cooperative scheme tends to become more complex, demanding more sophisticated governance mechanisms and legal resources. No matter the size of the cooperative, all members must be able to participate in the policies and voting processes actively, either through equal voting rights following the one-member-one-vote standard or through a more refined democratic structure with multiple spheres of authority and executive powers for different kinds of decisions without fading its deep democratic roots. The built-in quality must reflect the enhancement of the democratic mechanisms along with the cooperative growth, which also implies the quality of the education, training, and information available to the members to fully exercise their rights, duties, and control in respect to the 5th Principle of the International Cooperative Alliance.

Growth by built-in quality also means enriching the workplace experience beyond the decision-making process, developing a true sense of investment among the members, workers, and users to fuel a subjective sense of growth. A cooperative might be more interested in the journey towards a better business and ultimately committed to a better work environment for the people involved in its operations and exceeding what is conventionally expected from a workplace by actively nurturing and growing a new parameter of inner quality:

- Offering better career prospects
- Maturing the governance codes and transparency criteria
- Boosting learning exchange
- Enabling an exquisite social experience
- Leading meaningful community projects
- Introducing unmatched quality in products and services to the market
- Fostering a positive environment of peer-to-peer collaboration
- Creating broad prosperity and sharing equity with marginalized communities

Growth can be a barometer for how far-reaching is the impact of the cooperative beyond its internal activities. Is the cooperative capable of boosting a culture of innovation and executing its vision of generating local, regional, national, or even global impact? How many non-members benefit from the cooperative operations over time? Was the cooperative capable of fulfilling a broader purpose outside the original member-benefit-goal? Was that cooperative a seed for other innovative projects? Regardless of how lean or robust the cooperative is in terms of its central operations; the organization can be evaluated by its engagement in pioneering a cultural shift addressing critical issues faced by modern society by actively contributing to the development of positive opportunities in their social environment.

Financial performance may or not encompass the other major growth components of a cooperative venture. Still, cooperatives can thrive financially, seek revenue growth, and be conscious of the economic benefit of their members without compromising their values-centric mission. Capital is instrumental in accomplishing the several projects and good practices that cooperative firms desire to see flourishing. Looking through this lens, we notice that financial metrics can potentially inform how the market responded to cooperative actions. In certain business sectors, mostly those connected to high technology, financing tools and outcomes are especially needed to consolidate the growth and development of the business and the prosperity that comes with it.

The following sections will be devoted to mapping this multifaceted framework of cooperative scalability, including multiple growths strategies used by individual cooperatives or collaborative networks to achieve economies of scale.

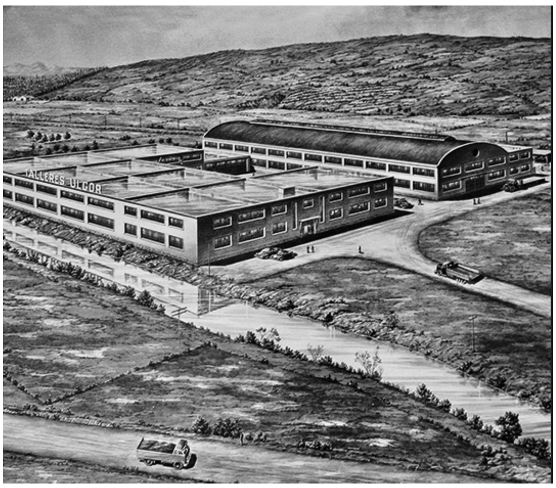
V GROWTH STRATEGIES

V.I. COLLECTIVE STRATEGIES

V.I.a. THE MONDRAGON SCALE TOUCHSTONE: SPIN-OFF INTER-COOPERATION THROUGH A MULTI-LOCALIZATION POLICY

Historically, the Mondragon Corporation has been the leading archetype of cooperative scalability, exhibiting cooperatives' full growth potential. The enterprise flourished as a worker-owned cooperative in the Basque country in 1956, establishing itself as a complex case of the creation and international expansion of multiple cooperative organizations under one corporate umbrella. The economic performance of Mondragon and the intricate system of socio-economic innovations, devised to cope with issues confronting its development, became a milestone for the international cooperative movement, adapting the concept of cooperative employee ownership to various production sectors and stimulating worker-centered entrepreneurship. Later in the 90s, the corporation pivoted its competitive approach to prosper in the European common market while conciliating the emerging economic reality to their essential social commitment. As of 2021, Mondragon represents the world's largest worker-cooperative conglomerate of 96 self-governing cooperatives connecting more than 80,000 people.[120]

Figure 4 – Mondragon group's first company, Talleres Ulgor.



Source: 'All our history' Mondragon digital archive.

[120] Data available at www.mondragon-corporation.com/en/ (last visited 8 August 2021).

The region of the Basque country between Spain and France is a culturally heterogeneous area, encompassing cross-border differences with multiple traditions, inherently diverse ethnic communities, complex identity patterns and cultural symbols. The country's geographical and historical conflicts fueled mass mobilization, fights against internal colonialism, periods of economic shocks, resistance, claims of territorial sovereignty, and nationalist insurgencies throughout the years. These conflicts represented a long-term nationalization and a relatively brief transition to democracy since the end of dictatorial regimes in the late 1970s,[121] integrating the territory through economic development and increased interaction among the regions. Regarding the Basque society of the post-Franco era, Ludger Mees explains that it became a more nationalist society in terms of politics, labor movement and cultural transformation through the implementation of 'considerable resources and instruments for the process of Basque nation-building.'[122] Combined with administrative homogenization and a cultural revolution, the socio-economic patterning of development driven by industrialization under democratic conditions added more cohesion to the region. According to Jan Mansvelt Beck, 'industrialization has been accompanied by increased urbanization, interregional trade and migration. Intensified interaction opened formally isolated areas to the outside world, enabling people to broaden their mental horizons, which gradually expanded to the state's borders. Economic modernization thus helped old local and regional identifications to disappear.'[123]

The puzzling development of the Basque society emphasizes a combination of auspicious elements of a still-evolving cooperative movement, including popular mobilization, participatory action, an axis of socialization and education, and a higher level of self-determination. The profound democratization process experienced in the political sphere also connects to a broader organizational change in the production process and corporate culture. Yet during the dictatorship regime and economic depression, the first local industrial labor-managed cooperatives paved the way to a successful case of industrial democracy in the region.[124]

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[121] L. Mees, *Nationalism, Violence and Democracy: The Basque Clash of Identities* (New York: Palgrave Macmillan, 2003) 31.
[122] Ibid.
[123] J. Mansvelt Beck, *Territory and Terror: Conflicting Nationalisms in the Basque Country* (London and New York: Routledge Taylor & Francis Group, 2005) 14.
[124] D. J. Greenwood, *Industrial democracy as process: participatory action research in the Fagor Cooperative Group of Mondragón* (Assen: Van Gorcum, 1991).

Fundamentally, the Mondragon experience unfolded through three major historical phases. The initiation of its entrepreneurship traces back to 1956 through to the early 90s, a period in which the cooperative movement was conceived and developed in the region, rooting its values in the local community. The birth of Mondragon followed the civil war and the Spanish dictatorship, out of a challenging period of gross unemployment and social crisis. Almost 35 years later, in 1992, the scaling process focused on international expansion to cope with the effects of globalization. Mondragon managed to combine community-oriented place-based ownership models capable of stabilizing local economies with multi-location operations overseas during the following 16 years, which led to its current magnitude with sales in over 150 countries.[125] Finally, the global financial crisis of 2007-2008 marked the ongoing process of regeneration and reinvention, grasping the latest market dynamics and obstacles.[126]

Various reasons led Mondragon to its current magnitude, including the founder's ability to see the communitarian needs and develop a compatible value system. It translates to a concrete experience of economic reform supported by ordinary people taking direct economic action to meet their own necessities as a genuine alternative to predatory capitalism. Father José María Arizmendiarrieta, a community priest, together with Luis Usatorre, Jesús Larrañaga, Alfonso Gorroñogoitia, José María Ormaechea, and Javier Ortubay, envisioned the first cooperative endeavor to spark the Mondragon experiment in 1956: ULGOR, which established principles such as the primacy of work over the capital, member equality (the classic one-member, one-vote mechanism), the supremacy of the General Assembly with solidarity, and investment in education.[127] Three decades later, in 1986, the Mondragon Cooperative Corporation was already the most prominent economic player in the whole region.

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125 Data available at www.mondragon-corporation.com/en/ (last visited 8 August 2021).

126 J. M. Luzarraga, 'Cooperative Entrepreneurship: The Case of Mondragon (1956-2016)' lecture during the *Platform Co-ops Now* course organized by The Institute for the Cooperative Digital Economy (ICDE) at The New School, Mongradon Cooperative, and MTA-Mondragon University (2021).

127 G. MacLeod, *From Mondragon to America: Experiments in Community Economic Development* (Sydney, Nova Scotia: University College of Cape Breton Press, 1997) 12.

Figure 5 – Father José María Arizmendiarrieta, 1941.

Source: F. Molina, *Arizmendiarrieta 1945 – 1976. Apóstol de la Cooperación* (2012) 21.

The cooperatives' founder, Father José María Arizmendiarrieta (or Arizmendi for short), connected his spiritual motivations to economic insights as a path towards social transformation rooted in solidarity, collectivism, and a new spirit of justice. His legacy focused on the intersection of education and work, stating that 'knowledge is power'[128] and, therefore, must be socialized to democratize power towards emancipation, breaking up narrow patterns of greed and self-interest:

> People have tremendous energy. They need to be channeled, they need to be offered undertakings that are suitable and appealing to them, and the example of others who are convincing by how they live their lives. People are the foundation of all things. As the people are, so will their society be. If people are just, upstanding, generous, noble, and honest, society will also be just, upstanding, generous, noble, and honest. What I mean is that society, the social sphere, is the best thermometer of the existence of true virtues in humanity. First people, then cooperatives. (...) With cooperation, we can act in solidarity, and in solidarity, we can make progress without masters, which is to say, with freedom and justice and with social and economic emancipation. (...) Dialogue and cooperation, freedom and commitment, all constitute effective methods for joining forces and efforts to organize and administer human labor, and thereby to humanize the

[128] Father José María Arizmendiarrieta, *Reflections: Insights From the Founder of the Mondragon Cooperatives*, original text compiled by Joxe Azurmendi, translated by The Interpreters' Cooperative of Madison (Solidarity Hall, 2021) 44.

> economy. (…) Cooperativism is an organic process of experience in which it is attempted that people, when engaged in human and socio- economic activity, accept the inspiration and the regulation of superior human values.[129]

The literature cherishes Mondragon's economic performance, longevity, and social dimension over the decades as a monumental phenomenon of a profitable venture capable of fastening fundamental ethical values built from the ground up and holding on to an oath regarding democratic participation through a network of workers cooperatives. Gradually, Mondragon underwent an organizational transformation from a small manufacturer to a large corporate umbrella, developing an intricate system of direct and representative democracy. Among the governing bodies, the general assembly embodies all worker-members following the classic one-person-one-vote mechanism of direct governance. However, the corporate complexity also led to the adoption of other governing structures, such as the management councils responsible for daily operations and social councils, to offset the business driving forces.[130] Its leadership framework and decision-making process have adjusted to the market dynamic without emptying the original standards, renewing the democratic lens while crossing internal and external challenges along the way.

Understanding the market demands is vital to maintaining entrepreneurial competitiveness, responding to customer demands, and building social impact through economic ventures. Still, the growing market alignment indeed pivoted the original employee participation, often subjecting their interests to external expectations towards business efficiency. Mondragon's expansion sparked harsh criticism concerning how the marketization led the corporation to dismiss a broader internal and external cooperation, as well as to overlook the opportunity of reshaping the market by social values instead of trying to fit the money-driven standards.[131]

Part of the literature repudiates the idealized framing built around cooperatives that regard them as egalitarian "mythical institutions" without social class struggles or internal labor-management conflicts.[132] Here, I seek to portray the Mondragon conception outside

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129 Ibid. 13, 23, 24, 114.

130 G. Cheney, *Values at work: employee participation meets market pressure at Mondragon* (New York: Cornell University Press, 1999).

131 Ibid.

132 S. Kasmir, *The myth of Mondragon: cooperatives, politics, and working-class life in a Basque town* (New York: State University of New York Press, 1996) 17-18.

romantic or utopian lens while still recognizing the visionary experiment that led the cooperative movement to foresee the growth potential of worker-ownership and other democratic alternatives to the traditional market. Mondragon is not a perfect experiment exempt from criticism, but its weaknesses along the way also teach fundamental lessons to enlighten deeper reforms, protecting democratic values, when inserted in an essentially anti-democratic economic system.

Analyzing the democratic process adopted by Mondragon, Noam Chomsky highlighted that 'Mondragon is worker-owned, but manager-controlled. Workers pick the managers, but they — theoretically, at least — control the managers; how much they control them you can debate… that's pieces of a more free and democratic society — pieces only, because workers are not participating directly: they are still picking someone to tell them what to do.'[133] In addition, this management-driven corporate governance has impacted the governing body's quality of decision-making, primarily because of the low business literacy of board members, unable to address complex strategic and economic challenges.[134]

The truth about economic democracy is that it takes much more than democratic governance through voting mechanisms and broad ownership. In addition, cooperatives must be rooted in a further web of values penetrating practical reality beyond branding: everyday practices ought to reflect the principles the venture holds on paper. Mondragon and every other cooperative looking into growth shall lead the market towards greater value milestones instead of adjusting its principles to fit the conventional market standards. Scalability usually comes with the threat of exhausting the organization's democratic dynamic to remain competitive.

Cooperatives are not exempt from tension and conflicts in sustaining their ideological solidarity. Analyzing the rich experience of the old Fagor Cooperative Group ran by the Mondragon Corporation, Greenwood highlights that:

> Fagor is undoubtedly one of the most successful experiments in industrial democracy in the world. It shows every sign of continuing to grow and develop successfully. Yet many worker-owners in the system feel that they do not control it, that it controls them. They vote for the annual business plan, and they can censure and fire managers. They have elaborated and

[133] N. Chomsky, 'Noam Chomsky on the Mondragon Cooperatives and Workers' Councils' available at https://www.youtube.com/watch?v=TyUciVOjZP4 (last visited 26 September 2021).

[134] In particular, the governance difficulties that led to the closure of Fagor Electrodomésticos were analyzed by I. Basterretxea, C. Cornforth, I. Heras-Saizarbitoria, in 'Corporate governance as a key aspect in the failure of worker cooperatives' *Economic and Industrial Democracy* EID 00(0) 1-26 (2020).

> effective mechanisms to deal with almost any kind of imaginable problem. Yet, they also feel that many elements of the system are beyond their control, perhaps even out of control. The owners of the means of production govern the system. Yet at work, they often feel as if the system owns them.[135]

This sort of control tension shows that cooperatives are not samples of perfect democracies but an ongoing experiment towards that touchstone. The larger the cooperative gets, the more challenging is the design of democratic governance at scale to keep the feeling of investment among cooperators. Therefore, efforts to achieve economies of scale require balancing the cooperative venture with democratic mechanisms without compromising its core values. In addition, it is also crucial to develop methods capable of securing greater alignment of individual and collective goals to enhance the cooperation at work to minimize potential conflicts.[136] Perhaps, this balance upon organizational practice will not always be perfect, but it is a perennial ideal, which guides the cooperative projects forward.

Mondragon's scalability results from a multi-localization policy with production plants in emerging countries focused on creating affiliate firms or acquiring ventures abroad through foreign direct investment, and increasing the sales overseas, including in China, Poland, Mexico, Brazil, Czech Republic, Slovak Republic, India, Turkey, and Russia. This expansionist growth scheme allowed the Mondragon Corporation to become the parent cooperative of many other cooperatives across multiple sectors in the international market, developing a shared global cooperative project model. According to José María Luzarraga, 'the strategy of international production multi-localization of the Mondragon industrial cooperatives has defended the stability of the local community by creating cooperative and non-co-operative employment, alongside a concurrent improvement in competitiveness; furthermore, by means of new job creation it has also enabled wealth growth in emerging countries, as well as providing certain best practices in Corporate Social Responsibility management coherent with cooperative philosophy.'[137]

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[135] D. J. Greenwood, *Industrial democracy as process: participatory action research in the Fagor Cooperative Group of Mondragón* (Assen: Van Gorcum, 1991) 8.

[136] K. Bradley, A. Gelb, *Cooperation at work: the Mondragon experience* (London: Heinemann Educational Books Ltd, 1983) 42.

[137] J. M. Luzarraga, 'Mondragon Multi-localization Strategy: Innovating a Human Centered Globalization: an empirical case study on the Mondragon Cooperatives production plants in emerging countries' Doctoral Thesis (Oñati: Mondragon Unibertsitatea, 2008) 424.

Ellerman analyzes the scaling strategy adopted by the Mondragon Corporation as the genesis of 'sheltered spin-offs' through which the mother company continuously originate associated firms over a long-term contractual framework.[138] The progenitor can either use its know-how to create startups or new products that directly benefit its ecosystem. By fostering offspring and boosting the interplay among different organizations, Mondragon can reach economies of scale and create positive externalities. This growth array shows cooperatives can work as incubators of new cooperatives to encourage the proliferation of collaborative players in the market by offering their blueprint to their descendants. This strategy prevents the mother cooperative from overgrowing and fully absorbing the risk of its spin-offs while raising employment levels and spawning innovation.[139]

The combination of local production plants and foreign operations mediated by the parent cooperative and integrated into a well-established educational dimension led to the maturation of a global cooperative structure, adopting a form of representative democracy. Therefore, Mondragon represents the leading archetype of inter-cooperation of regional clusters to the international sphere to achieve economies of scale, penetrating competitive markets while maintaining local community stability.[140] This groundbreaking appeal is precisely why Mondragon is seen as an 'experiment,' since there is no obvious way of growing a cooperative and achieving its set of ideals. Looking at Mondragon through an unorthodox lens, I refer to the largest Basque corporation here as a possible path rather than a blueprint or formula to be necessarily followed by other cooperatives. The following cases of cooperative growth strategies exercise the same experimental role, signaling that there is no universal formula for scalability but a creative space to develop personalized approaches case-by-case regarding each cooperative's mission, goal, and circumstances at different times and localities.

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138 D. Ellerman, 'The DNA of Enterprise: Jane Jacobs and Henry George on Innovation and Development Through Spin-Offs' *American Journal of Economics and Sociology*, 74(3), 531–549 (2015).

139 Ibid.

140 J. M. Luzarraga, I. Irizar, 'Understanding Mondragon Globalization Process: local job creation through multi-localization facing globalization threats to community stability' (Mondragon Unibertsitatea, 2015) 1-31.

V.I.b. MULTI-STAKEHOLDER NETWORK OF SINGLE-STAKEHOLDER COOPERATIVES[141]

There have been mounting efforts in recent decades to strengthen the relationship between entrepreneurial innovations and social goals, trading shareholder primacy for widely shared benefits and environmental sustainability. Perhaps no signal has been so widely heard, particularly in the United States, as the Business Roundtable's[142] turn from the doctrine of shareholder primacy to a vision for companies that "benefit all stakeholders—customers, employees, suppliers, and communities and shareholders". This new standard invites companies to embrace such notions associated with social entrepreneurship as a "triple bottom line."[143]However laudable these initiatives might be, they are late to the party—and perhaps insufficiently attired.

Co-operative business represents a much longer tradition seeking to integrate entrepreneurship with social benefit, dating back in its modern form to the mid-nineteenth century. [144] Co-operative enterprises are owned and governed by their members—their direct participants, rather than a small set of beneficiaries or investors trading shares on the market. Co-operatives appear in nearly every country, with diverse legal arrangements but a shared sense of global identity, covering a wide range of industries and organizational designs.[145] While many co-ops are small and local in scope, the model is widespread in agriculture and consumer finance, and it has produced such global brands as the Associated Press, Fonterra,

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141 This section corresponds *ipsis litteris* to the paper 'Scaling Co-operatives Through a Multi-stakeholder Network: A Case Study in the Colorado Solar Energy Industry' written in co-authorship with Nathan Schneider, assistant professor at the Department of Media Studies, University of Colorado Boulder, during my academic mobility in the same institution. The paper has been accepted to publication on the Journal of Entrepreneurial and Organizational Diversity (JEOD). The authors wish to offer special thanks and appreciation to interview participants: Blake Jones, Wes Kennedy, Stephen Irvin, Amanda Bybee, Jason Sharpe, Jason Wiener, Matt Herman, Angela Burke, Jenna Stadsvold, Juan Blohm, Alyssa Soares, Davis Fogerty, Briana Morris, and Daniel Fireside, who actively collaborated in the research. Karen Miner, Sonja Novkovic, and Keith Taylor generously provided feedback on earlier drafts, along with helpful comments from anonymous reviewers.

142 Business Roundtable. 2019. 'Business Roundtable Redefines the Purpose of a Corporation to Promote "An Economy That Serves All Americans."' (2019), available at www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans (last visited 3 March 2021).

143 J. Elkington, '25 Years Ago I Coined the Phrase "Triple Bottom Line." Here's Why It's Time to Rethink It.' *Harvard Business Review* (2018), available at https://hbr.org/2018/06/25-years-ago-i-coined-the-phrase-triple-bottom-line-heres-why-im-giving-up-on-it (last visited 3 March 2021).

144 E. Mayo, 'A Short History of Co-Operation and Mutuality' *Co-operatives UK* (2017), available at www.uk.coop/sites/default/files/uploads/attachments/a-short-history-of-cooperation-and-mutuality_ed-mayo-web_english.pdf. (last visited 4 March 2021); also, N. Schneider, *Everything for Everyone: The Radical Tradition That Is Shaping the Next Economy* (New York: Nation Books, 2018).

145 International Co-operative Alliance. n.d. 'Co-Operative Identity, Values & Principles,' available at ica.coop/en/whats-co-op/co-operative-identity-values-principles (last visited 4 March 2021).

Groupe Crédit Agricole, and Visa. Co-operatives and other forms of broad-based ownership have demonstrated numerous advantages such as lower rates of failure, resilience in economic hardship, greater firm productivity, and protection for otherwise exploitable workers.[146] Studies have also highlighted co-operatives' benefits for surrounding communities. [147] Yet co-operatives account for only a small percentage of the GDP in most economies, such businesses occur in economic and regulatory environments that inhibit their growth.[148]

Co-operatives have faced barriers to growth such as lack of awareness, inadequate public policy, limit intra-firm coordination, and especially a widespread lack of access to financial capital.[149] Their commitment to member control means co-operatives often cannot deliver the returns that investors expect from speculative investments. Historically, co-ops have arisen in capital-poor environments and other cases of "missing markets."[150] Financial capital today is available in such excess to profit-maximizing firms that co-operatives cannot compete with investor-owned businesses' potential capacity. Through such mechanisms as venture capital and private equity, capital markets impose demands incompatible with co-operative values. Investor ownership also exacerbates the consolidation of market power, further edging out more community-based business structures.[151] Mission-aligned, co-operative-compatible investment funds, targeting a balance of financial and social returns, are still scarce and require investors' commitment to ensuring social impact is prioritized as

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146 See S. Albæk, C. Schultz, 'On the Relative Advantage of Cooperatives' *Economics Letters* 59 (3): 397–401 (1998); P. Molk, 'The Puzzling Lack of Cooperatives' *Tulane Law Review* 88 (5): 899–958 (2014); V. Pérotin, 'What Do We Really Know about Workers' Co-Operatives?' In *Mainstreaming Co-Operation*, edited by Anthony Webster, Linda Shaw, and Rachael Vorberg-Rugh. (Manchester University Press, 2016); J. Blasi, D. Kruse, R. B. Freeman, 'Broad-Based Employee Stock Ownership and Profit Sharing: History, Evidence, and Policy Implications' *Journal of Participation and Employee Ownership* 1 (1): 38–60 (2018);

147 T. Menzani, V. Zamagni, 'Cooperative Networks in the Italian Economy' Enterprise and Society 11 (1): 98–127 (2010); A. Zitcer, R. Dilworth, 'Grocery Cooperatives as Governing Institutions in Neighborhood Commercial Corridors' *Urban Affairs Review* 55 (2): 558–90 (2019); K. Taylor, 'An Analysis of the Entrepreneurial Institutional Ecosystems Supporting the Development of Hybrid Organizations: The Development of Cooperatives in the U.S.' *Journal of Environmental Management*, 8 (2021).

148 J. Spicer, 'Cooperative enterprise at scale: comparative capitalism and the political economy of ownership' *Oxford Socio-Economic Review*, Vol. OO, No. 0, 1-37 (2021).

149 P. Molk, 'The Puzzling Lack of Cooperatives' *Tulane Law Review* 88 (5): 899–958 (2014); J. Spicer, 'Cooperative enterprise at scale: comparative capitalism and the political economy of ownership' *Oxford Socio-Economic Review*, Vol. OO, No. 0, 1-37 (2021); S. Vaheesan, N. Schneider, 'Cooperative Enterprise as an Antimonopoly Strategy' *Penn State Law Review* 124 (1) (2019).

150 . Hueth, 'Missing Markets and the Cooperative Firm.' *In Workshop on Producers' Organizations in Agricultural Markets*, 22 (Toulouse, 2014).

151 S. Vaheesan, N. Schneider, 'Cooperative Enterprise as an Antimonopoly Strategy' *Penn State Law Review* 124 (1) (2019).

the business grows.[152] As the urgency mounts for addressing such crises as climate change, wealth inequality, and political polarization, bringing greater scale to co-operative business represents an under-utilized opportunity.

The most common understanding of business scale relies on metrics that assume investor ownership, such as market capitalization and turnover within a given corporate entity. Co-operatives are not antithetical to growth, yet "the way they grow and their key opportunities are different."[153] Rather than individual vertical growth, co-operatives often coordinate their way to scale among diverse entities,[154] contractual frameworks, informal bonds, innovative hybrid structures, and policy-supported arrangements, strongly oriented by their cultural, political and economic context.[155]

How can co-operatives scale their impact, even with limited capital access? How can entrepreneurs create transformative change in their industries without undermining small businesses and the communities they support? This case study analyzes a multi-stakeholder network of single-stakeholder co-ops that emerged in the Colorado solar energy industry—the unplanned outcome from entrepreneurial spin-offs, co-op conversions, informal social bonds, and an ad hoc contractual framework. Using spin-offs from an original business,[156] this opportunistic network evolved a structure to tackle capital-access challenges and boost the development of transformative, values-centered co-operatives.

Given the constraints they face, co-operatives have historically developed several strategies for growing geographically and economically, drawing on the international co-operative principle of cooperation among 'co-operatives.'[157] Growth beyond a local context has often meant orchestrating smaller co-ops' operations together since democratic control becomes more cumbersome at a large scale.[158] The most common method for co-operative

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152 J. Rose, M. Kelly, 'Opportunity Knocking' *The Democracy Collaborative (*2021) available at https://www.fiftybyfifty.org/2020/12/opportunity-knocking/ (last visited 5 March 2021).

153 V. Berubé, A. Grant, T. Mansour, *How Cooperatives Grow* (New York: McKinsey: 2012).

154 S. Novkovic, W. Holm, 'Cooperative networks as a source of organizational innovation' *International Journal of Co-operative Management,* Volume 6 Number 1.1, 51-60 (2012).

155 J. Spicer, 'Cooperative enterprise at scale: comparative capitalism and the political economy of ownership' *Oxford Socio-Economic Review*, Vol. OO, No. 0, 1-37 (2021).

156 D. Ellerman, 'The DNA of Enterprise: Jane Jacobs and Henry George on Innovation and Development Through Spin-Offs' *American Journal of Economics and Sociology*, 74(3), 531–549 (2015); A. Zevi *et al. Beyond the Crisis: Cooperatives, Work, Finance. Generating Wealth for the Long Term* (CECOP Publications, 2011) 55.

157 International Co-operative Alliance. n.d. 'Co-Operative Identity, Values & Principles,' available at ica.coop/en/whats-co-op/co-operative-identity-values-principles (last visited 4 March 2021).

158 H. Hansmann, 'Cooperative Firms in Theory and Practice.' *LTA - Finnish Journal of Business Economics* 4 (1999).

expansion is through federation—the formation of a 'secondary co-operative' whose members are smaller, often highly similar co-operative businesses, which carry out certain business operations jointly.[159] Examples of this include the United Kingdom's Co-operative Group, which emerged from mid-nineteenth-century consumer co-ops, and the Desjardins Group, a large credit union system founded in Quebec. In Japan, consumer co-ops have similarly created regional federations to accomplish economies of scale, collectively buying products from manufacturers and wholesalers at reduced prices.[160] Secondly, co-operatives frequently form associations, which may be organized regionally or nationally around either a shared business model, like the US National Rural Electric Co-operative Association, or a broader commitment to the co-operative movement across various business models, like Confcooperative, AGCI, and Legacoop in Italy, alongside smaller consortia of co-ops that form in particular regions or industries.[161] Associations typically serve more diverse constituents and purposes than federations do, providing standards, training, marketing, and financing for member co-operatives. In Italy's Emilia Romagna region, associations have helped facilitate a co-operative sector that accounts for approximately a third of the entire economy.[162] A final form of co-operative aggregation is a network of highly intertwined businesses that share a common stakeholder structure—most famously practiced by the Mondragon Corporation in Spain's Basque region, to the extent that it is best known for its worker-owned co-operatives.[163] However, twenty-one of the ninety-five Mondragon co-operatives have multiple stakeholder classes within them, such as by including both workers and consumers as members.[164]

Here we seek to elucidate a less common but distinctly promising strategy for co-operative scaling: a *multi-stakeholder network*. This approach employs co-operative businesses

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[159] J. Cadot, M. Cook, 'The Governance of Cooperative Federation, a First Insight' *(*2016) available at www.sfer.asso.fr/source/jrss2016-papers/jrss2016_cadot.pdf (last visited 26 July 2021).

[160] A. Kurimoto, 'Structure and Governance of Networks: Cases of Franchising and Cooperative Chains.' In *Strategy and Governance of Networks: Cooperatives, Franchising, and Strategic Alliances*, *Contributions to Management Science,* edited by George Hendrikse, Mika Tuunanen, Josef Windsperger, and Gérard Cliquet, 63–82 (Physica-Verlag Heidelberg 2008).

[161] T. Menzani, V. Zamagni, 'Cooperative Networks in the Italian Economy' Enterprise and Society 11 (1): 98–127 (2010)

[162] J. Duda, 'Patterns for Cooperative Networks and Associations.' *The Next System Project* (2019), available at thenextsystem.org/learn/stories/patterns-cooperative-networks-and-associations (last visited 7 March 2021).

[163] W. F. Whyte, K. K. Whyte, *Making Mondragón: The Growth and Dynamics of the Worker Cooperative Complex* (New York: Cornell University Press, 2014).

[164] O. Imaz, *et al. Governance and Multi-Stakeholder Cooperatives in Mondragon: The Dilemma between Openness and Cohesion,* International Co-operative Governance Symposium, International Centre for Co-operative Management, Saint Mary's University (2021, June 18).

with different stakeholder structures, each tailored to achieve specific social and business goals. Together, the entities are able to achieve scale in distinct ways, without necessarily incurring the costs of that scale on the others. In a multi-stakeholder network, each business has a single core member class and a highly focused purpose, linked primarily through social interactions. This paper explores how the strategy of multi-stakeholder networking can enable co-ops to align diverse incentives, achieve social goals, and retain democratic accountability while influencing an industry at a national scale. A multi-stakeholder network strategy also appears flexible enough to be replicated in other contexts and industries since it is not dependent on unusual policy arrangements.

Novkovic and Holm[165] first theorised "multi-stakeholder co-operative networks" and presented the model through the biological lens of "complex adaptive systems". We build on their approach. Each of their case studies, however, organised diverse co-operatives and other entities in a single co-operative; the model we consider here involves no such structural consolidation, and thus only deepens the sense in which complex adaptation serves as a useful mode of analysis. Mondragon Corporation may also be considered a multi-stakeholder network, since in addition to worker-owned co-operatives it includes businesses that include consumers and other stakeholders as members, along with subsidiaries that are not co-operatives.[166] The story of its growth also exhibits opportunistic, adaptive features, including expansion through spin-off co-operatives.[167]

Co-operatives in the United States, where this study concentrates, tend to organise according to stakeholder class. The associations for consumer-owned credit unions and electric utility co-operatives each have larger budgets than the apex organisation that represents all kinds of cooperatives. This is beginning to change with an increasingly popular but still relatively novel model, the multi-stakeholder co-operative, which is a single business that includes multiple member classes, such as workers, consumers, and in some cases,

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165 S. Novkovic, W. Holm, 'Cooperative networks as a source of organizational innovation' *International Journal of Co-operative Management,* Volume 6 Number 1.1, 51-60 (2012).

166 S. C. Smith, 'Network Externalities and Cooperative Networks: A Comparative Case Study of Mondragón and La Lega with Implications for Developing and Transitional Countries.' In L. Sun (Ed.), *Ownership and Governance of Enterprises: Recent Innovative Developments*, 202–241, (UK: Palgrave Macmillan, 2003).

167 D. Ellerman, 'The DNA of Enterprise: Jane Jacobs and Henry George on Innovation and Development Through Spin-Offs' *American Journal of Economics and Sociology*, 74(3), 531–549 (2015); W. F. Whyte, K. K. Whyte, *Making Mondragón: The Growth and Dynamics of the Worker Cooperative Complex* (New York: Cornell University Press, 2014).

investors.[168] The multi-stakeholder network approach differs by enabling distinct, focused businesses to operate relatively independently of other stakeholder groups, while taking advantage of particular synergies.

The multi-stakeholder network includes features that scholars have identified in other kinds of business networks, such as social integration among participants, a shared thematic orientation, and a strong sense of personal attachment.[169] Unlike a business cluster, this strategy is not limited to a specific region and does not consist of companies that primarily compete with each other; its membership is also carefully curated rather than open to all comers, as clusters typically are. While in some respects the multi-stakeholder network is a typical business network, its co-operative identity makes a difference. Co-operative networks can engage in especially values-centric decision-making compared to networks of closely held or investor-owned firms. Compared to other approaches to co-operative development, this strategy is unique in its diversity, integration, and modularity. The workings of the multi-stakeholder network also reflect the Institutional Analysis and Development framework's concept of polycentric governance, in which various independent sites of decision organize together toward a shared purpose.[170]

A field study was conducted among a group of solar-energy co-operatives that embodies the multi-stakeholder network strategy with particular dynamism. They are based in the United States, along Colorado's Front Range. The case starts with Namasté Solar, a solar electric systems contractor that developed into a worker-owned co-op. As it sought to balance environmental impact, survival, and growth, Namasté Solar incubated a national-scale ecosystem through a series of sibling co-operatives: Amicus Solar (a purchasing co-op), Amicus O&M (a shared-services co-op), Clean Energy Credit Union (a consumer-owned financial institution), and Kachuwa Impact Fund (a co-op of investors). These ventures contribute to the ambitions of the others, particularly through the combination of scale-friendly structures (the credit union and the purchasing co-op) with local, participatory structures (the worker co-op and allied small businesses). Yet as independent entities, each business remains relatively small and nimble in its operations. Together, they have

168 R. Ajates Gonzalez, 'Going Back to Go Forwards? From Multi-Stakeholder Cooperatives to Open Cooperatives in Food and Farming' *Journal of Rural Studies* 53: 278–90 (July 2017).

169 A. Bode, T. B. Talmon l'Armee, S. Alig, 'Research Note: Clusters vs. Networks—a Literature-Based Approach towards an Integrated Concept.' *International Journal of Globalisation and Small Business* 4 (1): 92 (2010).

170 E. Ostrom, *Understanding Institutional Diversity.* (Princeton: Princeton University Press, 2006).

contributed to reshaping their industry nationally. We refer to them collectively as the "Namasté network".

The case illustrates how the multi-stakeholder network approach can enable co-operative growth and problem-solving in ways less available to a single co-operative business alone. By market standards, the individual co-operatives in the network are still relatively modest in size. Yet taken together they represent a set of interlinked co-operative interventions that are poised to make a significant impact in their market and toward their ultimate stated goal of quickening the renewable energy transition. In addition to detailing the development of the Namasté network, we hope this case will contribute to an understanding of how mission-driven co-operatives can achieve scale in a manner distinct from that of investor-owned firms.

In what follows, a case study is presented detailing the development and purpose of each business in the network, referred here as the "Namasté network." Presenting and analyzing our source material constitutes the bulk of the paper, followed by further exploration of the concept of the multi-stakeholder network, highlighting its distinct strengths and potential shortcomings. The conclusion includes suggestions for future research.

Our fieldwork consisted of interviews and follow-up correspondence with fourteen participants involved in the Namasté network, mostly current and former employees. The interviewees were men and women of different ages; some held leadership positions, while others did not. Each interview was conducted through a video call lasting approximately forty-five minutes. A snowball sampling methodology was adopted, seeking a diverse sample of informed participants, guided by existing knowledge of the Colorado business ecosystem to identify informants. Given that this study focuses on the narrative of the network's development, and design, interviews were the most direct means of surfacing relevant insights. The questions encouraged participants to reconstruct their own experiences, motivations, and reflections. Their responses are analyzed in light of relevant organizational records that participants supplied, publicly available documents, previous research on co-operative business, and the authors' own participant-observation in the sector.[171]

[171] The study was designed to respect our informants and their testimonies. A written statement of voluntary informed consent from participants was obtained, representing a shared understanding of the study's goals, the proposed benefits of the research, and the intent of minimizing any threat of harm to the participants. Later, a draft of this paper was made available to participants for their feedback before it was shared with any

The Namasté network emerged from a specific set of conditions in and around Boulder, Colorado. The region benefits from a strong and vibrant start-up community's positive externalities—with its roots planted in the 1970s—and one of the world's highest entrepreneurial density. In 2011, Colorado ranked fourth in the United States for seed and early-stage investments in start-up companies.[172] Boulder is also a highly affluent community, economically, as well as lacking in racial and ethnic diversity compared to the state and country as a whole.[173] A high cost of living presents barriers to potential residents who inherit legacies of marginalization, discrimination, and dispossession.

The area is home to the offices of numerous environmental organizations and green-energy firms. Boulder residents have undertaken a protracted (and thus far unsuccessful) effort to assume control over the local power system from a private utility. During the early years of Namasté Solar's growth, additionally, the company benefited from a political environment favorable to renewable energy, such as through federal subsidies. The Obama administration even spotlighted the company several times as a model for the country's post-recession recovery. In 2004, Colorado became the first state to pass a ballot initiative for a Renewable Energy Standard, which obligates electrical utilities to obtain a minimum percentage of their energy from renewable sources. Colorado has also adopted a public benefit corporation statute, enabling a for-profit entity that 'balances the shareholders' pecuniary interests, the best interest of those materially affected by the corporation's conduct, and the specific public benefit(s) identified in its articles of incorporation.' [174] The statute's provisions hold directors accountable for their decisions concerning the business' positive social and environmental impact.

Having an appropriate regulatory climate is important for enabling successful co-operatives,[175] and Colorado is an especially inviting jurisdiction for co-operative business. The state has a general-purpose co-operative statute,[176] along with others dedicated to

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other readers. The study was determined not to require Institutional Review Board approval at the University of Colorado Boulder.

172 B. Feld, *Startup Communities: Building an Entrepreneurial Ecosystem in Your City* (Hoboken: John Wiley & Sons, Inc. 2012).

173 City of Boulder, 'Racial Equity' (2021) available at bouldercolorado.gov/racial-equity (last visited 6 March 2021).

174 Colorado Secretary of State, 'Public Benefit Corporations & Benefit Corporations FAQs' (2021), available at www.sos.state.co.us/pubs/charities/instructions/PBC.html (last visited 6 March 2021).

175 K. Taylor, 'An Analysis of the Entrepreneurial Institutional Ecosystems Supporting the Development of Hybrid Organizations: The Development of Cooperatives in the U.S.' *Journal of Environmental Management*, 8 (2021).

176 Colorado Revised Statutes, Title 7, Article 55, Cooperatives (§§ 7-55-101 — 7-55-121).

housing,[177] the renewable energy industry,[178] credit unions.[179] In 2011, Colorado adopted the Uniform Limited Co-operative Association Act, a highly flexible co-operative statute, which permits multiple stakeholder classes within a single co-op business, including external investor-members with limited voting rights and a share of revenue or profits. Co-operative lawyers Jason Wiener and Linda Phillips have branded Colorado 'The Delaware of Co-operative Law,'[180] as many co-operative businesses not physically based in the state have chosen to incorporate there.

Support in the state has been growing for employee-owned businesses, using either a co-operative structure or an Employee Stock Ownership Plan (ESOP). The Rocky Mountain Employee Ownership Center, a non-profit advocacy and technical support organization, formed in 2010. By 2017, the state legislature passed measures such as a revolving loan program and a requirement that small-business offices provide information about employee-ownership conversions. In 2019, Governor Jared Polis—formerly Boulder's representative in the US Congress, where he championed co-operative business—established a state-wide commission to support employee ownership expansion. The Colorado Employee Ownership Office opened in 2020, providing grants and other assistance to businesses exploring co-operative structures or an ESOP. In this context, Namasté Solar has become one of the state's best-known co-ops, but its growth strategy of multi-stakeholder networking has not been widely recognized.

Case Study: From Start-up to Network

This section presents the case study's main narrative. The interview data and analysis are intertwined, providing both empirical and conceptual scaffolding on critical inflexion points in the businesses' development.

Namasté Solar

Namasté Solar is a firm headquartered in Boulder that sells and installs solar panel systems. Blake Jones, Wes Kennedy, and Ray Tuomey set up the business in 2005 as a Colorado C

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177 Cooperative Housing Corporations, CO Rev Stat §38-33.5-101 (2016).

178 Renewable energy standard, CO Rev Stat § 40-2-124 (2016).

179 Credit Unions, CO Rev Stat Title 11, Article 30 (2018).

180 J. Wiener, L. Phillips, 'Colorado — "The Delaware of Cooperative Law."' *Fifty by Fifty Blog* (2018), available at medium.com/fifty-by-fifty/colorado-the-delaware-of-cooperative-law-babedc9e88eb (last visited 5 March 2021).

corporation to propagate solar energy. The co-founders were first-time entrepreneurs who learned about co-operatives' existence only after founding the company.[181]

Initially, the three co-founders contributed capital to the business's formation—with some investing substantially more than others—building a custom stock-ownership structure that could include future employees as owners. While cooperatives have historically tended to begin with roughly equal investments from members, Namasté had founders who, to unequal degrees, were able to contribute considerable startup capital. But they set out to create a company that would both generate a return on that initial investment and distribute the benefits of its future success with future employees.

New employees were invited to make a capital contribution to become co-owners. Namasté Solar was a conventional C corporation, but in operational decisions it practised democratic control based on a one-person, one-vote voting mechanism; corporate governance, as in other C corporations, was one-share, one-vote. One early employee, Amanda Bybee, explains that adopting an employee-ownership structure from the beginning created a sense of financial and emotional investment. Regardless of the challenges during the first years of operation, sharing ownership among the founding team instilled the loyalty and commitment that contributed to the later success.[182]

Namasté Solar's current CEO, Jason Sharpe,[183] recalls that all employees used to receive the same salary, and there was intense debate about whether that was fair or truly equitable. After a few years, the company adopted a graduated pay structure. Still, Namasté Solar maintained a highly transparent culture of 'open-book management,' enabling all employees to review accounting and payroll records. The business grew to almost two hundred workers during its first fifteen years, maintaining a six-to-one maximum ratio of the highest to lowest total compensation per employee. The ownership model allowed early co-owners to acquire more shares than later members because business growth increased the

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[181] B. Jones, 'Personal Correspondence,' interview (2020).
[182] A. Bybee, 'Personal Correspondence,' interview (2020).
[183] J. Sharpe, Jason. 'Personal Correspondence,' interview (2020).

share price. This concentration seemed at odds with the company's values and democratic governance.[184] Namasté Solar's general counsel at the time, Jason Wiener,[185] explains:

> Over time, the voting process became less frequent, which changed the voting dynamic. The one-member-one-vote mechanism turned into a source of tension towards the disparity between ownership and control. Some co-owners would own significantly more stock. Their capital investment risk would never match the level of respect for their risk because everybody got to participate equitably.[186]

According to Bybee and Stephen Irvin,[187] another early employee, there was a period when the company's leaders considered an acquisition. The company received two offers, one made by a private equity group from Boston and one by a large national consolidator in the solar industry that later became publicly traded. The potential buyers argued that they could help Namasté Solar survive against SolarCity—an investor-backed competitor with a national economy of scale—by integrating it into a larger organization.[188] Tense discussions preceded the decision, and Namasté Solar's co-owners ultimately voted against those bids.

Namasté Solar's team had hesitated to take major outside investment for fear of giving up control of their destiny. According to Sharpe, 'we were running our business in an unorthodox way and did not want to give that up.'[189] In companies owned mainly by founders and investors, the owners expect a profitable exit through an eventual acquisition or a public offering, disproportionately benefiting them; toward that end, investors also expect control rights. After refusing both acquisition offers, the employees chose a third route: keeping control of Namasté Solar by converting it to a worker-owned co-operative while achieving economies of scale by creating a national purchasing co-op, Amicus Solar.

In 2009, Namasté Solar's co-owners started learning more about co-operatives, a model that seemed to align well with the governance structure they were already attempting to use.[190] A year-long committee investigated and presented co-operative options to the other

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184 A. Bybee, 'Personal Correspondence,' interview (2020).

185 Jason Wiener joined Namasté Solar in May 2009, hired as a general counsel and, shortly after, he purchased a stock to become a co-owner. He left the company and created Jason Wiener|p.c., a boutique legal and business consulting practice.

186 J. Wiener, 'Personal Correspondence,' interview (2020).

187 Stephen Irvin is Namasté Solar's former chief financial officer. He is the current president of Amicus Solar.

188 S. Irvin, 'Personal Correspondence,' interview (April 13, 2021).

189 J. Sharpe, Jason. 'Personal Correspondence,' interview (2020).

190 A. Bybee, 'Personal Correspondence,' interview (2020).

co-owners. At the end of 2010, the co-owners voted in favor of the conversion, which became effective in January of the following year. In 2011, Namasté Solar also became a Certified B Corporation, a private certification process through the non-profit organization B Lab. This helped deepen the company's commitment to the seventh co-operative principle, 'concern for community.'[191]

The conversion to a co-operative model had several motivations. The first was that co-operative decision-making operates according to one-member, one-vote, which the company already practiced. Second, the co-operative would better align those voting rights with the stock ownership structure, correcting the imbalance of increasingly centralized ownership among a few early employees. Third, becoming part of the co-operative movement provided a language for articulating the values-centered business practices that Namasté sought to embody.[192] Lastly, the conversion laid the groundwork for the entrance of new investors.[193]

When the owners agreed to proceed with the co-operative conversion, they created a narrow pathway to exit if an owner desired to liquidate their shares. The shares were reorganized into three classes, with a primary class of voting shares worth $5,000—the amount future members would have to invest—alongside classes for outside investors and employees with additional capital in the business. Founders received returns for their early risk, including those who chose to liquidate their shares at the conversion. But, explains Wiener, 'the conversion is not a financial transaction in its heart, because it encompasses a whole new vision moving forward with the business. It is essentially the same group of co-owners reorienting themselves.'[194] As can be the case in co-operative governance,[195] the time and deliberation represented a significant opportunity cost for the business, thanks to the lengthy discussions among the fifty-two co-owners. The reorientation was worth it to them.

Shortly after the conversion, Namasté Solar faced a daunting challenge. Colorado's dominant investor-owned utility, Xcel Energy, suddenly ceased its Solar Rewards Program. Along with federal tax credit, the program was designed to help solar customers offset their

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[191] International Co-operative Alliance. n.d. 'Co-Operative Identity, Values & Principles,' available at ica.coop/en/whats-co-op/co-operative-identity-values-principles (last visited 4 March 2021).
[192] J. Wiener, 'Personal Correspondence,' interview (2020).
[193] A. Bybee, 'Personal Correspondence,' interview (2020).
[194] J. Wiener, 'Personal Correspondence,' interview (2020).
[195] H. Hansmann, 'Cooperative Firms in Theory and Practice.' *LTA - Finnish Journal of Business Economics* 4 (1999).

energy systems' prices through a cash rebate.[196] Consequently, Namasté Solar had to lay off 20 per cent of its workforce, including co-owners, which had a significant emotional impact.[197] The crisis also presented the company with the need for a new capital infusion.

During Namasté Solar's first several years, capital came from the employee-owners' personal resources. But in order to reorient its strategy, the company sought financing from long-term investors who valued employee ownership and environmental stewardship over fast returns. Other co-ops, such as Equal Exchange and Organic Valley, had already demonstrated how to raise external capital by issuing a class of non-voting preferred shares. Daniel Fireside, the former capital coordinator of Equal Exchange, has served on Namasté Solar's board of directors for over eight years, offering guidance on the fundraising terms and process. Through this mechanism, Namasté Solar raised $750,000 in 2012 and then over $3.1 million in 2016.[198] The process would later provide a template for investments by Kachuwa Impact Fund.

In comparison to the early practice of simple votes among co-owners, Namasté Solar has developed a more sophisticated governance process. Co-owners join quarterly meetings to discuss and vote on major business decisions while everyday operations are handled by a clear management structure and distinct business departments. According to Crew Lead and co-owner Davis Fogerty, this dynamic does not diminish the democratic nature of the endeavor since 'the management team is empowered by the co-operative to make those decisions. It may seem just semantics, but it permeated deeper than that.'[199] According to Namasté Solar's Commercial Technical Designer, Briana Morris, centering the business on its workers is key to its longevity.[200]

Namasté Solar has grown from annual revenue of about $15 million at the time it became a co-operative in 2011 to around $35 million in 2020. The company has also received awards for its achievements. It was recognized as one of *Solar Power World*'s Top Contractors between 2015 and 2020, and *Denver Business Journal* has cited it as the largest Denver-area solar company by kilowatts installed. In 2019, B Lab recognized Namasté Solar as one of its

196 Without the previous financial incentives, fewer customers would be able or willing to afford a solar project, negatively impacting the solar industry.
197 A. Bybee, 'Personal Correspondence,' interview (2020).
198 D. Fireside, 'Personal Correspondence,' interview (2020).
199 D. Fogerty, 'Personal Correspondence,' interview (2020).
200 B. Morris, 'Personal Correspondence,' interview (2020).

2019 Best for The World honorees. Also, Namasté Solar was part of the annual list of *Outside Magazine*'s top 100 Best Places to Work between 2013 and 2019.

When Namasté Solar had a record financial year in 2012, the co-owners decided to form an associated non-profit that provides grants to other clean-energy projects.[201] In 2020, amid a pandemic and a protest movement for racial justice, an internal committee proposed a further community profit-sharing scheme. Co-owners voted to allocate 10 per cent of net profits, after preferred dividends, to community organizations working for climate justice, environmental justice, and improving our local communities. Calling the program 'Community Profit Sharing,' Namasté Solar signaled a commitment somewhat different from conventional corporate giving, as if it were including its community as a member alongside the formal worker-owners.

Amicus Solar

After several years of success and growth, Namasté Solar explored expanding its operations nationally. It opened offices outside Colorado, including one in White Plains, New York, in 2015. The expansion proved challenging and resulted in poor financial performance. After that experience, Namasté Solar recommitted to staying close to its roots in Colorado. As Jason Sharpe put it:

> In 2018, with the combination of market conditions, risk, and overextension, we got outside the things we could control. When we tried to grow in too many ways, we overextended ourselves. Growth makes it harder to control risk. Working in other markets with more subcontractors increased the risk and our ability to control this risk. We realized that we were great in Colorado. We are not necessarily great everywhere else. Let's do what we're great at. We have more modest expectations of growth now, focused on maximizing our stakeholders' benefit, how to be more profitable, what we can give to our community, and how we can live with lower stress and happier lives. Many people think of growth equals success or growth equals return, and we have realized that is not true. We would rather maximize those other elements of success. We are trying to feed a more diversified local market and be sustainable.[202]

By the time it retreated back to Colorado, however, the company's influence had already been spreading nationally in another way. In 2011, the same year Namasté Solar

[201] Angela Burke was a Namasté Solar co-owner between 2016 and 2021, working as senior director of technical services, while serving on the boards of Namasté Solar and its affiliated nonprofit.
[202] J. Sharpe, Jason. 'Personal Correspondence,' interview (2020).

became a co-operative, Amicus Solar was founded by Namasté Solar and other solar companies in a collaborative process led by Blake Jones and Stephen Irvin. Amicus Solar is another co-operative with a different stakeholder structure—a purchasing co-op, owned not by its employees but by companies that buy solar equipment jointly. The co-operative model allows member companies to remain independently owned and locally operated while uniting their market power.[203] Unlike other large co-operatives such as rural electric utilities and credit unions, US purchasing co-ops have frequently achieved national scale without any dedicated federal financing program. When Namasté Solar's leaders learned about the model, they realized it could help address the problems that they and other smaller solar installers faced.[204] Juan Blohm, a Namasté Solar Lead Technician and employee-owner, identifies advantages in scaling the co-operative movement instead of overextending a single worker co-op:

> Instead of growing individual companies like Namasté into a larger company, I am a fan of expanding the co-operative movement itself. Through Amicus Solar co-op, individual companies, with their individual rights, responsibilities, employees, and sets of principles, choose to join together as a purchasing co-operative. I would much rather be able to demonstrate this scaling than growing Namasté Solar so far that you lose the co-operative aspect.[205]

Amicus Solar has been profitable every year since its founding. In 2020, the company purchased approximately 500 megawatts of solar energy supplies, yet it remains a lean business with only four employees.[206] Amicus has not needed to raise outside capital, relying instead on the members' $20,000 one-time investments when joining the co-operative, combined with member dues and vendor rebates, to sustain operations. An investor-owned wholesale distributing company might achieve similar goals, but the co-operative model offers an additional value that other wholesalers cannot: democratic governance and shared profits. Amicus Solar's surplus earnings are distributed to the member companies through patronage dividends. This helped entice companies to join the co-operative early on. Jones

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203 Emanuele Cusa emphasizes that energy entrepreneurs can improve their entrepreneurial capacity by joining a consortium or establishing a cooperative network through a contractual framework to strengthen their collaboration. Regarding other for-profit or not-for-profit contractual frameworks and the entrepreneurial advantage of cooperation within energy communities, see E. Cusa, Sviluppo sostenibile, cittadinanza attiva e comunità energetiche, Orizzonti del Diritto Commerciale, Fascicolo 1, 71-126 (2020).

204 B. Jones, 'Personal Correspondence,' interview (2020).

205 J. Blohm, 'Personal Correspondence,' interview (2021).

206 The company does not publicize its purchasing volume in financial terms. S. Irvin, 'Personal Correspondence,' interview (April 13, 2021).

and Irvin had met leaders from many other solar installers at conferences but forming Amicus Solar nurtured a deeper collaborative culture among them.[207]

At first, Amicus's main challenge was to assure solar manufacturers that the purchasing co-op was a legitimate business that would benefit them. Co-operatives in other industries supported Amicus early on, especially other purchasing co-ops, sharing insights about the business model and helping the Amicus team implement its vision. As Irvin reported, this information flow lowered Amicus's costs; its initial legal fees amounted to around only $1,500.[208] Likewise, Amicus has become a model for other co-ops. Purchasing co-ops usually focus their energy on the relationships between the co-operative and its various members, each on an individual basis. Amicus, however, set out to build informal lateral relationships among member companies. Members participate in open-book management, which allows them to access all information about finances and purchasing operations. Members can see the volume of purchases made by others. This, the founders hoped, would create healthy internal competition, encouraging members to take part in more purchasing opportunities.[209] In addition to joint purchasing, Amicus maintains an online platform where employees of member businesses discuss their challenges and opportunities. The membership as a whole meets for an annual retreat, along with smaller retreats for working groups among members with particular shared interests.

Given the high-touch nature of membership, Amicus invests in determining whether prospective members will fit well with the co-op's culture. The evaluation of a company's commitment to social impact and co-operative values takes time and multiple conversations, and it does not rely on any specific formula. The selection committee for new members consists of representatives from member companies. Although Amicus takes its co-operative culture seriously, most of its members are not themselves co-operatives. As of 2021, seventeen out of sixty-three members are employee-owned, either through a worker co-op, an ESOPs, or an equity compensation structure. Several are Certified B Corporations. Amicus has assisted several members transition to employee ownership, which helps ensure that the members will remain independent and values-aligned in the long term.[210]

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207 B. Jones, 'Personal Correspondence,' interview (2020).

208 S. Irvin, 'Personal Correspondence,' interview (April 13, 2021).

209 S. Irvin, 'Personal Correspondence,' interview (April 13, 2021).

210 S. Stranahan, 'Amicus Solar Purchasing Coop Spreads Employee Ownership' *Fifty by Fifty: Employee Ownership News blog* (2018), available at medium.com/fifty-by-fifty/amicus-solar-purchasing-coop-spreads-employee-ownership-1ec8ec8cdda7 (last visited 15 March 2021).

As of 2021, Amicus has attracted companies all over the United States, reaching sixty-three members, and it has extended operations to Canada and Puerto Rico as well. The members generate over $750 million in revenue annually. Amicus Solar expects to have Mexican and Caribbean solar companies in the co-op in the near future.[211] By forming an independent purchasing co-op, the team behind Namasté Solar retained a locally grounded worker co-op while achieving impact at a national scale and beyond.

Amicus Operations and Maintenance (O&M)

By 2016, Amicus Solar member companies had identified another common challenge, alongside the need for bulk purchasing; many had difficulties selling operations and maintenance service contracts. In the solar industry, such follow-on services are typically necessary after an installation takes place. Providing services for geographically distributed portfolios has become a growing need in the industry, and it is challenging for smaller, more regionally bounded companies. This is why Amicus members decided to apply the co-operative model to managing operations and maintenance contracts, enabling members to contract with each other easily.[212] In 2016, Amicus Solar was awarded an initial $358,000 grant from the US Department of Energy's SunShot Initiative to create a sister co-op: Amicus Operations and Maintenance. Namasté Solar and Radiance Solar were the two founding members, joined by five other solar companies. Namasté Solar and Radiance Solar were the two founding members, joined by five other solar companies. The following year, Amicus O&M grew to twenty member companies, exceeding the goals of the original grant proposal.

Amicus O&M adopted similar practices that made Amicus Solar successful, as well as complementary branding, but each co-operative focused on its respective mission and business model. Whereas Amicus Solar's bulk purchasing occurs through a hub-and-spoke model, in which member companies place their orders through the central co-op, Amicus O&M operates as a subcontractor network, managing contracts between its members and their various clients. As with Amicus Solar, membership growth is constrained by the need for cultural alignment. The selection process filters potential new member companies according to their understanding of the co-operative operations and their commitment to transparency and collaboration. Four new companies joined in 2019 and another four in

211 S. Irvin, 'Personal Correspondence,' interview (April 13, 2021).

212 A. Bybee, 'Personal Correspondence,' interview (2020).

2020. Meanwhile, some earlier members have left, which posed a challenge for the co-op to redeem their shares—even though the bylaws allow the board to schedule redemption in a way that protects the co-operative's financial health.[213] At the end of 2020, Amicus O&M had twenty-five active member companies, each paying $5,500 in annual dues, with a goal of reaching forty members. All this occurs with only a single employee, Amanda Bybee.

Compared to Amicus Solar, which operates on a more straightforward business model of bulk purchasing, the relationship-based contracting model has proven less easy for Amicus O&M to expand. The co-operative depends on forces beyond its direct control—in particular, how its members fulfil their service contracts for clients. If one member breaks a client's trust, it can be challenging for the co-operative to re-earn that trust. Maintaining high standards and efficient communication are critical priorities.[214] According to Matt Herman,[215] a Namasté Solar co-owner and member of the Amicus O&M board of directors, growth for Amicus O&M today means gradually reaching a larger portfolio geographically with more specialised companies. In the process, Amicus O&M also offers a way for the Namasté network to broaden its offerings and deepen its participants' ties.

Clean Energy Credit Union

Solar projects involve high upfront costs, and existing loan products are typically opaque or unavailable, preventing less-wealthy customers from reaping the eventual savings. Loan offerings often charge hefty fees to dealers. By 2014, Amicus Solar member companies identified financing as an obstacle that hindered their ability to attract new customers. They decided to create a new financial institution. Once again, this meant creating a co-operative with its own distinct stakeholder base. Unlike the worker-owned Namasté Solar or the business-owned Amicus co-ops, the financial institution would be owned by consumers—its depositors.

Originally, the founding group considered creating a conventional bank that would focus on renewable energy loans. However, such a bank would likely need to prioritize outside investors expecting a large return on their investment. The founders realized that they could reach a lower cost of financing and a broader range of services through a credit union, which in US law means a non-profit consumer co-operative whose deposits are

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213 Ibid.
214 Ibid.
215 M. Herman, 'Personal Correspondence,' interview (2021).

insured by the federal government. To cover some of the initial start-up costs, the founders asked for donations from people who shared their commitments to inclusive financing and expanding access to renewable energy.[216]

In September 2017, the National Credit Union Administration granted a federal charter to Clean Energy Credit Union, which became the first credit union specifically focused on mitigating climate change through inclusive financing. Since US credit unions must have a limited geographical or affinity-based "field of membership,"[217] the Clean Energy Credit Union has partnered with various environmental organizations whose members are eligible to join. Governance operates on a one-member, one-vote basis, no matter the amount of money a depositor-member holds in the credit union.[218]

In the first couple of years, the Clean Energy Credit Union was responsible for over $35 million in renewable energy lending. By April 2021, it exceeded 4,000 loans and $60 million in lending.[219] It relies on a network of companies that refer potential customers for loans through dealer agreements, including green home improvement companies and solar contractors, such as Namasté Solar. Amicus Solar also refers potential strategic partners to the credit union, just as Amicus member companies refer their customers who could benefit from its services.[220] Due to its non-profit and co-operative model, the Clean Energy Credit Union offers low-cost, long-term loans that enable homeowners and businesses to keep their payments manageable with the help of energy bill savings. Members who deposit money in the credit union can earn interest on their savings while knowing that the funds will be used solely to help others afford their clean energy projects.

Once again, the network around Namasté Solar used a co-op business with a focused mission to overcome a business obstacle. Although the Clean Energy Credit Union is not controlled by Namasté Solar or the Amicus co-ops, it is part of a common ecosystem, with

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216 S. Irvin, 'Personal Correspondence,' interview (April 13, 2021).

217 According to the US National Credit Union Administration, 'credit unions require a field of membership which is the legal definition of the persons, organizations and other entities the credit union will serve.' Therefore, the Clean Energy Credit Union statute requires new depositors to be members of one of the select partner organizations to be eligible to join the credit union and use its services. The eligibility extends to the immediate family or household of someone already qualified through the partnerships. The list of organizations within the Clean Energy Credit Union is available at www.cleanenergycu.org/home/about-us/faqs#how-do-i-join (last visited 16 January 2022). More information regarding field of membership vailable at www.ncua.gov/support-services/credit-union-resources-expansion/field-membership-expansion (last visited 16 January 2022).

218 The co-author Nathan Schneider is a member.

219 B. Jones, 'Personal Correspondence,' interview (2020).

220 Ibid.

common leaders, and contributes to the common objective of expanding the renewable energy market through values-driven business.

Kachuwa Impact Fund

Lurking in the background throughout the growth of Namasté Solar's network has been the difficulty in accessing investment capital for co-operatives and other mission-centric businesses. Namasté Solar itself had to give up on the aspiration for reaching national scale, in part because it opted to protect its culture and reject investors' acquisition offers. The Amicus co-ops adopted creative ways to aggregate spending among dozens of smaller businesses that otherwise had limited capital access. The Clean Energy Credit Union had to rely on donations in order to complete the onerous process of becoming a chartered credit union. Aside from certain rural co-ops, which have dedicated federal financing programs, and modest loan pools that specialize in residential, grocery, or worker co-ops, participant-owned businesses in the United States operate at a severe disadvantage for capital access compared to their investor-owned competitors. The problem of demand also extends to supply; investors who would like to support new co-ops have few means by which to do so.

Blake Jones founded Kachuwa Impact Fund in 2005. He used it initially to transition his personal financial holdings into impact investments in privately held companies. In 2016, Jones stepped down as CEO of Namasté Solar to expand Kachuwa as an investment co-op. His personal investments, which he had substantially transferred to Kachuwa by 2017, became the basis of the fund's initial portfolio.[221] As of 2021, it held over $20 million in assets.

Kachuwa is a co-operative and public-benefit corporation formed under Colorado law. Democratically owned and controlled by its investor members, the co-op maintains a portfolio of 'impact real estate' (60 per cent of its assets) and 'impact companies' (40 per cent of its assets). The fund provides mission-aligned, long-term, and non-controlling capital to privately held businesses while offering diversified investment opportunities to investors. Kachuwa's investors are its controlling members, who vote on a one-member, one-vote basis, regardless of the amount invested. Kachuwa pools its members' investments and then

221 B. Jones, 'Personal Correspondence,' interview (2020).

delivers returns as interest payments or dividends. Jones calls it 'a mutual fund in Main Street instead of a mutual fund in Wall Street.'[222]

Unsurprisingly, a focus of Kachuwa's investments has been the renewable energy industry. Namasté Solar is in the fund's portfolio, along with other Amicus Solar members. But its business holdings also include organic foods, fair trade, businesses led by women or people of colour, sustainable forestry, and more. It has invested in established co-operatives such as Organic Valley and Equal Exchange and newer ones such as Community Purchasing Alliance, Democracy Brewing, and Tootie's Tempeh. In the process, Kachuwa has joined a small number of investment options available to co-ops seeking to grow. Its investments take a variety of forms depending on a business's needs, including debt or equity. Deals can enable the business to retain all governance rights, since most co-operatives must be controlled by members and not outside investors.

Kachuwa's real estate portfolio amplifies the goals of the business investments. It partners with impact-focused companies seeking to avoid exposure to rent hikes from landlords. It helps them buy their own operating space with a dependable repayment schedule. The fund shares equity ownership with the tenants, allowing them to have potential capital gain if the property gets sold.[223] Kachuwa's investments in real estate are exempt from the Investment Company Act of 1940, once it maintains real estate assets at or above 60 per cent of holdings. Investments in real estate can also be sold and liquidated more efficiently than business investments, providing valuable cash-flow options.

Through its various investment types, Kachuwa improves access to values-aligned capital for values-centred, co-operative, and employee-owned businesses. It introduces investors as another stakeholder class in the Namasté network—yet, by confining them to an investment co-op specifically, protects the other co-operatives from undue investor interference. In the process, Kachuwa also provides hands-on education for investors in the co-operative model by enabling them to become co-op members themselves. Kachuwa has become one more way for the network to achieve impact at scale through diverse co-operative entities.

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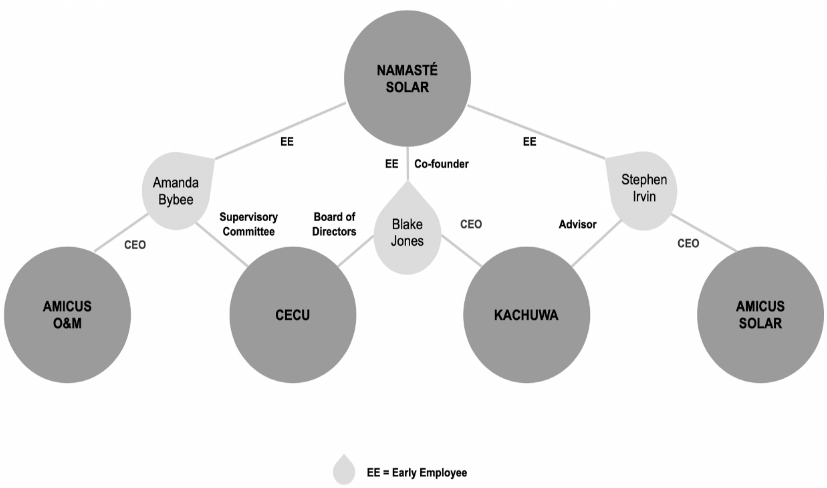
222 Ibid.

223 S. Irvin, 'Personal Correspondence,' interview (April 13, 2021).

Discussion: An opportunistic network

In certain respects, the network we have presented has become well known. Namasté Solar became a poster child of the American Recovery Reinvestment Stimulus Act that was born out of the Great Recession. In 2009, when President Barack Obama signed the bill, he and Vice President Joe Biden spotlighted a solar installation by Namasté Solar at the Denver Museum of Nature & Science. The company's worker-ownership structure is the subject of a case taught in business schools.[224] However, this recognition has focused on Namasté Solar as a single, remarkable example, rather than as the seed for a network that has reached far beyond its workers and customers in Colorado. The Amicus co-ops may escape notice because they are relatively lean operationally, even though their economic throughput and geographic scope are significant; the Clean Energy Credit Union may not be recognizable as part of the same network for those not aware that it shares founders with the other co-ops. In this case study, we have sought to emphasize the network over any particular business within it. If Namasté Solar is to have a lasting effect on its industry, it will likely be less because of the solar panels it installs in Colorado than because of its leadership in transforming the ecosystem for solar businesses across North America. The multi-stakeholder network strategy, we believe, can be a template for other co-operatives entrepreneurs.

Figure 6 - Namasté network map (authorial diagram)



224 A. T. Lawrence, A. I. Mathews, Namaste Solar' *Ivey Publishing* (2017) available at hbsp.harvard.edu/product/910M49-PDF-ENG (last visited 08 August 2019).

Amicus Solar, Amicus O&M, Namasté Solar, CECU, and Kachuwa are all separate entities. They are not a corporate conglomerate, either co-owned by a single parent or through layers of vertical subsidiaries; nor are they connected through a federation or association, as is common among related co-ops around the world. Yet they share many linkages. Each is structured as a co-operative and identifies with the global co-operative movement. Among the founders of each business are early employees of Namasté Solar. Several of the businesses have membership or contractual relationships with each other. Since each business was tailor-made for a specific purpose, together they represent diverse stakeholder structures and business models. They share in the network's benefits while insulating each other from risk. The network has also been able to achieve a balance between stability for more established ventures and lean entrepreneurship for the newer ones. It is an ingenious design if it had been designed from the start. But it was not.

Instead, each stakeholder model in the network emerged as needs and opportunities emerged. The development of a national network resulted from a stepwise process of problem-solving, along with an ever-growing understanding of the possibilities available through co-op models. Blake Jones describes the process this way:

> We did not have some grand plan or grand vision of creating an ecosystem like Mondragon, and here is how we start it. It was more like we had a narrower perspective of starting this first company, and this first company needs some help. Maybe the best way of doing this is partnering with others to create a second co-operative, and then it just snowballed from there. Now that we have some experience, we are starting to think more about an ecosystem's perspective. Here is a new challenge: let's build a co-operative to address that. Now we are starting to architect that as an ecosystem. However, that came later in the game. Usually, the idea for beginning these co-operatives came from a need or a market opportunity. … We like that these co-operatives have overlapping interests and overlapping ways to work together in the ecosystem. At the same time, they are not entirely dependent on each other. We wanted to make sure that they could be independent if they needed to be. Because if one co-operative goes out of business, we do not want the whole thing to unravel. We want them to sustain themselves and continue to fulfil their mission, but we believe they can do that better by cooperating. The tagline of Amicus Solar is "Strong Together." And we found that to be true.[225]

The meaning of scale may be more complex for co-operatives than for businesses seeking solely firm growth and valuation. As it developed its scaling strategy, the Namasté

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225 B. Jones, 'Personal Correspondence,' interview (2020).

network identified goals different from what an investor-owned corporation might seek. Rather than focusing on size and financial performance at the level of each separate venture, the network sought to support a broader ecosystem in the solar industry. The meaning of scale varies according to each co-operative; Namasté Solar has approximately two hundred employees and operates regionally, for instance, while Amicus O&M has only one employee but operates across the continent. The bulk of the network's impact is likely felt outside the core businesses, among their member businesses and the customers they serve. Rather than accumulating gains in the center of the network, the network pushes them outward.

As the co-operatives have grown, they have had to adjust their operations. Namasté Solar's early all-hands governance model has evolved into a more dynamic system that specifies different spheres of authority for different kinds of decisions. According to Jenna Stadsvold, a Namasté Solar employee-owner who works on the marketing team:

> Namasté is learning how to scale. In the beginning, everyone was involved in many decisions. As it grows, expanding the membership basis, the one-member, one-vote co-operative aspect gets more challenging. Scaling a co-operative is a matter of scaling the democratic decision-making process. At a co-operative with almost two hundred people, the democratic voting mechanism can get messy. The decision-making process takes much time, energy, and emotional intelligence to manage many people and empower them to make the necessary decisions and move the company forward. When the co-operative reaches a certain level of scale, it is hard to inform everybody about everything. Some changes are led by a group, like the HR team concerning holidays, vacation, sick time, who are responsible for extensive research on their expertise, and put forth well-based recommendations to the other co-owners. This democratic dynamic also entails trusting knowledgeable colleagues in areas in which they are working to make good decisions.[226]

As its leaders describe it, the network's growth has not been an end in itself, but a means for meeting particular social or business goals. Since there are no outside investor-owners seeking solely to increase the value of their shares, these cooperatives can set their intentions around purposes that balance social benefit with financial returns

This case study describes how a single group of entrepreneurs adapted diverse co-operative business structures in order to meet the social and market needs they encountered. One step at a time, they created a unique network including a worker co-op, a purchasing

[226] J. Stadsvold, 'Personal Correspondence,' interview (2020).

co-op, a shared-services co-op, a credit union, and an investment co-op. The uniqueness of the case, however, need not be permanent.

While previous literature has discussed multi-stakeholder networks of co-operatives, the Nasmasté network is novel in that it does not rely on a central co-operative entity or brand. In this sense, it exemplifies the logic of a "complex adaptive system" perhaps even more than the examples Novkovic and Holm[227] use to explain that logic. With its institutional diversity and ad hoc ties through co-operative membership and informal relationships, the network has been able to create economies of scale and cultivate capital access without resorting to conglomeration. What started as an informal alliance based on personal connections and shared culture became a unique ecosystem whose impact occurs less through any one business than the network as a whole.

A replicable model?

Historically, co-operatives have tended to grow through replication—identifying a successful model and reproducing its essential contours wherever similar conditions recur. This logic has enabled the spread, for instance, of credit unions, agricultural co-ops, and co-operative grocery stores throughout many countries. Does the multi-stakeholder network that began with Namasté Solar present a similar opportunity?

Not necessarily. Unlike the earlier examples, the opportunistic nature of this case suggests that formulas are in some sense antithetical to it. Rather, the model of the multi-stakeholder network invites entrepreneurs to consider how diverse co-op businesses might work together to solve common problems. The model is not a formula; it requires creativity and deep understanding of market conditions. Whereas many past co-operative initiatives championed a single stakeholder model such as worker ownership (as with Mondragon)[228] or consumer ownership (as with the UK's Co-op), the multi-stakeholder network approach asks entrepreneurs to appreciate the many structures that co-ops can adapt and apply them as circumstances require.

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227 S. Novkovic, W. Holm, 'Cooperative networks as a source of organizational innovation' *International Journal of Co-operative Management,* Volume 6 Number 1.1, 51-60 (2012).

228 Although dominated by worker co-ops, the Mondragon system also includes Eroski, a supermarket chain co-owned by workers and consumers.

Several basic patterns from this case do seem portable for would-be imitators in other sectors:

- Combine "heavy" local entities (with larger numbers of employees and non-liquid capital) with "light", leaner entities that facilitate economies of scale.
- Form a separate business for respective challenges rather than aggregating solutions in a single business, and link the businesses together through membership and other relationships.
- Encourage dynamism by continually generating new business entities alongside the conservatism that tends to set in as co-operatives mature.
- Prioritize building a shared culture among participants to compensate for the relatively weak structural ties that connect the businesses in the network.

It remains to be seen whether this pattern is cohesive enough to be portable, and whether more widespread replication will make forming multi-stakeholder networks easier in the future. Our case, after all, arose from an uncommon group of entrepreneurs willing to prioritize social value over remunerative value. But their success also does not appear to depend entirely on conditions specific to the case, its industry, or its regional context. The pattern of co-operatives forming through spin-offs from other co-operatives has been widely practiced in the Italian and Basque contexts.[229] There is reason to be cautiously optimistic that this case represents a replicable model.

Multi-stakeholder networks are still a relatively rare phenomenon in the co-operative movement. However, there are signs that complex networks such as these are becoming increasingly important for how future generations of co-operatives achieve impact at scale. Several recent initiatives in the United States rely on linking co-operatives, nonprofit organizations, and non-cooperative companies. Examples include Brightly, a nonprofit brand shared among home-cleaning worker co-ops, and The Industrial Commons, a North Carolina regional nonprofit that supports worker co-op and other local businesses, starting in the textile industry. The Seed Commons is a co-operative-friendly network of loan funds across the country. Start.coop and Zebras Unite are startup incubator networks that each

[229] D. Ellerman, 'The DNA of Enterprise: Jane Jacobs and Henry George on Innovation and Development Through Spin-Offs' *American Journal of Economics and Sociology*, 74(3), 531–549 (2015); A. Zevi *et al. Beyond the Crisis: Cooperatives, Work, Finance. Generating Wealth for the Long Term* (CECOP Publications, 2011) 55.

include a co-op, a nonprofit, and for-profit investment entities. These more syncretic networks differ from the one presented here in that they are not solely composed of co-operatives, just as earlier examples of the multi-stakeholder network model, the Co-operative Management Education Co-operative (CMEC) and the HealthConnex Health and Wellness Cooperative, involve diverse kinds of organizational forms managing complex socio-economic interactions.[230]

Replicability seems to be vital for securing the Namasté network's goals for advancing the transition to renewable energy. Its strategy depends on local, small-scale energy generation, which can only have meaningful impact if it occurs in many places all at once—a strategy that fits well with the network's purchasing, maintenance, and consumer credit co-operatives. Policy may also play a role in replication. This may be especially relevant in the European market, where policies such as the Renewable Energy Directive and the Internal Energy Market Directive organise a concerted renewable energy agenda. While the Namasté network has benefited from renewable energy subsidies in the United States, these policies play a more diffuse role, incentivising private entrepreneurs as the primary drivers of renewable energy projects, without any particular preference for co-operative ownership. The design of the Namasté network is not premised on especially unique policy conditions, but policy could enable similar designs to arise more frequently, such as by encouraging renewable transitions through local enterprise or by investing in models based on community ownership, such as in the European Union's promotion of "renewable energy communities."[231]

Shortcomings and limitations

This account of the Namasté network has, on the whole, emphasized its advantages as a method of scaling and problem-solving for co-operative business. However, it is necessary to highlight some potential shortcomings of the multi-stakeholder network strategy, as well as some limitations of the case.

The Namasté network is less than two decades old. Will its connections persist in a generation or more? Can they, or should they? Powell raises concerns about the durability of

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[230] S. Novkovic, W. Holm, 'Cooperative networks as a source of organizational innovation' *International Journal of Co-operative Management,* Volume 6 Number 1.1, 51-60 (2012).

[231] C. E. Hoicka, J. Lowitzsch, M. C. Brisbois, A. Kumar, L. Ramirez Camargo, 'Implementing a just renewable energy transition: Policy advice for transposing the new European rules for renewable energy communities.' *Energy Policy*, Vol. 156, 112435 (2021).

business networks, suggesting that they might represent merely 'an interim step' between ordinary market transactions and an eventual merger.[232] The co-operative structures of the businesses may reduce the incentive for consolidation, but for large co-ops such as agricultural suppliers and credit unions, mergers appear to become increasingly common with age.[233] It is also conceivable, even probable, that the distinctiveness of the individual co-ops could lead to eventual divergences in their missions and business imperatives, fracturing the network. Changes in the policy environment, such as new solar-energy subsidies or financing options, could entice some network companies to shift their activities outside of the network. This is not necessarily to be mourned, and ephemerality in such networks may be expected corollaries to their dynamism. But there are reasons to suspect that entrepreneurs seeking to establish long-lasting co-op institutions might prefer more fixed structures such as federations over multi-stakeholder networks.

While the Namasté network's commitment to ambitious social and environmental values is one of its most compelling features, research suggests that such commitments can produce tensions in business networks,[234] particularly as differences among members of a supply chain produce friction around critical transactions. Here, the Namasté network's emphasis on fostering a strong collective culture among workers and member companies serves to prevent such friction, at least for transactions that occur within the network. Where trusting relationships do occur in business networks, they can produce greater efficiencies than more structural or legal control mechanisms.[235]

The emphasis on shared culture and trust-based relationships, however, presents both a potential shortcoming and a limitation in the context of the case. Expecting broadly shared cultural norms among network participants could reduce the likelihood of cultural and racial diversity among them. Operating out of the relatively homogenous population surrounding Boulder, Colorado, means that such homogeneity may come particularly easily, and may go unnoticed in comparison with the surrounding community. But for co-operatives seeking to confront inequalities of wealth, access, and other forms of privilege, it could

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232 W. Powell, 'Neither Market nor Hierarchy: Network Forms of Organization' *Research in Organizational Behaviour* 12: 295–336 (1990).

233 J. Grashuis, M. Elliott, 'The Role of Capital Capacity, Spatial Competition, and Strategic Orientation to Mergers and Acquisitions by U.S. Farmer Cooperatives' *Journal of Co-Operative Organization and Management* 6 (2): 78–85 (2018).

234 N. Tura, J. Keränen, S. Patala, 'The Darker Side of Sustainability: Tensions from Sustainable Business Practices in Business Networks' *Industrial Marketing Management* 77 (February): 221–31 (2019).

235 M. Massaro, A. Moro, E. Aschauer, M. Fink, 'Trust, control and knowledge transfer in small business networks. Review of Managerial Science,' 13(2), 267–301 (2019).

become counter-productive to expect members, before joining, to have already adopted certain cultural characteristics.

There are several respects in which dimensions of privilege may hinder the replicability of the Namasté network. Among Namasté Solar's founders, pre-existing wealth enabled the business to avoid relying on outside capital, granting them the option to share ownership with their employees. For the multi-stakeholder network model to be truly replicable, it should be possible to replicate without such rare access to wealth, either through outside capital or business models that can generate revenue in the absence of outsized early investment. Even after the founding period, Namasté Solar worker-owners described a widespread expectation at the company that they should sacrifice part of their financial returns for the sake of advancing the company's social goals and future growth. Namasté Solar's Residential Operations Specialist, Alyssa Soares, highlighted that such expectations may be far less welcome for people from backgrounds that involve generations of marginalization and expectations of self-sacrifice without reward.[236] The $5,000 membership investment for worker-owners is out of reach for some. Among Namasté's nearly 176 employees as of this writing, 89 are not co-operative members, either because they have not applied for candidacy yet, they are not interested in doing so, or they feel they cannot afford the cost. Such internal inequalities of voice and benefit can have damaging long-term effects on co-operative governance.[237] These are concerns that network leaders are aware of, and they have begun exploring means of providing more access to capital for people who traditionally are left out of the financial system, particularly women and people of color.[238]

Perhaps the major challenge for the future of this and other multi-stakeholder networks is that of forging a balance between diversity and homogeneity—in business structures, values systems, cultural backgrounds, and pre-existing access to wealth.

Case Conclusion

Namasté Solar and its siblings have been presented as an example of a novel strategy for achieving large-scale social and economic impact for co-operative businesses through an contractual framework, the multi-stakeholder network. Through an opportunistic and

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236 A. Soares, 'Personal Correspondence,' interview (2020).
237 P. Molk, 'The Puzzling Lack of Cooperatives' *Tulane Law Review* 88 (5): 899–958 (2014).
238 S. Irvin, 'Personal Correspondence,' interview (April 13, 2021).

iterative process, the entrepreneurs in this network adapted diverse co-operative stakeholder models to address emergent challenges. The businesses are distinct but maintain ties with each other through co-operative membership, relationships among their leaders, and a shared culture. Taken together, the network includes one of the largest worker co-ops in the United States, purchasing power that reaches across North America, and a financial network for both solar consumers and aligned businesses. Few US co-operative enterprises that have emerged in recent decades can claim such achievements.

This is, however, only a preliminary study of only one case. It should spur future exploration into the multi-stakeholder network model for co-operative development. For instance, are there other examples of this model at work, and what can be learned from them? Are the ties in such a network strong enough to prove persistent and durable at larger scales? Can multi-stakeholder networks enable diverse participants, with varying access to privilege and resources, to share wealth and power equitably?

The multi-stakeholder network offers co-operative developers a strategy for achieving ambitious goals that need not be limited to the solar energy sector. For those outside the co-operative movement, the multi-stakeholder network presents an alternative to common understandings of how businesses can or should expand the scale of their activities. Rather than seeking to absorb or replace small businesses in an industry, co-operatives like Amicus Solar and the Clean Energy Credit Union reshape the industry by supporting them.[239] Rather than channeling profit from the edges of the network to the investors at its center, this network distributes surpluses to the member businesses, workers, and consumers at its edges.

For entrepreneurs who aspire to create widespread economic and social impact, the multi-stakeholder network may be an appealing strategy. It also invites a deeper recognition of co-operative business as not merely a single formula or structure but as a pliable, dexterous repertoire, with instruments for many purposes.

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[239] Both Amicus Solar and the Clean Energy Credit Union are nationwide organizations that achieved scale without undergoing mergers or acquisitions. Instead, they have achieved growth by supporting the industry through individuals and private businesses that benefited from their services, fostering cooperation rather than an aggressive competitive approach.

V.I.c. CONSORTIUMS, GROUPS, AND NATIONAL ALLIANCES IN THE ITALIAN ECOSYSTEM

This section is devoted to exploring how cooperatives claimed such a pronounced economic power in a country backed by strong democratic values. The Italian constitutionalizing process and the political choices towards economic development are closely associated with a prominent cooperative movement. Over time, Italy became the realm of a comprehensive alliance between national and regional cooperative associations meant for political and economic articulation. The Italian normative body represents a long-standing, comprehensive, and well-established cooperative framework with a mosaic of multiple legislative sources, especially concerning collective articulation among cooperatives and other corporate forms. Consortiums and cooperative groups assume various forms, offering the flexibility they need to navigate through a dynamic national and international market, remaining competitive compared to non-cooperative firms.

The Italian cooperative ecosystem proved its potency during the 2008 crash, sustaining a counterintuitive growth in many sectors while other non-cooperative businesses severely struggled during the crisis.[240] Despite periods of profound economic turmoil, their consolidated resilience is a reflection of their intergenerational solidity and protection of employment levels across multiple productive sectors. Currently, the cooperative segment comprehends 110.773 organizations, mostly production and worker cooperatives (48%) and social cooperatives (21.5%) in Italy.[241] The COVID-19 pandemic disrupted an ongoing world economic crisis, whose effects are not yet fully consolidated. In Italy, the crisis severity was mainly felt in Lombardia, the second most representative region in terms of cooperative presence with over 10,000 cooperative businesses. Even though most local cooperatives declared a decrease in revenues during 2020, 80% of the cooperators of Confcooperative

[240] During the 2007-2013 period, Cooperatives maintained a much better performance in comparison to joint-stock corporations. See E. Fontanari, C. Borzaga, 'Cooperative e società di capitali: due modi diversi di reagire alla crisi' in *Economia Cooperativa: Rilevanza, evoluzione e nuove frontiere della cooperazione italiana,* Terzo Rapporto Euricse, 141-151 (2015).

[241] Data retrieved from *Ministro dello sviluppo econômico Italiano*, *Albo Cooperative*, available at dati.mise.gov.it/index.php/lista-cooperative/list/1?resetfilters=0&clearordering=0&clearfilters=0 (last visited 29 Septemeber 2021).

Lombardia declared that they had kept the level of the employed workforce stable during the Covid emergency.[242]

Italy is geographically divided into twenty regions. Despite their strong local identities and a certain level of autonomy, the country does not employ federalism as the government mode. Still, the regions enjoy self-government and are politically articulated by a national policy of administrative centralization and parliamentary sovereignty, which illustrates the common expression 'all roads lead to Rome.' Over many changes in power patterns, the current regional institutional autonomy combined with a central government finds its roots in the post-WWII, especially after the '70s.[243] Each region exercises power, including regulatory authority, and adopts its own statute under the Constitutional umbrella.[244]

In 1947, after the debunk of fascism, the Constituent Assembly instituted a democratic republic of Civil Law through a comprehensive Constitution centered on personhood rights and social solidarity, which occupies a fundamental level within the normative order. Since then, every law hierarchically below shall comply with the value emanated by it. Hence, constitutional legality is a frame that encompasses a set of principles and values broadly rooted in the entire system of laws.[245] The assessment of any rule must pass through the guiding lenses of constitutional rationality, and the democratic foundation penetrates deeply in spheres of the public and private legislation, including the national cooperative framework.

Solidarity, democracy, equality are indeed all values directly connected to the cooperative movement. Still, Article 45 of the Constitution gives a step further, expressly recognizing the social function of cooperation: *La Repubblica riconosce la funzione sociale della*

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242 'Cooperazione, le imprese lombarde durante la crisi Covid' *Vita* (2020) available at www.vita.it/it/article/2020/07/21/cooperazione-le-imprese-lombarde-durante-la-crisi-covid/156278/ (last visited 7 May 2021).

243 R. Putnam; R. Leonardi; R. Nanetti. *Making democracy work: civic traditions in modern Italy* (Princeton: Princeton University Press, 1993).

244 *Costituzione della Repubblica Italiana*, Article 5º and Articles 114-133.

245 Perlingieri states that every system of Laws reflects a particular system of beliefs and nurture a set of principles that reflects its world vision. The Italian Constitution in place since 1948 expresses a democratic ideology post fascism domain. The Civil Code of 1942, despite its roots in the previous fascist system, also reflect liberal ideas. Hence. laws applicability must be evaluated in the light of the entire legal system as a whole, unified by the fundamental principles, recognizing the hierarchical supremacy of the Constitution in comparison to legal sources. In a Constitutional system, constitutional legality overthrows the principle of legality. See P. Perlingieri, *Il diritto civile nella legalità costituzionale* (Edizioni Scientifiche Italiane, 1991).

cooperazione a carattere di mutualità e senza fini di speculazione privata. La legge ne promuove e favorisce l'incremento con i mezzi più idonei e ne assicura, con gli opportuni controlli, il carattere e le finalità. The expressed recognition of the cooperative paradigm in the highest normative body emphasizes its long history and prominent role in Italy's social-economic fabric. It underlines cooperation as a fundamental tool of the democratization process based on mutuality and regional development.[246] Promoting a systematic analysis of the Italian constitutional text, Vincenzo Buonocore emphasizes that equality translates into the cooperative's programmatic effort, which must clear the obstacles that limit the citizens' freedom and equality, hinder the personhood development or obstruct the effective participation of workers in the country's affairs.[247]

Figure 7 - Rivista La cooperazione Italiana


Anno X. N. 16. Milano, 30 agosto 1896 (Conto corrente colla Posta). N. 173.

LA COOPERAZIONE ITALIANA

Abbonamento annuo:
Nel Regno . . L. 3. – Estero . . . . L. 4. –

Inserzioni:
In 3ª e 4ª pagina a prezzi da convenirsi

Ufficio del giornale:
MILANO — Galleria Vittorio Emanuele — MILANO
Ingresso: *Via Ugo Foscolo, 3, scala 8, piano nobile.*

Esce due volte al mese.
Si spedisce a tutte le Cooperative collegate.

Organo della Lega Nazionale delle Cooperative Italiane e della Previdenza

Onorificenze ottenute:
Medaglie d'oro alle Esposizioni di Parigi 1889 e Torino 1890
Medaglie d'argento alle Esposizioni di Genova 1892 e Milano 1894
Gran premio di L. 1000 all'Esposizione Naz. di Palermo 1892.
DIRETTORE: ANTONIO MAFFI.

CONSIGLIO GENERALE DELLA LEGA: — Comitato Esecutivo: MAFFI ANTONIO, *presidente* - DALLA COLA ARTURO, *vice-presidente* - MARIANI rag. GAETANO, *cassiere-contabile* - BASSI dott. ERCOLE - GHIGLIONE ACHILLE - ISOLA GIOVANNI, *consiglieri* - RONDANI dott. DINO, *segretario.*
Membri del Consiglio Generale: ARMIROTTI VALENTINO, Sampierdarena - BONZI GIUSEPPE, id. - CASSELLA ONORATO, Caserta - DALLA COLA ARTURO, Milano - DILIGENTI ALFREDO, Firenze - FRIGERIO PIETRO, Monza - GARIBOTTI GIUSEPPE, Cremona - LUZZATTI prof. LUIGI, Padova - MINUTI LUIGI, Firenze - PONTI rag. LORENZO, Roma - PRAMPOLINI CAMILLO, Reggio Emilia - PURICELLI rag. FELICE, Milano - RABBENO prof. UGO, Modena - ROMUSSI avv. CARLO, Milano - SECONDO BARABINO, Sampierdarena - *Sindaci*: GUASTI avv. FEDERICO, Milano - FEDERICI avv. BORTOLO, Milano - RESENTINI GIOVANNI, Milano.
Fanno parte di diritto al Consiglio Generale della Lega: AGNINI GREGORIO, Finale Emilia, per la Federazione Modenese - CAROTTI avv. ATTILIO, per la Federazione Novarese - CAVALIERI ENEA, Roma, per la Fed. delle Banche e Sindacati agrari - COCCHI avv. ALESSANDRO, id. Reggiana - DELLA LUCIA don ANTONIO per la Fed. delle Latterie Agordine - GUELPA avv. LUIGI, id. Biellese - MINELLI TULLIO, id. Polesine - DEL BONDIO LIBERO, Torino, pel Consorzio delle Cooperative di produzione, lavoro e consumo di Torino Provincia - BALDINI NULLO, Ravenna, per la Fed. Ravennate - CONTINI avv. CARLO, Milano, id. Casse rurali lombarde - ROMEI ROMEO, Portiolo d. Mantovana - VILLA avv. TOMASO, id. Piemontese . WOLLEMBORG dott. LEONE, id. Casse rurali.

LEGA NAZIONALE DELLE SOCIETÀ COOPERATIVE ITALIANE
MILANO — Via Ugo Foscolo, 3 — **MILANO**

CONGRESSO DEI COOPERATORI
FIRENZE 10-11 OTTOBRE 1896

Source: *Centro Italiano di Documentazione Sulla Cooperazione e L'Economia Sociale, Rivista La cooperazione italiana* (1896).[248]

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246 F. Vella, R. Genco, P. Morara, *Diritto delle società cooperative* (Bologna: Il Mulino, 2018).

247 V. Buonocore, Diritto della cooperatzione (Bologna: Il Mulino, 1997) 68.

248 Over a century ago, these were the words used to create the first issue of the magazine *La Cooperazione Italiana: La cooperazione ha finalmente anche in Italia un giornale che ne propugnerà i molteplici interessi, che accoglierà le forze sparse, che sarà il tramite delle associazioni per comunicare tra loro, per aiutarsi di consigli e di conforti; che infine, rincuorando gli*

The historical religious appeal in the country also contributed to the emergence of cooperativism as a reflection of solidarity and brotherhood values,[249] deeply rooted in Christianity.[250] The bimillennial presence and prevalence of the Catholic institution in Italy made Christianity a widely 'diffused religion' with a notable social, cultural, economic, and political spectrum. The direct impact of the church in society gradually faded; still, its traditional values got reinterpreted in light of modern demands as part of an 'ethical memory' embedded in the country.[251] The social structure and practices embodied by Italy since the democratization are widely regarded by civic life and the pursuit of common goals. At different levels across the regions, the active participation in civic organizations, associations, cooperatives, and other local community projects shaped most Twentieth-Century development.[252]

The blend between public and private affairs enhanced the third sector, particularly the cooperative movement in motion since the previous century, underlining mutuality-based enterprises' entrepreneurial and social potential to solve numerous development challenges. In the seventh section of the *Codice del Commercio* of 1882, articles 219 to 226 first expressly systematized the cooperative society as one among other types of companies through a lean discipline mainly focused on the collaborative pursuit of shared interests among members. The second half of the Nineteenth Century witnessed the gradual proliferation of cooperatives in various industries throughout the country - mainly in Northern Italy - followed by the First World War outbreak. The war sparked a growing need of guaranteeing the provision of primary goods and services that the State was no longer able to provide adequately.[253] The freedom and experimental entrepreneurship suddenly experienced an increasing intervention of the State in the economy. Hence, individual self-managed

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incerti, illuminando i dubbiosi, gioverà a suscitare fra quanti lavorano un nuovo fervore di bene, diffondendo ovunque i principi del reciproco amore. Questa rivista intende essere un campo aperto a tutte le idee oneste e pratiche che hanno per iscopo il miglioramento economico delle classi lavoratrici, il quale non si può ottenere fuorché con l'istruzione e coll'unione delle piccole forze che dà a chi non ha, che non esercita violenza ma si espande con la persuasione e coll'esempio, è per noi la cooperazione, che crediamo destinata a trasformare i rapporti tra chi produce e chi consuma, chi lavora e chi fa lavorare, rinnovando pacificamente, sopra basi di giustizia, l'ordinamento sociale. See Centro Italiano di Documentazione Sulla Cooperazione, 'Rivista La cooperazione Italiana' available at cooperazioneitaliana.cooperazione.net (last visited 13 March 2021).

249 G. Bonfante, *Trattato di Diritto Commerciale: La Società Cooperativa,* vol. 5 (Milan: Wolters Kluwer, 2014).

250 Currently, Pope Francis economic actions towards sustainable development include the Laudato Si' Action Platform, connecting the Vatican and an international coalition of Catholic organizations. See the Laudato Si' Action Platform: https://laudatosiactionplatform.org (last visited 20 November 2021).

251 R. Cipriani, 'Religion and Politics. The Italian Case: Diffused Religion' Archives de sciences sociales des religions, 29e Année, No. 58.1, 29-51 (1984).

252 See note 4.

253 See note 9.

endeavors started organizing themselves into a cohesive movement of mutual coordination and representation within the same industry.[254]

The genesis of modern cooperation is rooted in the development of industrial societies in the Twentieth Century in Europe as a reaction to the abuses of capitalism, offering a pathway to promoting well-being based on principles of cooperation instead of competition. However, the cooperative development was far from linear during the last century. Cooperatives nurture principles that are antithetical to an authoritarian regime. Therefore, the rise of fascism in Italy from 1922 until 1943 implicated profound impacts in cooperatives' political articulation at the time.[255] The totalitarian discipline demanded a pivot from the popular-proletarian concept of the movement towards a 'cooperation under fascism,' focused solely on economic benefits and competitive advantages.[256] In spite of that, the Civil Code of 1942 - one of the latest legal acts during the fascist regime - incorporated and reorganized[257] the cooperative legal entity in its normative body, outlining its main modern features. The cooperative movement only reclaimed its autonomy and started reestablishing its suppressed value-centered movement after the fall of fascism in Europe.

The post-war was marked as an 'economic miracle,' a boost on new cooperative formation to satisfy the provision of essential products and services that the public administration, alone, could not provide to the community.[258] Progressively, cooperatives reincorporated the solidaristic and democratic principles according to the new Constitution, entering a promising wave of economic progress in the following decades. Cooperatives matured an entrepreneurial culture, grew in size and complexity, adopted modern organizational models, and articulated their strength within the consortiums and alliances, targeting a more pronounced market performance. The unique path towards scale chosen by Italian cooperatives allowed them to adapt to a more sophisticated economic environment and optimize their management approach.

However, in the '70s, miraculous economic development set back, and Italy struggled with the overdue post-war crisis. The economic turmoil became a further opportunity for

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254 C. Borzaga, S. Depedri, R. Bodini, 'Cooperatives: the Italian experience' *European Research Institute of Cooperative and Social Enterprise,* 1-12 (2010).

255 ibid.

256 The *Ente Nazionale Fascista della Cooperazione* was established in 1926. See V. Zamagni, 'L'Impresa Cooperativa Italiana: dalla marginalità alla fioritura,' XIV Congresso Internazionale di Storia Economica Sessione 72 *Imprese cooperative e consorzi di cooperative: successi e fallimenti* 21-25 agosto, Helsinki 1-20 (2006).

257 V. Buonocore, *Diritto della cooperazione* (Bologna: Il Mulino, 1997).

258 See note 7.

cooperatives to present themselves as a stable force of progress, creating real economic value and mitigating the country's high levels of unemployment.[259] The domestic crisis in the '80s disabled the State to fully guarantee social rights. Therefore, the cooperative design expanded other market segments and professional categories. The movement further grew to a broader social economy beyond the cooperative members towards users, collaborators, and the community. The Law n.381 in 1991 introduced a new discipline to social cooperatives, extending the mutual purpose of cooperative ventures towards the promotion and safeguard of the community's general interest. The impact scale went from economic and productive to a comprehensive, transformative social tool.[260] Later, Law n. 59 of 31 January 1992 installed new rules on cooperatives, removing certain capital constraints by introducing mutual funds, which substantially increased their competitiveness in the market.

In the following decade, the commercial legislation went through a substantial reform, directly impacting the discipline of cooperatives in the country. Among the changes, the Legislative Decree n. 6 of 17 January 2003 modified the rules referred to in Title VI of Book V of the civil code and related legislation, included a new discipline for consortiums, merges, bankruptcy, governance, control, and other core subjects. One of the most relevant modifications introduced by the bill was the distinction between prevalent mutuality and non-prevalent mutuality regarding the primary beneficiaries of the cooperative operations, balancing the protection and rights of financing members (*soci finanziatori*) and cooperative members. Another weighty innovation was creating cooperative groups encompassing individual cooperatives from different categories and connected managerial subjects. The goal of such extensive reform was ensuring the social function pursuit, the mutual aim in favor of the members, encouraging the shareholders' participation, and refining the governance tools.[261] The possibility of capital funding by investors with voting rights, in addition to the large cross-sector cooperative groups, are critical features of Italian cooperatives regarding their scalability potential.

Vera Zamagni metaphorically explains that Italian cooperation has developed as 'a karst river, which exists continuously, but only at times it emerges in the open,' referring to

[259] Between 1975 and 1988, the unemployment rate increased continuously in Italy. See G. Bertola, P. Garibaldi, 'The Structure and History of Italian Unemployment', *CESifo Working Paper No. 907*, 1-31 (2003).

[260] See note 7.

[261] Legislative Decree n. 6 of 17 January 2003.

the cooperative movement's different phases. [262] The intricacy of the Italian cooperative system calls forth a subdivision of this topic. The nuances of cooperative organizations in Italy, their historical background, the various coordination tools, and the supranational relationship with the European Union were systematized below to elucidate how the Italian cooperative movement achieved a notorious scale.

Italian cooperative current legal discipline and core features

'*Il triangolo mutualistico a geometria variabile fra gestione di servizio, democrazia e solidarietà'* is how Guido Bonfante described cooperatives' functional polymorphism.[263] There is no strict definition of a cooperative worldwide, and even the EU has struggled to build a uniform cross-border cooperative framework[264] - as will be discussed ahead in this section. In Italy, cooperatives were subject to multiple reforms through a dynamic evolutionary process, following the socio-economic and political trends along the way. This multifaceted cooperative identity and the myriad of legal sources allow their structure to be highly adaptive to the market and to build complex networks with other institutions. The weight of each edge of Bonfante's metaphorical cooperative triangle varies depending on the type of individual cooperatives, their purpose, and their position in the market.

Cooperatives are legal entities formally distinct from their members, placed in subjective otherness, and consequently enjoy full financial autonomy. The assets conferred by the shareholders formally become the company's property: through recognizing the legal personality, the corporate assets are made independent from that of the shareholders, and that of the shareholders is made separate from that of the company. In general, at least nine members are required by law to set up a cooperative society to guarantee corporate accountability for social obligations with the business assets. However, this number may be reduced to three members when the cooperative adopts limited liability partnership rules.[265]

262 V. Zamagni, 'L'Impresa Cooperativa Italiana: dalla marginalità alla fioritura', XIV Congresso Internazionale di Storia Economica Sessione 72 *Imprese cooperative e consorzi di cooperative: successi e fallimenti* 21-25 agosto, Helsinki 1-20 (2006).

263 G. Bonfante, *Trattato di Diritto Commerciali: La Società Cooperativa,* vol. 5 (Milan: Wolters Kluwer, 2014).

264 A. Fici, 'Cooperative identity and the Law' *European Research Institute on Cooperative and Social Enterprise (Euricse)* Working Paper n. 023/12, 1-27 (2012); and A. Fici, 'Pan-European cooperative law: Where do we stand?', *Journal of Entrepreneurial and Organizational Diversity*, 1-12 (2013).

265 *Codice Civile, Regio Decreto 16 marzo 1942*, n. 262, art. 2518 and 2522.

One of the guiding principles on the cooperative matter is equal treatment among shareholders.[266] There is a shared vision beneath this legal entity, which assumes a general democratic controlling process based on one vote per member, regardless of its capital contribution.[267] The *Corte di Cassazione* considers this principle a reflection of good faith and solidarity in the contractual relationship considering that members contribute equitably to the cooperative and, in return, may enjoy equal benefits.[268] This principle reflects on the legitimacy of the resolutions made by corporate bodies, removing discriminatory criteria. It recognizes equal rights to individual shares or categories of shares to safeguard the rights associates with those shares and the social interest. This postulate violation entails directors' liability and damage compensation.[269] Nevertheless, there are exceptions to this rule, like worker cooperatives, where members can receive different remuneration according to their professional skills and actual contributions to the cooperative.

The *Codice Civile* of 1942 defines cooperatives as companies with 'variable capital and mutualistic purposes,' structured to satisfy their members' needs beyond financial goals. The Civil Code is one of the predominant legislative sources in the cooperative subject, mainly in its Book V, Title VI. Central to the cooperative society's legal concept, there is prevalent mutuality, expressed in Article 2511. The cooperative framework embedded in the civil legislation of 1942 found its roots in the *codice di commercio* of 1882, which first regulated cooperative enterprises in the country. The discipline has gradually evolved throughout the years, with significant changes brought by the Law n. 127 of 1971, the Law *Pandolfi* of 1977, the *Visentini bis* of 1983, the Law n. 59 of 1992, and the Law n. 366 del 2001, until the broad 2003 Commercial Law reform (d. lgs. 6/2003). The fierce mutuality rooted in 1882 gradually lost its rigidity upon the economic potential of cooperatives and competitive demands - with no discharge of the democratic and participatory nature of their corporate organization. Even though the mutual purpose is still deeply rooted in the core of cooperative businesses and their integrative arrangements, since 2003, the Italian cooperatives are allowed to adopt a structure of non-prevalent mutuality.

Mutuality means that the primary function extracted from entrepreneurial activities is its mutual social-economic advantage to its members, beyond the traditional shareholder

266 Ibid. art. 2516.
267 Codice Civile, Regio Decreto 16 marzo 1942, n. 262, Art. 2538, § 2.
268 Corte di Cassazione Civile - Sezione 2 aprile 2004 n. 6510.
269 Codice Civile, Regio Decreto 16 marzo 1942, n. 262, art. 2395.

primacy in traditional for-profit organizations. The mutual scope shapes the nature of every exchange promoted through the cooperative in favor of those actors immediately involved in the business operations, either shareholders, consumers, or users.[270] Cooperatives are designed to pursue their members' best interest and provide the productive factors responsible for that. The relationship of the members and the institution, including the shared governance and broad economic participation, reflects the mutual purpose established by law.[271] According to a percentage of the cooperative's total transactions, this prevalent mutuality is expressed in the statute and financial statements. In line with the cooperative type, half of the revenues from product sales and service provision, labor and production cost, the quantity or value of the products conferred by the agricultural members must directly benefit the cooperators.[272] Thus, the symbiotic dynamic builds economic advantages such as lower costs of goods and services to members of consumer cooperatives or higher remunerations in worker cooperatives, for instance. Emanuele Cusa underlines that the general constraints concerning cooperative activities with third parties, imposing the exercise of mutual aid mainly in favor of the members, serve to prevent demutualization trends and a fatal degenerative phenomenon towards the ultimate abandonment of the cooperative type.[273]

Mutuality is a polysemic concept without a clear definition in the Italian legislation, even though it is a distinctive value of cooperatives and widely mentioned in many regulations. The doctrine underlines that possible reasons for the legislators' hesitation in legally defining mutuality and its contours are the fear of compromising particular types of cooperatives that are not entirely centered in mutuality - or attenuate this feature - in the banking sector and other large cooperatives, for instance.[274] Initially, mutuality was understood as an internal element, characterizing the cooperative's service management to the members, left for the companies' discretion in implementing the mutual exchange with their members. However, the new rules on cooperatives brought by Law n. 59 of 1992 expanded the mutuality externally, introducing mutual funds for the promotion and

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270 *Codice Civile, Regio Decreto 16 marzo 1942,* n. 262, art. 2512.

271 A. Zoppini, 'Cooperative e Mutualità Prevalente' available at www.andrea-zoppini.it/pubblicazioni/stampa-quotidiana/cooperative-a-mutualita-prevalente.html (last visited 29 April 2021).

272 *Codice Civile, Regio Decreto 16 marzo 1942*, n. 262, art. 2513.

273 E. Cusa, 'Riforma del diritto societario e scopo mutualistico' in *Verso un nuovo diritto societario. Contributi per un dibattito*, 213-233 (Bologna: il Mulino, Bologna, 2002).

274 G. Bonfante, *Trattato di Diritto Commerciale: La Società Cooperativa,* vol. 5 (Milan: Wolters Kluwer, 2014).

development of cooperation.[275] The legislator broke the silence concerning this fundamental cooperative feature in 2003 through the company law reform (Legislative Decree n. 6), standardizing the concept as a contractual relationship for service management to the members - similar to the definition adopted by most European legislation. External services are indeed exceptional and must be expressly permitted by the statute.

The definition of mutuality is relevant because it directly impacts cooperatives' legal nature and their capability to undertake profitable operations with third. In this respect, mutuality is the cause of the cooperative contractual existence, and the legislator decided to safeguard its unity, regardless of whether it is prevalent or not. Mutuality manifests in the service management in favor of the members, whether they are consumers, producers, workers. It can concretely manifest itself with different degrees and intensity levels.[276] In cooperatives that adopt the prevalent mutualist structure, mutuality is a management requirement of, at least, half of the operations, and their statutes must expressly register non-profit clauses.[277] The bipartition between prevalent and non-prevalent mutuality does not affect its systematic unity regarding Italian cooperatives' social function but represents a relevant distinction among tax incentives and other specific benefits awarded to prevalent mutualist cooperatives. Supported by the mutualistic nature, cooperatives enjoy tax incentives that stimulate corporate growth. However, these tax benefits are not pure privilege or competitive advantage but are usually tied to profit and asset allocation constraints. Despite the partial tax waiver, the cooperatives still heavily contribute to public resources. Empirical data[278] suggests that the total tax burden on cooperatives, including social security costs and the workers' income taxes, in contrast with their production value, translates into a higher contribution to the public finances, even in comparison to traditional for-profit shareholder corporations.

The mutual scope and the commercial aspect of this alternative management model used to be wrongly considered incompatible.[279] The evolutionary process concerning cooperatives legal nature and the extent to which mutuality defines the operations

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275 Law n. 59, 31 January 1992, art. 8, 11, and 12.

276 F. Casale, *Scambio e mutualità nella società cooperativa* in Quaderni di Giurisprudenza Commerciale, 1-105 (Milan: Dott. A. Giuffrà editore, 2005).

277 Art. 2512-2513, *Codice Civile Italiano*.

278 The conclusion is counterintuitive but results from extensive research based on the balance sheets of over 14,000 cooperatives between 2007 and 2013. See E. Fontanari, C. Borzaga 'Do Co-operatives Really Pay Less in Taxes?' available at www.euricse.eu/do-co-operatives-really-pay-less-in-taxes/ (last visited 24 March 2021).

279 V. Buonocore, *Diritto della cooperazione* (Bologna: Il Mulino, 1997).

undertaken by them settled the understanding that cooperatives uphold great economic potential and can exercise this potential without necessarily compromising its core values of mutual collaboration and democratic governance. Article 45 of the Constitution literally acknowledges the principle of mutuality in economic activities without a speculative purpose, giving rise to controversies regarding the meaning and extension of the mutuality expressed in the constitutional body. Therefore, the legislative advancement towards unifying the service management role, external activities with third parties, and broad social function, allowed Italian cooperatives to welcome key financing strategies to strengthen their competitiveness in the market. They allow the issuance of financial instruments similar to a joint-stock company, welcoming outside investors, as long as their capital returns do not hurt the endeavor's mutualistic nature or affect the cooperative reserves.[280] Outside investors' admission provides necessary financial support in a market that often inflicts capital demands incongruent with the cooperative nature.

Cooperatives ruled as joint-stock companies or limited liability companies can issue different classes of shares with variable value to represent the participation of each member. They are allowed to issue a class of financing shares for the so-called *socio finanziatore*. The art. 2526 of the Civil Code establishes that the cooperative bylaws must regulate the patrimonial and administrative rights (e.g., distribution of profits, voting rights, repayment),[281] imposing two constraints: the repayment cannot extend to indivisible reserves (Art. 2545 *ter*) and the financing members' votes and representation in general meetings cannot exceed a third of all shareholders to protect the democratic control. This is a critical mechanism for financial sustainability that is further analyzed in the section on investment membership.

Furthermore, Italian legislation establishes even higher levels of collaboration through a 'consortium of cooperatives' (i.e., a cooperative of cooperatives),[282] following the same general guidelines of single cooperatives to enhance the economic cooperation among these endeavors.[283] Among the legal tools used by cooperatives to spread their organizational impact, joint cooperative groups establish a contractual relationship, aggregating different

280 *Codice Civile, Regio Decreto 16 marzo 1942*, n. 262, art. 2526.

281 Under the limited liability company rules, cooperatives may offer a class of financing shares only without management rights to qualified investors (art. 2526 c.c.).

282 Regarding the consortium of cooperatives, see E. Cusa, *La società consortile* (Torino: Giappichelli, 2021).

283 A. Fici, 'Cooperation among cooperatives in Italian and comparative law', *Journal of Entrepreneurial and Organizational Diversity*, 64-97 (2015).

categories of cooperatives, to coordinate their activities and reach economies of scale,[284] with more flexible and often hierarchical governance than the consortiums.[285] These groups articulate multiple cooperatives bonded by a participation agreement.[286]

The same dual flow of centralization and decentralization, autonomy, and collaboration, witnessed in national and regional governments' political sphere, shape Italy's unique cooperative ecosystem. Single autonomous cooperatives may partner with other cooperatives building small cooperative clusters, as well as several individual cooperatives and local networks may combine their strength into regional alliances. The multiple bonds built among them culminate on an intricate national ecosystem. Italy's cooperative ecosystem is vertically integrated by federations generally organized around a single stakeholder model.

Since 2011, the Alliance of Italian Cooperatives is the national coordination of the cooperative movement, combining three of the most representative cooperative associations: Associazione Generale Cooperative Italiane (AGCI), Confcooperative, and Legacoop. The national Alliance created a unified representation of cooperative endeavors of various forms to fortify their collective power. A central hub allows cooperatives to advocate their interests and represent their agenda upon the government, the parliament, and European institutions.

Consortiums and Cooperative Groups

Achieving economies of scale and a prominent position in a competitive market require collaboration among firms. Many non-cooperative companies commonly pursue this strategy by partnering with others in groups of subsidiaries controlled by a holding enterprise through consortiums and other contractual mechanisms. The group dynamic has been well-spread in the general commercial law regarding traditional investor-owned companies but would find systematic obstacles to include cooperative societies. They traditionally face constraints regarding this type of coordination because of their intrinsic features. Nevertheless, the Italian legislator paid special attention to the consortium of cooperatives fifty years ago through the Law n. 127 of 1971: '*Le società cooperative legalmente costituite, comprese quelle tra pescatori lavoratori, che, mediante la costituzione di una struttura organizzativa comune, si propongono, per facilitare i loro scopi mutualistici, l'esercizio in comune di attivita' economiche, possono costituirsi in consorzio*

284 *Codice Civile, Regio Decreto 16 marzo 1942*, n. 262, art. 2545.
285 See note 7.
286 *Codice Civile, Regio Decreto 16 marzo 1942*, n. 262, art. 2545-septies.

come societa' cooperative, ai sensi degli articoli 2511 e seguenti del codice civile' (Art. 27). This institute remodeled the outdated consortium regulated by the Basevi law of 1947 and opened new opportunities for cooperative growth yet represented several controversies regarding the compatibility with the general cooperative framework.

Initially, cooperatives were only capable of operating based on the personhood of their members - *persone fisiche* - incompatible with members of other legal nature and purpose. With the establishment of cooperative groups, the Italian legislator allowed the development of consortiums for mutual coordination between cooperatives and, for years, were representative of the only option available for joint articulation. They became particularly widespread in agriculture to create a strategic alignment for streamflow of raw materials, capital, infrastructure, and information, but they are not limited to this sector. In fact, the general cooperative consortium based on art. 27, Law n. 127 of 1971, could be applied to the various cooperative forms of the Civil Code, art. 2511 and following, facilitating the joint exercise of economic activities and representing a wider mechanism in comparison to the consortium regulated by art. 2602 c.c.[287]

A consortium is a legal entity that provides an instrumental body to cooperative entities articulation. Article 2602 c.c., amended by Law No 377 of 10 May 1976, states that entrepreneurs can celebrate a consortium contract to establish a common organization for their joint undertakings. Rather than a group leader or a holding controlling the others, the consortium is itself an institute controlled by them. It allows cooperatives to articulate a horizontal organizational structure to exercise strategic contractual collaborations. Based on art. 2511 and 2602 c.c., the consortium activity is directly connected with the economic activity of the consortium members.[288] The doctrine recognizes the consortiums as a *multifunctional mutual integration structure,*[289] which enables cooperatives to reach a competitive size through collective integration without having to overgrow their individual operations and assuming excessive risks. The consortium can either serve internally to perform services exclusively for its associates by regulating the relationship between them or carrying out

287 *'Con il contratto di consorzio più imprenditori istituiscono un'organizzazione comune per la disciplina o per lo svolgimento di determinate fasi delle rispettive imprese.Il contratto di cui al precedente comma è regolato dalle norme seguenti, salve le diverse disposizioni delle leggi speciali.'* art. 2602 c.c.

288 E. Cusa, *La società consortile,* (Torino: Giappichelli, 2021).

289 G. Bonfante, *Trattato di Diritto Commerciale: La Società Cooperativa,* vol. 5 (Milan: Wolters Kluwer, 2014).

various external operations by developing contractual bonds with third parties. This articulation is often autonomous as a response of independent parties looking for broader peer collaboration. However, sometimes mandatory consortiums are required by law to carry out certain activities or operate in a specific sector. Cooperatives slightly attenuate their individual autonomy without losing control through their joint venture, partially articulating their infrastructure, and combining their economic power.

The Law n. 377 of 1976 enabled cooperative consortiums to vest a corporate form without prejudice to the consortium purpose discussed above, regulated by art. 2615-ter c.c. The Civil Code establishes the *società consortile* as an additional format of cooperation among cooperatives. The *società consortile* is not equivalent to the consortium of cooperatives: the consortium company may be a consortium between cooperatives, but not every consortium company necessarily follows the cooperative framework. The *società consortile* is a company like the corporate form of capitalist types but characterized by the primary pursuit of consortium purposes, carrying common activities for the benefit of its associates instead of profit maximization. The *società consortile* is often a second-level cooperative as a corporate umbrella to other member cooperatives.

The primary focus of consortium companies are internal operations to serve its members or develop external entrepreneurial activities with third parties seeking strategic, economic, and technical advantages. Essentially, societies can pursue economic advantages of mutualistic nature. Still, the financial benefit is an accessory to the primary collaborative purpose[290] and the consortium mutuality has always been more stringent.[291] They are legally allowed to engage in profit-seeking operations with third parties as long as the lucrative pursuit does not overthrow the mutual management. Otherwise, the company may lose its consortium connotation and qualify only as a traditional for-profit venture. Hence, profitability is exceptional and exercises a residual role in this societal form.

The *società consortile* blends the for-profit corporate structure, principles of mutuality, and joint coordination. Hence, the applicable discipline reflects its complexity by combining rules regarding limited liability companies (*società a responsabilità limitata* -s.r.l.),[292] consortium

290 E. Cardinale, 'Società cooperative e consortili' in *Società e Falimento*, Niccolà Abriani and Angelo Castagnola (eds), 573-680 (Milan: Il Sole 24 Ore, 2008).

291 M. Di Rienzo, 'Gli effetti della riforma sulla disciplina delle società consortili' in *Rivista delle Società,* 206-242 (Milan: Dott. A. Giuffrà editore, 2006).

292 Chapter VII of the Italian Civil Code.

standards, and contractual provisions. Overall, when the consortium assumes a corporate profile, it restricts the personal accountability of its members for the obligations undertaken by the society with third parties, complying with the framework of limited liability companies. However, regarding the relationships between cooperatives under the consortium umbrella, the peer dynamic is ruled by the consortium framework and the contractual provisions. The literature highlights that the lack of a clear delimitation by the legislator in each case makes it challenging to identify the correct discipline in empirical circumstances.[293]

Despite the significance of cooperative consortiums for business coordination, the Law n. 127 of 1971 was still limited in its scope, missing critical features to effectively bring into fruition the economies of scale that cooperatives could collectively exercise. Hence, over three decades later, the legislator embraced a considerable reform regarding the national commercial law and took a more comprehensive approach to network contracts, safeguarding the autonomy of individual companies. In 2003, through the Legislative Decree n. 6, the Italian legislator introduced an organic reform of the discipline of joint-stock companies and cooperatives. Among the innovations, the reform offered a new instrument for integration between cooperative enterprises called *gruppo cooperativo paritetico* (art. 2545 *septies*), responsive to the growing complexity of the modern economic system. This contractual agreement creates a unitary business strategy as a hub of collaboration between multiple entities, distributing the benefits derived from the joint activity.

The introduction of the joint cooperative group in the cooperative ecosystem brought a new opportunity for cooperative growth and represented a flexible solution for past constraints. When there are multiple autonomous cooperatives within the same sector or developing projects of mutual interest, they can establish a continuous contractual relationship of non-competitive nature based on trust and reciprocity to combine their competitive advantages. This kind of joint cooperative group has a contractual rationale that regulates the management and coordination of the cooperatives, often in a consortium form, complementing the previous methods of collective bonds. It represents the consolidation of a common will among all contracting parties and introduces the presence of a central holding entity with executive power to the consortium-based dynamic. There are many overlaps

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293 F. Casale, 'Commento a Cass., 27.11.2003, n. 18113 - Le società consortili tra diritto comune, diritto speciale e salutari ripensamenti della Cassazione' in *La nuova giurisprudenza civile commentata, Rivista Bimestrale de Le Nuove Legge Civili Commentate,* n.2, 354-371 (2005).

between the joint groups and the consortiums: the group is a contractual tool that structures the mutual coordination while the consortium is the effect of this joint management.[294]

The *gruppo cooperativo paritetico* legal discipline is dealt with in the article 2497-*septies* c.c., subdivided into two types of joint groups: the contract framework in consortium form among several cooperatives focused on the direction and coordination by one or more cooperatives of their respective enterprises, following the provisions in the article 2545-*septies* c.c.; and the cooperative banking group based on article 37-bis *Testo unico bancario* (TUB), D.lgs. 1 settembre 1993, n. 385.[295] Unlike other corporate groups, the cooperative framework within the *gruppo paritetico cooperativo* was designed to objectively promote equal treatment between the member companies and operate in a non-hierarchical manner, compatible with the democratic essence of these entities.[296] Together, they follow the same guidelines and jointly manage a particular operational subject or a specific stage of the production process. A central management body in the driving seat of a heterogeneous group of ventures represents a unitary and continuous system of decisions, working as a structural mechanism for managing essential services to benefit the associates limited to the scope of the group (e.g., personnel policy, finance, sales, marketing, supply, mediation, guidance). A joint government of cooperative operations within the same group may even create a shared brand to distinguish the product or service offered by them as a marketing strategy.

The cooperatives can belong to distinct categories and productive sectors and can also include other public and private entities as well. The joint group has an instrumental role[297] that allows the integration of other public or private non-cooperative entities to expand the joint group's organizational, managerial, and strategic possibilities and enrich their mutualistic goals. Intersectionality is a fundamental integrative element that combines subjects of different nature and reconciles their diverse characteristics and needs, binding each other through a shared goal.[298] However, the participation of non-cooperative members is exceptional and limited to public and private entities regarding the mutualistic purpose and

294 F. Casale, 'Scambio e mutualità nella società cooperativa' in *Quaderni di Giurisprudenza Commerciale,* 1-115 (Milan: Dott. A. Giuffrè Editore, 2005).

295 E. Cusa, *La società consortile,* (Torino: Giappichelli, 2021).

296 G. Bonfante, *Trattato di Diritto Commerciale: La Società Cooperativa,* vol. 5 (Milan: Wolters Kluwer, 2014).

297 V. Buonocore, *Diritto della cooperazione* (Bologna: Il Mulino, 1997).

298 N. Persiani, 'Aggregazione ed integrazione aziendale dell'impresa cooperativa' in *Il gruppo cooperativo paritetico,* rapporto dell'osservatorio regionale toscano sulla cooperazione, 11-35 (Firenze, 2008).

non-lucrative nature. Besides, they are prevented from occupying the role of central administration.[299]

The contractual nature allows the groups to design atypical forms of organization as long as they observe and safeguard the compatibility between their operational regime and the cooperative framework. The agreement settled among them regulates a joint decision-making process based on mutuality in respect to the purpose pursued by each party. The art. 2545 *septies*[300] introduced a complex concept of compensatory advantages since the group must expressly regulate the compensation criteria and the balanced distribution of advantages, safeguarding the possibility of cooperatives withdrawing the contract if the coordination process harms its inner interests.

The legal recognition of this broader cooperative group is a matter of entrepreneurial synergism between a plurality of autonomous entities with converging goals: *l'impresa economicamente unitaria ma giuridicamente plurima*.[301] Instead of a single enterprise, the group complexity rests on the multifaceted approach required by managing a diverse business crowd, which Zoppini identifies as a matter of legal capability of cooperative societies. The challenge of coordinating various interests calls forth protection of the investments and non-patrimonial aspects of the business within the group.[302] The controversy primarily relies upon the ICA's principle four of cooperative autonomy and independence. Hence, it is fundamental to evaluate if and to what extent it is possible to align the control and the mutual management. A joint cooperative group, oriented to a common economic strategy, has no hierarchical profile, and no business is entitled to disproportionally exercise its power over the others. Still, the rules regarding this peer agreement of management and coordination must be methodologically evaluated in light of the cooperative framework, understanding that joining a plurilateral contract implies submitting the cooperative to other spheres of

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299 F. Casale, 'Scambio e mutualità nella società cooperativa' in *Quaderni di Giurisprudenza Commerciale,* 1-115 (Milan: Dott. A. Giuffrè Editore, 2005).

300 '*Il contratto con cui più cooperative appartenenti anche a categorie diverse regolano, anche in forma consortile, la direzione e il coordinamento delle rispettive imprese deve indicare: 1) la durata; 2) la cooperativa o le cooperative cui è attribuita direzione del gruppo, indicandone i relativi poteri; 3) l'eventuale partecipazione di altri enti pubblici e privati; 4) i criteri e le condizioni di adesione e di recesso dal contratto; 5) i criteri di compensazione e l'equilibrio nella distribuzione dei vantaggi derivanti dall'attività comune. La cooperativa può recedere dal contratto senza che ad essa possano essere imposti oneri di alcun tipo qualora, per effetto dell'adesione al gruppo, le condizioni dello scambio risultino pregiudizievoli per i propri soci.Le cooperative aderenti ad un gruppo sono tenute a depositare in forma scritta l'accordo di partecipazione presso l'Albo delle società cooperative*' Art. 2545 septies c.c.

301 A. Zoppini, 'I gruppi cooperativi (modelli di integrazione tra imprese mutualistiche e non nella riforma del diritto societario)' keynote presented during the conference *La disciplina civilistica e fiscale della nuova società cooperativa,* Genova, 1o e 2 ottobre 2004, published in *Rivista delle società*, 760-782 (2005).

302 ibid.

coordination with certain protective boundaries.[303] Therefore, the Italian legislation ultimately allows external control by the holding while preserving the cooperatives' core mutualistic function throughout the subordinate collaboration, protecting the cooperative members.[304]

The corollary of the *gruppo cooperativo paritetico* is equal treatment among the cooperatives. The contractual bond must honor this equilibrium, so no individual cooperative holds an uneven position in the group with disproportionate power or unreasonable advantages.[305] In reality, the complexity level of each joint group's democratic governance largely varies. The civil legislation only prescribes a minimum legal content for this particular type of integration. Hence, the joint group enjoy a broad contractual autonomy and flexibility, which means it can be well-suited to the needs of a specific case and various industries, giving cooperatives the freedom to adjust the agreement, refine and negotiate the best terms, always based on equal treatment of the members. Therefore, they can comply with the resolutions taken by the management body and facilitate their implementation in the operations and leave the contractual relationship without major penalties.

The contract malleability enables multiple arrangements regarding group coordination.[306] The group can be structured as a simple steering committee representing the cooperatives involved or assign the coordination to one of the cooperatives with representative powers on behalf of the group. This representative cooperative can also be created within a consortium with the capacity to undertake decisions on behalf of its peers, represent them, and assume operations with third parties.[307] The plasticity of this contractual form does not mean a generic collaboration without a binding power. On the contrary, the group agreement must stipulate contractual provisions on to what extent the cooperative members are bonded by the group's decision (either from the steering committee, the board of directors, or leading company) and how to assure they will be followed. The compliance

303 A. Zoppini, 'Il nuovo diritto delle società cooperative: un'analisi economica' keynote presented during a conference in the Università Cattolica del Sacro Cuore, 439-450 (Piacenza, 2003).

304 *Codice Civile, Regio Decreto 16 marzo 1942*, n. 262, art. 2545 septies c.c.

305 R. Genco, 'Gruppi cooperativi e gruppo cooperativo paritetico' in *La Cooperazione Italiana* n.11 (2004).

306 ibid.

307 L. Stanghellini, 'Il contratto di gruppo cooperativo paritetico: tipologie redazionali e suggerimenti.' in *Il gruppo cooperativo paritetico,* rapporto dell'osservatorio regionale toscano sulla cooperazione, 11-35 (Firenze, 2008).

may happen in good faith due to the common interest among the cooperatives. Still, the non-fulfilment of those provisions and violation of the group decisions are subject to contractual enforceability through potential sanctions, such as financial penalties or, in severe cases, exclusion. On the other hand, the entity exercising the coordination must act according to the best interest of its peers. Suppose damage to the company's assets directly resulted from mismanagement. In that case, the central executive body is liable and responsible for repairing the harmful outcomes.

Agricultural Cooperatives

The group dynamic in multiple forms is a widespread practice in Italy throughout many productive sectors. Still, one of the main jewels of the Italian cooperative collective coordination is the agricultural sector. Over a third of the country's farmed production is carried out by cooperative enterprises and food chains, playing a starring role in combining regional ventures and safeguarding the domestic market in a highly globalized economy. The *Osservatorio della cooperazione agricola italiana*, including the main cooperative representative organizations - Agci-Agrital, Fedagri Confcooperative, Legacoop Agroalimentare, and Unicoop - partnered with the *Ministero delle Politiche Agroalimentari e Forestali*, estimates that, alone, agriculture co-ops generated a turnover of 35 billion euros through almost five-thousand cooperatives and 740,000 producer-members in 2017.[308]

Social-agricultural enterprises in Italy are regulated under the umbrella of *Legge 13 giugno 2005, n. 118,* developing an organized economic activity of general interest in compliance with cooperatives' regulatory framework and social cooperation given by Legge 8 Novembre 1991, n. 381. Agricultural policy has an exponential role in the Italian economy and in European integration— and cooperatives are responsible for fostering social and economic cohesion. Beyond entrepreneurial performance, cooperatives also carry a social dimension, impacting biodiversity and soil safeguard and rural communities' vitality through a wide range of activities, such as cultivation, breeding, forestry, food processing, agritourism, etc. 'Social farming' is the expression used by the European Network for Rural Development

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308 Osservatorio della Cooperazione Agricola Italiana, 'Rapporto 2017' available at www.osservatorio-cooperazione-agricola.it/images/Rapport/2017/2017_rapporto_cooperazione_dicembre.pdf (last visited 4 March 2021).

under the European Commission agricultural policy, meaning the alternative potential of farming activities in providing resources for social well-being.[309]

Achieving this scale results from the entrepreneurial response of sustained concentration and aggregation processes among food cooperatives. Merges and integrations also happen with joint-stock companies. This broad agriculture network allows producers to combine power and accomplish scalability and positive externalities. The agri-food cooperation embraces corporate social responsibility and environmental awareness, upbringing innovation, and technical knowledge. Agricultural cooperatives are well-known for their ability to architect a social community with a strong sense of identity through multiple local interactions amidst farmers, agronomists, businesses, and the public administration.

For instance, in the province of Trento, a case study developed with nineteen agricultural cooperatives showed that fifteen of them are part of a consortium.[310] Cooperatives from key sectors there get support from the Federation of Cooperatives and the Autonomous Province of Trento, which finance and coordinate the expansion of collective management of agricultural production. Cooperatives from key sectors there get support from the Federation of Cooperatives and the Autonomous Province of Trento, which finance and coordinate the expansion of collective management of agricultural production. This network design of the production system allows independent micro-production units to incorporate the know-how from other cooperatives and widen the knowledge exchange on innovative practices based on reciprocity.[311]

The sector also employs the supply chain strategy into a multi-producer integrated perspective that arranges various providers to enhance competitive performance in the agri-food market. Sant'Orsola, an agricultural cooperative in Northeast Italy, developed a fresh fruit production chain of strawberry and cherries that connects, by multiple interactions, suppliers, farms, wholesalers, and retailers. By financing and integrating its members' agronomic knowledge, the Sant'Orsola cooperative created a hub of innovation, diffusing

309 European Network for Rural Development, 'Social farming" available at enrd.ec.europa.eu/enrd-static/themes/social-aspects/social-farming/en/social-farming_en.html (last visited 6 March 2021).

310 E. Fontanari, 'La cooperativa agricola fra tradizione e innovazione. Il caso della provincia di Trento,' *Euricse,* Research Report no 16, 1-36 (2018).

311 E. Fontanari, 'Cooperazione agricola e aree marginali: una riflessione sull'esperienza della Provincia di Trento', *Euricse Working Papers, 102*-118 (2018).

new tools and experimental cultivation techniques while spreading income and well-being to marginalized areas.[312]

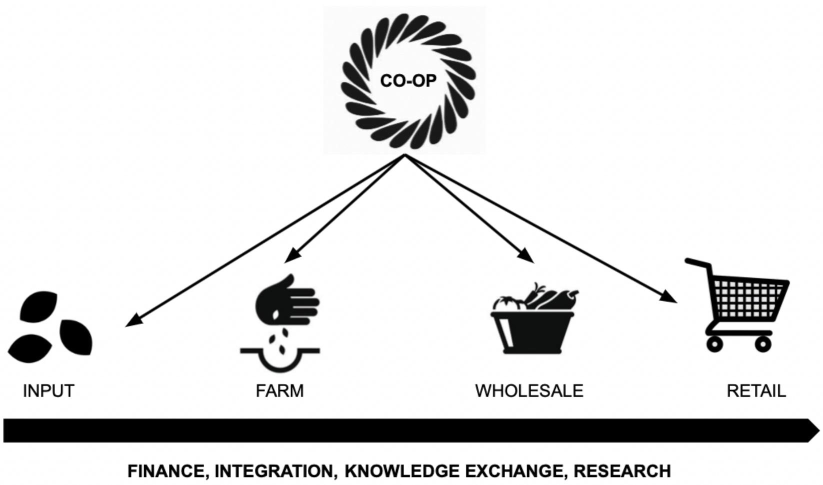
The supply-chain strategy within a singular cooperative consortium represents distinguished designs according to each segment and the range of cooperative members' activities. The food ecosystem often applies supply chain management to tackle multiple operations throughout the production flow until the final consumers, including food producers, suppliers, retailers. A comprehensive network of local cooperative suppliers aims to minimize costs and waste, optimize the productive system and resource allocation, identify potential issues, safeguard the business reputation, and exchange food system data.

In North Italy, in the Piemonte region, another example of cooperation among cooperatives is the well-established *Consorzio Agricolo Piemontese per Agroforniture e Cereali* (CAPAC), mainly devoted to planting and producing cereals like corn. The group was created in 1975 by six local cooperatives to offer integrated support for acquiring technical input and managing its members' mutual interests based on the principle of social solidarity. This consortium expanded to undertake marketing operations and operational management, including harvesting and conservation on behalf of the farmers. For over 40 years, CAPAC has centralized financial and administrative functions, represented the local producers' collective power and supervised their members' activities, keeping their autonomy. This broad coordination, both upstream and downstream in the supply chain, enables the group to handle significant investments and reduce costs, which guarantees a significant competitive advantage. The members keep a well-spread presence throughout the territory, the proximity of agricultural hubs facilitate the operations.[313]

312 E. Fontanari, 'Una Visione Knowledge-based della Cooperativa Agricola: Il Caso Sant'Orsola, *Euricse Working Papers,* 94-17 (2017).

313 Osservatorio della Cooperazione, 'Osservatorio della cooperazione agricola italiana, Rapporto 2015' available at www.alleanzacooperative.it/uffici-studi/wp-content/uploads/2016/04/OsservCoop_2015-RAPPORTO.pdf (last visited 24 March 2021).

Figure 8 - Agriculture cooperative supply-chain



Source: authorial diagram based on E. Fontanari, 'Cooperazione agricola e aree marginali: una riflessione sull'esperienza della Provincia di Trento', Euricse Working Papers, 102-118 (2018).

Another notable agricultural group is the Italian Vine-Fruit Growers Cooperative (CAVIRO), funded in 1966, covering a vast geographic area, including Emilia-Romagna, Friuli Venezia Giulia, Tuscany, Marche, Puglia, and Sicily. Local farmers designed this joint articulation to coordinate agricultural operations regarding wine production in the territory. The initial focus on production inputs and enhancement of raw materials pivoted towards a broader consortium involving other stages of the winemaking industry, such as bottling and large-scale distribution through multiple partnerships. The group focuses not only on the domestic market but also targets the expansion of international trade, bringing Italian wine production to the spotlight of the world's premium alcohol beverage market. Their growth strategy focused on diversifying the activities within the same sector.[314]

Moving forward, this innovation-centered approach is pivotal towards long-term sustainability and food security. Such a rangy goal shall not be wangled by single actors but by a bundle of converging initiatives. Therefore, cooperative aggregations and food chains offer a promising path for rural areas' socio-economic stability, leveraging their power and capability to provide quality food on a large scale. Agricultural cooperation among several small producers in cooperatives and in consortiums have a unique advantage compared to

[314] ibid.

traditional food corporations: distribution of income among small producers strengthening the local community at large.

Alliances

The Italian regulatory framework offers different tools to stimulate cooperatives' aggregation through legal and financial links, which strategically allows them to tackle activities that an individual cooperative might not fully venture into their potential. Above this interlink among cooperatives, the Italian cooperative ecosystem took a step further, combining several entities' power into representative alliances. The first attempt of a National Federation of Cooperatives dates to the Nineteenth Century when the League of Cooperatives was created in 1893 centered on social solidarity. The Great War and the rise of fascism placed daunting challenges in collective articulation, dissolving the League. The project regained attention after the dictatorial wave faded away, and a new Constitution was proclaimed in 1948 based on democratic principles.[315]

Since 2011, the Alliance of Italian Cooperatives (*Alleanza delle Cooperative Italiane*) is the national coordination of the most representative associations of the Italian cooperative movement: Associazione Generale Cooperative Italiane (AGCI), Confcooperative, and Legacoop. The Alliance represents over 39,000 cooperatives and over 12,000,000 members in Italy, impacting approximately 8% of its GDP.[316] The main purposes of the Alliance are strengthening the cooperation among cooperatives and coordinating their collective actions as a mechanism of unified representation. Headquartered in Rome, the Alliance set up sectoral coordination (Alliance of Agricultural Cooperatives, Alliance of Social Cooperatives, etc.) to address territorial challenges and preserve regional autonomy. As a result, the Alliance enables creating new entrepreneurial opportunities and employment growth throughout the country.

Founded in 1952, the *Associazione Generale Cooperative Italiane* is a non-profit and independent organization that promotes the cooperative movement in Italy in compliance with the principles of democracy and mutuality. Headquartered in Rome, this association encompasses 19 regional, seven provincial, and five interprovincial representations and

315 Legacoop, 'La Storia' available at www.legacoop.coop/quotidiano/la-storia-2/(last visited 25 March 2021).

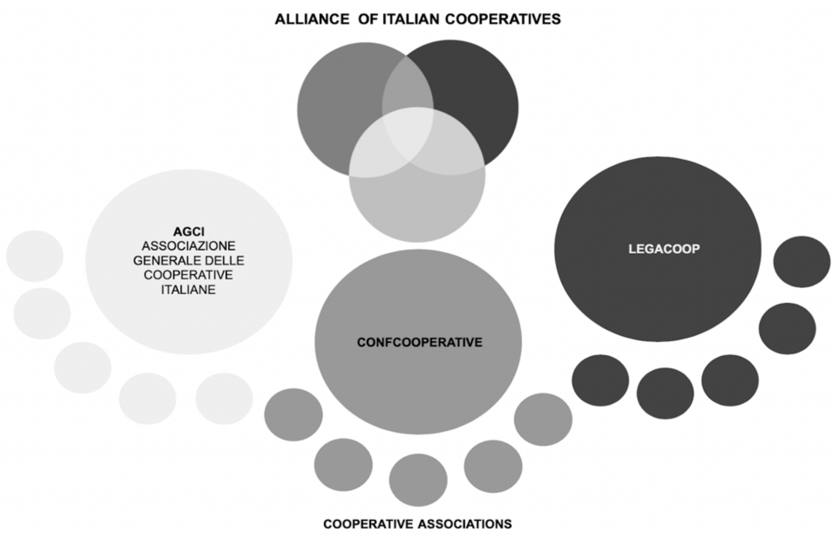
316 Alleanza delle Cooperative Italiane, '*L' associazione*' available at www.alleanzacooperative.it/l-associazione (last visited 3 March 2021).

adheres to relevant European and international bodies representing cooperation (Cecop, Cicopa, Cooperatives Europe, ICA).

Along the same lines, the second member of the Alliance is Legacoop, founded in 1886, representing today 15 thousand cooperatives from multiple stakeholder bases with activities in a diverse range of product and service segments. For 125 years, Legacoop has represented and assisted Italian cooperatives through a twofold structure: sectorial, with the associations centered in particular sectors, and territorial, with its own regional and provincial offices.

Finally, the Confederation of Italian Cooperatives is the third and largest driving force that creates collective wealth by representing and providing personalized assistance to cooperatives. With approximately 20 thousand cooperatives associated, generating together 66 billion euros in turnover, created in 1919, Confcooperative is organized into nine sectorial Federations, according to their primary market segment of production of goods or services: agriculture, fishing, housing, insurance, consumption, labor, tourism, finance, and social solidarity. The federations cover 22 Regional Unions, 37 Provincial Unions, and 11 Interprovincial Unions.[317]

Figure 09 - National coordination of cooperative associations



Source: authorial diagram.

[317] Confcooperative, 'Il sistema confcooperative' available at unioncoopservizi.it/il-sistema-confcooperative/ (last visited 25 March 2021).

European Union

As member of the European Union, Italy is part of a broader social economy phenomenon in Europe based on solidarity and mutuality principles. Emanuele Cusa underlines that the European Union legal system and its member states seek to conceive legal frameworks and entrepreneurial models capable of directing the economy at the service of the persons to reconcile economic and political power in the region.[318] This social market economy is the EU's constitutional objective regarding a balanced economic growth, oriented to the common good, taking into account all of its participants and stakeholders, including workers, investors, competitors, and consumers, in order to 'promote economic, social and territorial cohesion, and solidarity among Member States.'[319]

The entrepreneurial polymorphism, organizational diversity, and plurality of legal forms observed in the intra-community competitive market include entrepreneurial models that are not exclusively for-profit as cooperatives.[320] Cooperatives are traditional actors of the social economy along with mutual societies, foundations, and associations, combining the provision of goods, services, and employment opportunities while undertaking solidarity-based activities to pursue general interest goals. Currently, 2 million social economy enterprises with up to 160 million members embrace the mission of creating broad positive impacts on social inclusion, economic development, and environmental safeguard.[321] The largest cooperatives together contributed to the economy with 2,145.79 billion US dollars, most of them operating in agricultural and food industries, insurance, wholesale, and retail trade. The results show the cooperative movement's predominance in European countries, including France as the leading country and Italy in the fourth position in the rank.

Regardless of their legal identity, these actors are formally organized and controlled by the private sector with management autonomy. Even though they can engage in economic activities, they are not capital-centered and transcend commercial dimensions, employing

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318 E. Cusa, *Le forme di impresa privata diverse dalle società lucrative tra aiuti di stato e costituzione economiche europee* (Torino: Giappichelli, 2013).

319 *The Treaty on European Union*, art. 3, par. 3.

320 E. Cusa, *Le forme di impresa privata diverse dalle società lucrative tra aiuti di stato e costituzione economiche europee* (Torino: Giappichelli, 2013).

321 European Commission, 'Social economy in the EU' available at ec.europa.eu/growth/sectors/social-economy_en (last visited 3 March 2021).

democratic and participatory decision-making processes. Notwithstanding the growing effort from a diversity of enterprises and public policies to enhance social investment in Europe, the movement faces daunting challenges, including poor harmonization with national legislation and flawed ideological character lacking technique for its concrete implementation.[322] The struggle to access financing and navigate through intricate regulations, combined with a low degree of awareness and recognition of their economic potential, urges efforts to co-design an effective European Action Plan for the Social Economy.[323]

The entrepreneurial polymorphism and organizational diversity observed in the intra-community market include legal forms that are not exclusively for-profit as cooperatives, aimed at promoting jobs; safeguarding the democratic character of the European Union and its member states; nurturing social responsibility among the shareholders; reducing inequality, and promoting dynamic and effective competition.[324] Cooperatives are a keen vehicle for promoting harmonious cross-border development in pluralistic markets through systematic reduction of economic disparities between member states.[325] This recognition motivated the EU legislature to institute the European Cooperative Society (SCE), as an alternative to exclusively profitable private enterprises, through the the Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE) combined with the Council Directive 2003/72/EC, supplementing the Statute for a European Cooperative Society concerning the SCE's workers.

Cooperatives are generally recognized in all Member States by their democratic, mutualistic, non-speculative and solidaristic nature, but creating a supranational legal form suitable for cooperative operations allows them to achieve economies of scale by undertaking transnational activities. Building an EU community policy attempts to converge a myriad of domestic cooperative movements towards a broadly shared framework. On the one hand, there are intricate national-based cooperative movements, which legacy finds its roots deeply connected to each culture and community's development. On the other hand, there is a

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322 E. Cusa, *Le forme di impresa privata diverse dalle società lucrative tra aiuti di stato e costituzione economiche europee* (Torino: Giappichelli, 2013).

323 J. A. Pedreño, '2021 A year to build a better future together' available at www.socialeconomy.eu.org/2021/01/21/2021-a-year-to-build-a-better-future-together/ (last visited 3 March 2021).

324 E. Cusa, *Le forme di impresa privata diverse dalle società lucrative tra aiuti di stato e costituzione economiche europee* (Torino: Giappichelli, 2013).

325 Treaty on the Functioning of the European Union, Art. 174.

longing for a deeply integrated system without disregarding this historical imprint, enabling cooperatives to enjoy transnational economies of scale.

The desire to create a standard legal tool for community cooperation found its roots back in the '70s when the European Committee of the agricultural cooperatives first proposed a statute of SCE, including cooperatives from other categories. During the following three decades, many drafts and proposals were presented in this regard until the early 2000's when the Council Regulation (EC) No 2157/2001 was approved on the Statute for a European Company (SE). The political movement towards a joint legal entity, in the words of Pezzini, 'paved the way for the regulation on the European Cooperative Society (SCE),' adopted in 2003.[326]

The SCE is, by nature, a multinational company conducted in line with the cooperative principle of 'one member, one vote,' allowing its members to remain independent while developing common activities designed to satisfy the members' needs.[327] It enables persons or legal entities of different Member States to reach a higher level of capital intensity beyond philanthropic purpose, welcoming investor-members to partially join the cooperative structure with limited voting rights. The mutualistic model adopted by SCEs is similar to the Italian non-prevalent mutuality cooperation and represents a new legal source that overlaps and coexists with the national legislation about cooperative societies.[328]

Despite the primary goal of cohesion among cooperative activities, the SCEs failed to embody a true pan-European statute playing, instead, a marginal regulatory role compared to the domestic laws.[329] The European Community has previously adopted several other resolutions on cooperatives since 1983, in addition to the SCE regulation, built a comprehensive system of legal sources through multiple legal systems. Even the self-regulatory prospects of SCEs statutes have shown limited applicability in their interaction with national laws. Thus, instead of a standardized definition of cooperatives across Europe,

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326 E. Pezzini, 'The European co-operative society: a new step in European company law', in C. Borzaga and R. Spear eds, *Trends and challenges for co-operatives and social enterprises in developed and transition countries* (Trento: Edizioni 31, 2004), 85.

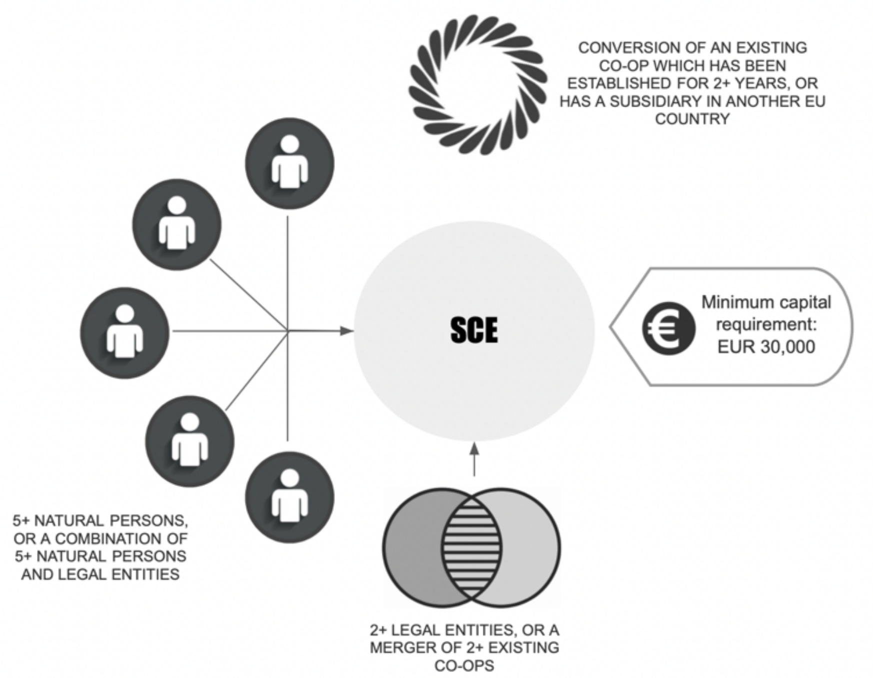
327 European Parliament and Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE) [2003] OJ L 207.

328 G. Bonfante, *Trattato di Diritto Commerciali: La Società Cooperativa,* vol. 5 (Milan: Wolters Kluwer, 2014).

329 A. Fici, 'Pan-European cooperative law: Where do we stand?', *Journal of Entrepreneurial and Organizational Diversity*, 1-12 (2013); also, E. Cusa, *Le forme di impresa privata diverse dalle società lucrative tra aiuti di stato e costituzione economiche europee* (Torino: Giappichelli, 2013).

realistically, there is a multifaceted cooperative approach that still reflects a highly plural economy.

Figure 10 - The European Cooperative Society (SCE)



Source: authoral diagram based on EU legislation, Council Regulation (EC) No 1435/2003 of 22 July 2003.

V.II. INDEPENDENT STRATEGIES

In the previous sections, three major collective articulations were analyzed in the international realm: the corporate umbrella of the Mondragon cooperatives, the multistakeholder network of single-stakeholder cooperatives in the Coloradan solar industry (USA), and the intricate Italian cooperative framework that encompass representative alliances, co-op groups, consortiums and other legislative tools for interfirm coordination. This section will navigate through new or unorthodox means capable of assisting individual cooperatives in reaching their growth objectives in response to the challenges posed by the competitive market and difficulties in accessing outside investment capital.

V.II.a INVESTOR-MEMBERSHIP

Member-patrons are the primary source of equity capital in cooperative businesses and returns on capital are limited. The economic nature of the operations upheld by some cooperatives is limited and intrinsically different[330] from those managed by pure for-profit corporations since the lucrative aim is only secondary in the cooperative framework. In fact, not every legal system recognizes the possibility of cooperatives as for-profit entities and most of those who allow profitability still to impose strict limits to it. The Brazilian cooperative discipline, for instance, expressly defines the contractual nature of cooperative societies as a mutual commitment for the exercise of economic activities of common benefit *without the pursuit of profit* (Law 5.764/71, article 3).[331] In Italy, the boundaries of cooperative mutuality and the limits to economic operations with third parties used to be a long controversy among the legal doctrine and the legislator, passing through several reforms throughout its long-standing cooperative history.[332] The fear of demutualization processes

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330 The commercial nature of many cooperative institutions is explicit when their purpose is to carry out commercial operations such as consumer cooperatives and popular banks, for instance. Hence, they are regulated as collective commercial companies according to the rules of limited liability companies or joint-stock companies, with special provisions in respect to their unique collaborative nature. In this regard, see C. Vivante, *Derecho Mercantil* (Madrid: Valletta, 2005).

331 José Xavier Carvalho de Mendonça explains that the purpose and essence of commercial companies is profitability shared among partners. There is no commercial company without the participation of the partners in the social profits. In cooperatives, there are constraints regarding the distribution of dividends. The economic outcome belongs to a cooperative reserve. Hence, the author underlines the comprehension of cooperatives as commercial companies recognizing that the partners' financial benefit or participation in the results has a profit nature. Still, he points out that cooperative societies are always people and not capital. See J. Xavier Carvalho de Mendonça, *Tratado de Direito Comercial Brasileiro,* Vol. III, Livro II, Parte III, 'Das Sociedades Comerciais' (Rio de Janeiro: Livraria Freitas Bastos, 1958).

332 On the nature of mutuality and the legislative changes on this regard, see E. Cusa, 'Riforma del diritto societario e scopo mutualistico' in *Verso un nuovo diritto societario. Contributi per un dibattito*, 213-233 (Bologna: il

and the safeguard of core democratic principles are usually the motivation behind the constraints imposed on cooperative structures regarding access to investor-based finance.

Overall, the cooperative membership base is exclusively built of a class of patrons who directly own, contribute to, and benefit from the collective body, either worker, customers, or users. Whoever joins the cooperative by signing the deed of incorporation assumes the obligation of the contribution, acquires the status of a shareholder and carries the statutory requirements to jointly exercise control over the entity's mission.[333]

The allowance of capital injections by non-patron members is far from common in the cooperative standards sustained by the international cooperative community and is often viewed as antithetical to cooperative self-ownership and sovereignty, considering that investors are primarily focused on financial returns. Moreover, cooperatives usually serve financially unappealing communities to most investors - especially low-income communities - or operate in sectors with lean profit margins and high risks. Still, the challenges posed by equity capital formation and the struggle of many cooperative-minded endeavors to grow their impact and scale-up motivated gradual flexibility regarding the compatibility of cooperatives with investors' membership in some legal systems. Enabling investors to join the cooperative scheme is the solution to financial constraints or a trojan horse midst the movement? This section is devoted to evaluating the relationship of private investors with cooperative ventures and how legal mechanisms are designed to mitigate the possible harmful impact of external capital interests prevailing over mutuality.

In the United States of America, cooperatives are democratically controlled member-owned business enterprises created under an incongruent legal framework.[334] The federalism mode of government allows each state to regulate their cooperative features, which markedly vary from state to state, challenging the attempts to define an 'American cooperative' properly. The state has its statutory policy, either guided by a unified cooperative statute or multiple laws on related subjects and usually applies the general corporate law or general

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Mulino, Bologna, 2002); F. Casale, *Scambio e Mutualità nella Società Cooperativa* (Milan: Giuffrè, 2005); G. Bonfante, *Trattato di Diritto Commerciali: La Società Cooperativa,* vol. 5 (Milan: Wolters Kluwer, 2014).

333 V. Buonocore, *Diritto della cooperatzione* (Bologna: Il Mulino, 1997) 212.

334 J. Spicer, 'Cooperative enterprise at scale: comparative capitalism and the political economy of ownership' *Oxford Socio-Economic Review*, Vol. OO, No. 0, 1-37 (2021); Also; the USDA's Rural Business Cooperative Service and hosted by the National Cooperative Business Association (NCBA CLUSA), compiled the numerous laws of all fifty states, the District of Columbia, US territories, and tribal law, systematically identifying the main provisions of each legislation. See 'State Cooperative Statute Library' *National Cooperative Business Association (NCBA CLUSA)* available at https://ncbaclusa.coop/resources/state-cooperative-statute-library/(last visited 10 May 2021).

limited liability company law to cooperatives,[335] indicating which entities qualify as cooperatives under its statute, and offering an available, operational description of a cooperative.

Whereas most statutes expressly establish the nonprofit nature of cooperative entities, including the California Cooperative Corporation Law,[336] Georgia Cooperative Marketing Act,[337] the Iowa Cooperative Associations Generally,[338] the Wisconsin Cooperative Act,[339] and others. Historically, the Standard Act in most states similarly established that 'associations organized hereunder shall be deemed nonprofit because they are not organized to make a profit for themselves, as such, or for their members, as such, but only for their members as producers.'[340] The mutual basis, the focus on social welfare, and the unique attributes brought by the legislature challenge the survivorship and financial sustainability of the cooperatives.

The possibility of assigning ownership to a class of investors and creating a new cooperative framework started to be entertained in California in 2007 by a committee appointed by and representing the National Conference of Commissioners on Uniform State Laws (NCCUSL).[341] The Commission drafted the Uniform Limited Cooperative Association Act (ULCAA), arranging a novel unincorporated and flexible organizational structure designed to raise equity investment opportunities for capital intensive and startup

335 For instance, in Massachusetts, South Dakota, Virginia, General corporate law applies. In states such as Tennessee, Nebraska, New Mexico, the general corporate law applies except where such provisions conflict with or inconsistent with the express provisions of the cooperative Acts.

336 'The earnings, savings, or benefits of the corporation shall be used for the general welfare of the members or shall be proportionately and equitably distributed to some or all of its members or its patrons, based upon their patronage...of the corporation, in the form of cash, property, evidence of indebtedness, capital credits, memberships, or services' (CA-COOP § 12201).

337 'Cooperatives organized under the statute are deemed to be nonprofit as they are not organized to make profits for themselves. O.C.G.A. 2-10-106. Net income is distributed to members and nonmember patrons on a patronage basis' (GA-Ag O.C.G.A. § 2-10-82).

338 'A cooperative association is one which deals with or functions for its members, which distributes its net earnings among its members in proportion to their dealings with it, and in which each voting member has only one vote' (IA-Gen § 499.2).

339 'Cooperative associations organized under this section are charitable and benevolent corporations' (WI-Gen § 185.981(5).

340 J. A. Baarda, *State Incorporation Statutes for Farmer Cooperatives* (U.S. Department of Agriculture Cooperative Information Report 30, 1982) 20.

341 National Conference of Commissioners of Uniform State Laws, *Draft for Proposal: Uniform Limited Cooperative Association Act,* California, July 27- August 3, 1-205 (2007), available at www.uniformlaws.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=c1792747-e3a3-7b1f-b121-99241019b301&forceDialog=0 (last visited 15 January 2022).

cooperatives without dropping their core principles. The draft passed in 2010 as a free-standing statutory option in addition to the state general cooperative acts. Instead of substituting the current regulation, the ULCAA represents an additional organizational structure under state law to overcome the obstacles to their widespread adoption and expansion in the market.

The Act provided a default template for a new hybrid statutorily defined entity that combines cooperative values and modern financing mechanisms. Previous cooperative Laws heavily inspired the template in states such as Wyoming, Tennessee, Iowa, Minnesota, and Wisconsin, which had started to replace their earlier statutes for a more business-oriented model blending cooperatives and limited liability company's configuration to suit modern capital formation demands.[342] These new statutes enabled cooperatives to make special provisions on distributing net earnings based on investment contributions and patronage. They welcomed investor-ownership and governance, with limited voting rights and a seat on the board of directors. The *Limit Cooperative Association* combines the features and controls of traditional cooperative firms with the malleability of an unincorporated structure such as a limited liability company to encourage more entrepreneurs to embrace the cooperative form and solve issues concerning access to capital by captivating financing from outside the conventional community of patrons. The introduction of this legal entity changed the cooperative economic ecosystem by sustaining an individual internal structure capable of hosting hefty investments.

However, not every state legislature has welcomed the ULCAA. Over a decade later, a minority of US states admit the issuance of shares to investors with voting rights. The ULCAA was enacted in Utah,[343] Nebraska,[344] and Oklahoma in 2009,[345] Colorado[346] and District of Columbia in 2011,[347] Kentucky [348]and Vermont in 2012,[349] Washington in 2019,[350]

342 L. Pitman, 'Limited Cooperative Association Statutes: An Update' *University of Wisconson Center for Cooperatives*, Staff Paper No. 7, 1-18 (2008).
343 Utah Code § 16-16-119.
344 Neb. Rev. Stat. § 21-2901.
345 18 OK Stat § 18-441-102 (2014).
346 CO Rev Stat § 7-58-102 (2016).
347 D.C. Law 18-378, § 2, 58 DCR 1720.
348 KY Rev Stat § 1.1-010 (2014).
349 Vermont H109, Sec 1, Title 11C.
350 For instance, the Washington code prohibits the formation of an LCA for the purpose of conducting any electric energy business. See M. Droke, 'Washington State's Limited Cooperative Association Statute' *JDSupra* (2019) available at www.jdsupra.com/legalnews/washington-state-s-limited-cooperative-38864/ (last visited 13 May 2021).

broadening the cooperative ownership structure towards investor-members in addition to the existing statutes, enabling increased investments. The goal is to connect the cooperative interface of business democratically owned and managed with modern financing techniques, including outside equity investment - usually unavailable for cooperatives in general - promoting rural and urban development.

The uniqueness of LCAs hybrid structure is that it allows non-patron investors to become members, enabling them to hold governance rights, join the decision-making process and board of directors, in addition to financial rights, participating in the cooperative distributions and receiving revenue allocations proportionate to the ratio of their investments, without necessarily conducting patronage with the association. The state legislation removes the requirement of patronage to enter the cooperative as a rightful member. The statute is complemented with the cooperative bylaws, including terms, conditions, requirements for acceptance and termination, among other provisions. Still, the flexibility brought by them has few constraints to protect the position of patron-members, including restrictions on the amount of profit allocated to investor members and limits to the voting rights assuring the patron-members control its majority. Boundaries are also set regarding the industries that allow the creation and performance of LCAs.

Financially, LCAs generate returns for investors similar to conventional non-cooperative corporations (e.g., public benefit corporations and limited liability companies), performing a motley mission for the mutual benefit of their members, the generation of profit, attending to the interests of all stakeholders. The returns are measured based on the value of goods and services provided by the patrons and the relative amount invested by investor members. The profitability must match the sustainable and democratic-based nature of cooperative operations without demutualizing the organization or forcing liquidity events for purely economic purposes. New limited cooperative associations commonly use revenue-based financing to raise capital,[351] paying a percentage of its operations, usually, until its investors achieve some predetermined return and, once the cap is reached, the shares are treated as automatically repurchased. This sort of financial agreement allows for more

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[351] J. Wiener, 'Limited cooperative associations and early-stage financing' (2008) available at jrwiener.com/limited-cooperative-associations-and-early-stage-financing/ (last visited 13 May 2021).

sustainable and healthy business growth[352] since it respects the company's pace: if the business has fast growth, investors have a brisk return, but if the company grows steadily, it takes longer for investors to reach the cap - different from traditional debt payments established regardless of the company performance.

Also referred to as demand dividends, they are often used as an additional investment tool for impact investors that allows the company to grow its revenue and consolidate its financial resources.[353] The deal structure adjusts the debt payment to the investee's ability to pay it through periodic payments based on a percentage of capital flow, aligning the interests of investors and investees. This financial vehicle unlocks new capital and is well-suited for early-seed businesses that are inapt or unlikely to have liquidity events or those unable to access commercial lending. It also benefits specific sectors such as agricultural cooperatives[354] with seasonal fluctuations and social enterprises with long term and uncertain returns.[355]

Impact investors not only find alternative ways to invest in values-centered companies but also have a voice on their governance through the provisions of the Limited Cooperative Associations Act. They are allowed to exercise agency authority, electing the leadership to join the board of directors as long as most of the board of directors are elected exclusively by patron-members.[356] This rule also applies to other matters throughout the voting structure, considering that limitations to investor members voting powers are statutorily required. The organic rules allocate patron votes and investor votes - with patron-members always controlling the overall majority of the LCA's voting power by default - and set out the extent of investors voting rights.

The state legislations usually grant a certain level of liberty to LCA's bylaws design how limited is investor members role in the business, leaning towards the safeguard of

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352 A. Ben-Ami, 'Don't go chasing unicorns' (2018) available at blog.usejournal.com/dont-go-chasing-unicorns-2fa84d88437 (last visited 13 May 2021).

353 Y. Lee, 'Demand Dividends: An Emerging Alternative to Equity Financing' *Michigan Business & Entrepreneurial Law Review* (2014) available at mbelr.org/demand-dividends-an-emerging-alternative-to-equity-financing/ (last visited 13 March 2021).

354 L. Cruikshank, 'SOCAP13: The Demand Dividend', *Duke: The Fuqua School of Business* (2013) available at centers.fuqua.duke.edu/case/2013/09/19/socap13-the-demand-dividend/ (last visited 13 March 2021).

355 *Santa Clara University*, 'Demand Dividend: Creating Reliable Returns in Impact Investing' (2013) available at thegiin.org/assets/Santa%20Clara%20U_Demand-Dividend-Description.pdf (last visited 13 March 2021).

356 Uniform Limited Cooperative Association Act (ULCAA), 'Section 804: Election of Directors and Composition of Board' (2007).

patron-members and calls for caution in opening the cooperative up to investors. The introduction of LCA's represents a market-based practical solution to the old barriers to cooperative formation and development, departing from the cooperative core values, broadening the pool of potential capital resources available and trying to align heterogeneous interests within the firm.

As we face innovative cooperative designs that challenge the traditional literature, there is a significant and controversial change to how mainstream cooperatives are historically structured. Novel cooperative financial tools commonly raise fear regarding their potential of hurting the democratic cooperative core, confronting the claims of modernization and economic improvement. When the Uniform Limited Cooperative Association Act was first drafted, part of the literature underlined that the concept of welcoming investors to the internal ownership and governance dynamic hurt the triple principle of broad user-ownership, user-control, and user-benefit, allowing non-patrons to financially benefit from the allocation of earnings built by the patronage.[357] The shift towards economic entitlements could potentially harm the person-centered democratic process by providing equity-based voting rights and the default rule of transferable financial rights deeming membership as a tradeable commodity. The rules regarding the voting process by classes of members could lead to the possible impairment of patrons' control by admitting a class made of a single member, therefore, holding the voting power of an entire class. The Act's interpretative gaps also allow investors to end up taking most profits since it limits the allocation of earnings but specifies that payments to investors for fixed dividends are not allocations, allowing them to have a more significant economic return. Besides, the rules regarding the voting process by classes of members could lead to the possible impairment of patrons' control by admitting a class made of a single member, therefore, holding the voting power of an entire class.[358]

On the other hand, advocates argue that LCAs better balance the interests of founders, workers, platform users, suppliers in a more vigorous and representative way, and embrace the flexibility and opportunity of scale brought by this hybrid structure compared

357 L. Lushin, 'A Trojan Horse in Our Midst: Ten faults of the Uniform Limited Cooperative Association Act' *Cooperative Grocer Network* (2010) available at www.grocer.coop/articles/trojan-horse-our-midst (last visited 14 May 2021).

358 According to ULCAA Section 102 (31) 'Voting group means any combination of *one or more voting members* in one or more districts or classes that under the organic rules or this [act] are entitled to vote and can be counted together collectively on a matter at a meeting of shareholders.'

to the rigidity of state statutes— which often limit the cooperative's full potential.[359] The LCAs introduce more representative stakeholder governance and communicate with other widespread business entities and bring more familiarity among entrepreneurs who may hesitate to welcome a traditional cooperative body due to financial constraints. Nowadays, the platform economy and high-tech industry call for extensive financial support and LCAs can be vital to structure those kinds of financing while still expressly safeguarding their cooperative pillars. The cooperative fundamentals may look different and be practiced differently compared to the orthodoxy of the cooperativism of a century ago, reimagining cooperativism in today's market and its long-term sustainability.

The insertion of investors in the cooperative ownership and governance scheme is not an American innovation *per se*. Most fears and speculations held upon limited cooperative associations and the role of financing partners can be unraveled through the reasoning of Italian cooperatives and the long presence of the *socio finanziatore*, and Portuguese cooperatives, which also entitle investors to penetrate the cooperative arrangement as *membros investidores*. The discipline may vary aspects adhering to each legal system; still, the parallel between these instruments can help to elucidate common doubts regarding the compatibility of investors' interest and the protection of patron members.

Over the last two decades, many European laws and the provision of new financial mechanisms for the remuneration capital disrupted the traditional methods of representing the social capital of cooperative societies looking for expanding their capital access.[360] When the European Union introduced the Council Regulation (EC) N. 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE), the acquisition of membership explicitly recognized the capacity of investors (non-users) in acquiring the membership status.[361] This provision reflected the progressive attenuation of the pure cooperative mutuality and the gradual flexibility of the shareholder structure, considering the persistent

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359 J. Wiener, personal communication, 2020. Jason Wiener is a Colorado-based attorney, focused on business model architecture and design, social enterprises, and cooperative development.

360 D. Hiez, 'Les instruments de fonds propres des coopératives: vingt ans d'innovation législative' *RECMA - Revue Internationale de L'Économie Sociale,* n. 295, 20-29 (2005).

361 'Without prejudice to Article 33(1)(b) the acquisition of membership of an SCE shall be subject to the approval of the management or administrative organ. Candidates refused membership may appeal to the general meeting held following the application for membership.Where the laws of the Member State of the SCE's registered office so permit, the statutes may provide that persons who do not expect to use or produce the SCE's goods and services may be admitted as investor (non-user) members. The acquisition of such membership shall be subject to approval by the general meeting, or any other organ delegated to give approval by the general meeting or the statutes.' Council Regulation (EC) N. 1435/2003 of 22 July 2003, article 14.

capital insufficiency faced by cooperative operations.[362] The comprehension that cooperatives need to access investments and thus compete effectively in their markets can be traced in multiple European systems that domestically recognized the role of investor membership in the growth of their national cooperatives, introducing new ways of investing in cooperatives.

The Italian Civil Code (*R. D. 16 marzo 1942, n. 262*) allows the issuance of financial instruments similar to joint-stock[363] companies with patrimonial and administrative rights[364] — as long as they don't exceed one-third of the total votes and the privileges on profit distribution and capital repayment do not extend to indivisible reserves.[365] Both natural and legal persons can be funding members of cooperative societies, under a state of subordination.[366] Financing shareholders must represent the minority in the decision-making process and board of directors, safeguarding the control of the member-patrons (art. 2526, para. 2, c.c.). The concept of financing members traces back to 1985 when the law n. 49 (provision for credit for cooperation and urgent measures to safeguard employment levels) allowed temporary contributions from financing partners to support the development of small and medium cooperatives. In 1991, the law n. 381 regarding the regulation of social cooperatives reinforced the possibility of aligning financing partners to cooperatives activities. In the following year, the law n. 59 of 1992 introduced new provisions for cooperative societies extending the scope of sponsoring partners as a permanent tool for capital resources.[367] The Italian legislation gradually soothed the barriers upon financing shareholders,[368] allowing them to occupy a position in the cooperative membership base,

362 E. Cusa, *Il socio finanziatore nelle cooperative* (Milan: Giuffré, 2006).

363 Cooperatives, under limited liability company rules, can offer the subscription without administrative rights only to qualified investors according to art. 2526 of the Civil Code. However, the legislative restriction of hybrid financial instruments to cooperatives under limited liability companies' rules is highly controversial. In 2014, L. 21 February 2014, n. 9 of conversion of the legislative decree 23 December 2013 n. 145, settled the interpretation of art. 2526 c.c. establishing those cooperatives under the rules on limited liability companies apply the limit on the issuance of financial instruments exclusively to debt securities.

364 Art. 2526 *Codice Civile*.

365 Art. 2545 *ter Codice Civile*.

366 A. Zoppini, 'Il nuovo diritto delle società cooperative: un'analisi economica' relazione presentata al convegno di Piacenza, organizzato dall'Università Cattolica del Sacro Cuore, sede di Piacenza, sulla riforma del diritto societario (2003) available at www.andreazoppini.it/static/upload/dci/dciv3_2004.pdf (last visited 17 May 2021).

367 Articles 4 e 5 of the Law n. 59/92 established the *azioni di sovvenzione* and the *azioni di partecipazione cooperativa to attract* financial investments from third parties.

368 E. Cusa, *Il socio finanziatore nelle cooperative* (Milan: Giuffré, 2006).

even without being directly involved in the primary activity collectively developed by the other cooperators. Sponsoring members could join the cooperative administration in a limited capacity and obtain a return on their investment.[369]

In Portugal, the Cooperative Code under the Law n. 119/2015 rules that cooperatives can include investing members (art. 4), whose total sum cannot exceed 30% of the membership (art. 20), through the subscription of equity or investment securities and approval at the general meeting, without legislative restrictions regarding the amount of investor contributions. Investors cannot be founding members of a cooperative, but existing cooperatives may allow their membership admission according to the explicit statutory provisions. The statute must regulate the minimum capital to be subscribed by investing members, the conditions, and criteria of their assignment, as well as their rights and obligations. The governance rights are limited under a legislative cap of 25% of the administration and supervision bodies. Potential restrictions concerning the cooperative governance by funding members are also based on statutory regulation. The default rule concerning the voting process is the traditional one-member-one-vote scheme. Still, the Cooperative Code enables the bylaws to regulate plural votes to patrons and investor-members with specific constraints and define the political rights of sponsoring members, voting, and eligibility for the governing bodies.[370]

The Law n. 119/2015 brought significant innovations regarding the modernization process of Portuguese cooperatives, and it was a reflection of a long-standing cooperative movement in the country. The first Portuguese cooperative law, called *Lei Basilar do Cooperativismo*, dates the nineteenth century (Law of July 2, 1867). Shortly after, the *Código Comercial de Veiga Beirão* unified the commercial legislation in Portugal, including the discipline of cooperative law, in 1888. Almost a century later, the Law Decree n. 454 of 1980, updated the cooperative matter following the Constitution of the Portuguese Republic of 1976, which recognized the particular contribution of cooperative organizations to the 'harmonious development of Portuguese society and established the state duty towards the stimulation of cooperative-based initiatives the development of an integrative policy to promote a broad cooperative articulation among themselves.[371] The year 1996 brought a subsequent reform,

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369 V. Buonocore, *Diritto della cooperatzione* (Bologna: Il Mulino, 1997) 235-236.

370 Portuguese Cooperative Code, Law n. 119/2015.

371 Constitution of the Portuguese Republic of 1976: '*A todos é reconhecido o direito à livre constituição de cooperativas, desde que observados os princípios cooperativos.As cooperativas desenvolvem livremente as suas actividades no quadro da lei e podem agrupar-se em uniões, federações e confederações e em outras formas de organização legalmente previstas*'

introducing the Law n.51, representative of a new cooperative code, which suffered multiple amendments in 1998, 1999, 2001, 2004, 2006,[372] until the current Cooperative Code came into force in 2015.

When evaluating the expectations of investor-members over cooperatives operations, financial motives such as return on their capital are usually the first guess on why creating a hybrid entity. There are, however, other reasons for using the versatility of limited cooperative associations. For instance, startups focused on community development require patient equity capital to fund their operations. Investor-members motivated by charitable projects can use the LCAs' layout to include nonprofit organizations and manage philanthropic funds without the need for a separate cooperative for that purpose, leaving the beneficiaries in charge of the daily governance.[373]

The openness of cooperative social capital to investing members has a supplementary nature since it is not a *conditio sine qua non* for the creation and valid existence of the cooperative. The presence of sponsoring members is not *per se* a burden or a deflection of the cooperative nature but a supportive mechanism for achieving the social purpose through a financial contribution, providing the organization with resources in addition to the capital brought by patrons — since these are usually not enough depending on the complexity and size of the cooperative operations.[374] This plurilateral relationship and the conciliation of multiple interests operate under a hybrid organization scheme, within the scope of a unitary corporate legal relationship. The exact contours rely on the patron's hands, who control the administrative body and design the statute to admit and regulate funding partners according to the convenience of each cooperative entity.

Hence, deciding for inclusion of investment arrangements ultimately reflects ICA's fourth principle of autonomy and independence.[375] The 'Guidance Notes to the Co-operative

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(article 61, 2-3). Also, '*o Estado estimula e apoia a criação e a actividade de cooperativas. A lei definirá os benefícios fiscais e financeiros das cooperativas, bem como condições mais favoráveis à obtenção de crédito e auxílio técnico. São apoiadas pelo Estado as experiências viáveis de autogestão'* (article 85, 1-3).

372 *Decreto-Lei n.o 343/98, de 6 de novembro; pelo Decreto-Lei n.o 131/99, de 21 de abril; Decreto-Lei n.o 108/2001, de 6 de abril; Decreto-Lei n.o 204/2004, de 19 de agosto; Decreto-Lei n.o 76- A/2006, de 29 de março.*

373 M. Lund, 'Cooperative Equity and Ownership: An Introduction' *University of Wisconsin Center for Cooperatives* (2013) available at resources.uwcc.wisc.edu/Start/CoopEquityOwnership.pdf (last visited 15 May 2021).

374 D. Meira, 'O regime económico das cooperativas à luz do novo Código Cooperativo português*' Boletín de la Asociación Internacional de Derecho Cooperativo,* n. 50, 309-347 (2016).

375 'Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy'

Principles?' underlines those restrictions on the foundational principles nurtured by the Rochdale Society of Equitable Pioneers in 1844 intended to shun pure venture-capital investments and financial-driven purposes.[376] Still, the hindrance posed on capital access potentially impair cooperatives' ability to fund growth and survive an intensely competitive environment. The autonomy awarded by cooperatives encompasses the freedom of secure funding from external sources and adopts alternative organizational designs with the understanding of the possible hazards to their independence. Instead of prohibiting access to certain funding agreements —afraid of the cooperative framework being compromised— many legislations gradually move towards granting cooperatives with vaster financial liberty, pleading caution and awareness in designing their bylaws.

The cooperative values system is not made of standing-alone axioms but constitutes a synergetic ethos where individual principles reinforce each other. Cooperatives themselves are better equipped to decide whether or not a financial provision is aligned to their purpose and organizational design and can be prudent in the protection of members' sovereignty. They can collectively decide the terms and conditions under which they are willing to welcome investors and raise capital from external sources, engineering ways of avoiding the loss of patron control over time through financial covenants and compliance obligations.

According to the choice made by cooperators in their bylaws, the presence of investor-members in the cooperative can reflect various internal designs, with or without governance rights. These different arrays of hybrid membership are part of a broad multi-stakeholder model,[377] including social enterprises, which embodies multiple membership classes and allocates governance and patronage across them.[378] The participation of mixed

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Cooperative identity, values & principles, *International Co-operative Alliance,* available at www.ica.coop/en/cooperatives/cooperative-identity (last visited 15 May 2021).

376 'Our co-operative identity and values are immutable, but the principles have been reviewed and reformulated. the world does not stand still. the world has changed significantly since the background paper was published in 1996. Society has changed, the globalization of the economy has continued apace, there has been a global financial crisis, and new technologies have emerged as they have done since co-operatives themselves emerged at the beginning of the industrial revolution,' (2). See 'Guidance Notes to the Co-operative Principles?' International Co-operative Alliance, 1-105 (2015) available at www.ica.coop/en/media/library/research-and-reviews/guidance-notes-cooperative-principles (last visited 15 May 2021).

377 Loren Rodgers defines a hybrid or multi-stakeholder cooperative as: "an organization that follows the seven cooperative principles and that has more than one class of members, each of which has distinct rules for membership, patronage, and participation in governance." See L. Rodgers, 'Hybrid Cooperatives Challenges and Advantages' *National Center for Employee Ownership,* 1-8 (2008) available at www.smu.ca/webfiles/HybridCooperatives.pdf (last visited 15 May 2021).

378 P. Kenkel, 'Understanding Hybrid Member-Investor and Multi-Stakeholder Cooperatives' (2019) available at cooperatives.extension.org/understanding-hybrid-member-investor-and-multi-stakeholder-cooperatives/ (last visited 15 May 2021).

cooperators through a multi-stakeholder structure immediately raises questions concerning opposing or conflicting interests. However, their cultural ethos, adaptability, and responsiveness contribute to long-term stability and positive financial outcomes even in non-profit sectors primarily devoted to social wellness.[379] Heterogeneous groups of actors can effectively govern themselves and pursue shared goals, despite the common assumption of costly decision-making structure and hardship in aligning incentives.[380] It is time to recognize the stigma around financing and reconcile the role of social economy investors within the cooperative framework, remunerating the capital used to boost collective innovation and values-driven entrepreneurship instead of sole financial speculation.[381]

The constraints regarding cooperative multistakeholder structures, especially when including investor membership, are largely motivated by demutualization concerns following the possible change in the essential core features of the joint venture. This fear must be broken into distinct streams of evaluation. First, the concerns are well-grounded when the focus is the potential harm to cooperators unwilling to demutualize their original cooperative structure, vulnerable to legislative gaps and abuse of the investor's governance power. If the demutualization happens as an outcome of weak statutory protection of cooperators rights over the future of the business - who end up gradually losing control upon misaligned interests with sponsoring members - then there is a subversion of the patron's democratic will. An undemocratic pivot over the cooperative structure resulting from mishandling the investor-based multistakeholder can poison the economic democracy movement.

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379 D. Bollier, 'The Great Promise of Multi-stakeholder Cooperatives' *Shareable: People-powered solutions for the common good* (2014) available at www.shareable.net/building-a-shared-community-asheville-sharefest-goes-off/ (last visited 15 May 2021).

380 C. Leviten-Reid, B. Fairbairn, 'Multi-stakeholder Governance in Cooperative Organizations: Toward a New Framework for Research?' *Canadian Journal of Nonprofit and Social Economy Research,* Vol. 2, N. 2, 25 – 36 (2011).

381 Part of the literature argues that limited cooperative associations are not entirely embedded in the multi-stakeholder framework since the relationship that investors members have with the cooperative is primarily financial, and their contribution is limited to capital investment. According to Margaret Lund, 'LCA's also do not embody the idea of systemic change that is so important to many multi-stakeholder cooperatives. LCA statutes, in fact, have the stated objective of allowing cooperatives to behave more like conventional corporations at least in terms of their capital structure, rather than less. Multi-stakeholder cooperatives, in contrast, are often formed to create a viable alternative to the way that economic transactions are structured in an investor-dominant or government-driven model.' See 'Solidarity as a Business Model: A Multi-Stakeholder Cooperatives Manual' *Cooperative Development Center at Kent State University,* available at resources.uwcc.wisc.edu/Multistakeholder/tool-oeoc-multistakeholder-coop.pdf (last visited 15 May 2021).

On the other hand, the mere allowance of investor members — the level of autonomy required to adopt alternative organizational structures — is not antithetical to a democratic economy. In fact, recognizing various modes of business ownership, different styles of governance, and multiple entrepreneurial cultures with sovereignty is a sign of a healthy economic environment. Eventually, if a demutualization process happens, if it is coming from the best interest of the cooperators, patrons, and investors, it signalizes to other entrepreneurs that embracing the cooperative model is not going to stiffen the prospects of growth and autonomy, but only broadening the entrepreneurial advantages and possibilities. At the end of the day, if the traditional cooperative model does not fit in a particular setting, transitions to other business structures will be available.[382]

The basilar purpose of cooperatives of reassuring the autonomy and best interest of its members and allowing their most full participation in the societal operations is still valid with respect to multistakeholder cooperatives. The compatibility between private capital and cooperative initiatives flourishes in the space of freedom created by the legal system for partners to model their internal business organization.[383]

[382] F. Casale, 'Transformazione di cooperative' in *Transformazione, fusione, scissione,* Dottrina Casi Sistemi, A. Serra e I. Demuro, 183-223 (Bologna: Zanichelli, 2014).
[383] Art. 2519, Italian Civil Code.

V.II.b. VENTURE CAPITAL: A LOST CAUSE? SAVVY COOP & INDIE.VC CASE

Cooperatives and venture capital financing usually do not rub shoulders. Counterintuitively, however, a recent deal between a platform cooperative and a US-based venture capital firm sparked the debate of whether these two worlds must stay completely apart. Could democratic-centered businesses benefit from venture capital while preserving their structure? As venture capital, in general, focuses on value-maximization and financial scalability, could its intention poison the cooperative purpose? While there is no definitive answer to these questions, Savvy and Indie.vc case can elucidate a possible path towards this unorthodox approach. Nevertheless, before delving into the case, it is essential to systematize the origin and operation of venture capital in the market.

Innovative ideas often demand bulky funds to be brought into play. However, entrepreneurs might lack the tangible assets necessary to fully sponsor their project, resorting to bank loans or other debt instruments to back their ideas. At this moment, venture capital may be the answer to afford seed companies and provide them with the resources they need to grow. Hence, venture capital became a fundamental intermediary in financial markets, especially regarding startups focused on technology, in which the upfront investment is usually substantial. This well-established industry bet in high-risk, potentially high-reward projects,[384] issuing investments to firms that otherwise would find it difficult to attract financing through conventional lenders.

Rather than lending the money through debt instruments, venture capitalists purchase equity or equity-linked stakes into the seed business, hoping that the venture will exponentially grow, disrupt the market, and represent solid returns. The growing startup community targeting innovation and the intense capital flow in the private sector in the last few decades boosted the evolution of entrepreneurial finance, inspiring novel forms of organizations, new types of financial instruments,[385] and alternative governance arrangements in the startup world. The modern 'financial architecture' is a direct response to the market pains that hindered the economic growth of innovative ideas in the past.

[384] P. Gompers, J. Lerner, 'The Venture Capital Revolution' *American Economic Association - The Journal of Economic Perspectives,* vol. 15, no. 2 (2001) 145-168.

[385] J. Brad Bernthal, 'The Evolution of Entrepreneurial Finance: A New Typology' *BYU Law Review,* vol. 2018, issue 4 (2019) 773-858.

Financial innovations are constantly being envisioned, expanded, and reformulated to address the needs that emerge from the business ecosystem over time.

The early history of venture capital traces back to World War II to invest in emerging tech companies. In 1946, the first self-proclaimed venture capital and private equity firm, called American Research and Development Corporation, was founded by Karl Compton, Georges Doriot, Merrill Griswol, Ralph Flander, later attracting other Boston-based business leaders and investors.[386] Since then, the venture capital industry has developed a starring role in increasing money flowing into innovative endeavors, through multiple market cycles. Nowadays, the most prominent venture capital hubs are located on the East and West coast of the United States, notably in Massachusetts' Route 128 and California's Silicon Valley outward from Stanford University Industrial Park.

During the following decades, particularly in the '70s and '80s, small firms took the lead in innovations calling for capital resources for funding the development of their inventive projects. As young businesses hold high levels of uncertainty and years of negative earnings, they lack tangible assets to back loans and are unwilling to pay interest on debt obligations. Therefore, venture capitalists became the solution to what Paul Gompers called 'unlikely candidates for alternative sources of funding,'[387] not only for high-tech endeavors but also for low-tech companies with great scalability potential, booming the venture capital market.

Traditionally, venture capital firms maintain relationships with wealthy individuals, pension funds, university endowments, who provide them with capital to raise periodic funds. They also oversight the investments, intensively monitoring managers. Since its inception, venture capitalists place large sums of money into novelties, expecting to leave with large financial rewards once the business mature. Welcoming venture capital into a startup represents a fundamental choice concerning the governance structure to align incentives, allocate ownership, control, and income rights, matching the investors and entrepreneurs' visions.[388] Therefore, this option is usually available for traditional for-profit, privately owned startups focused on profitability.

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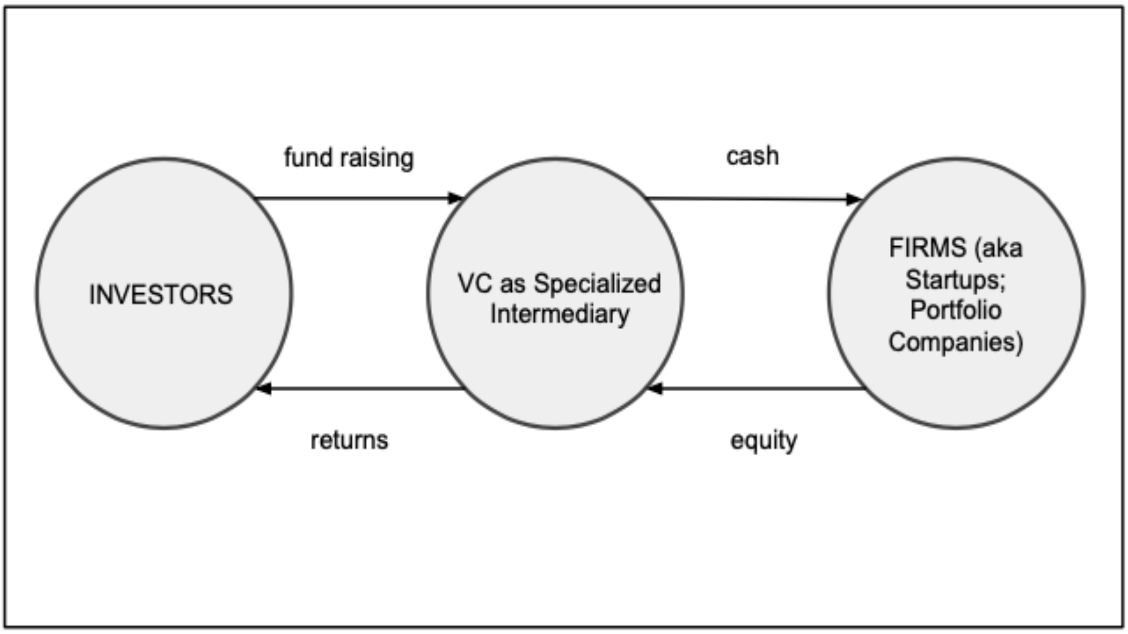
386 T. Nichoas, *VC: an American history* (Cambridge: Harvard University Press, 2019) 1.

387 P. Gompers, 'The Rise and Fall of Venture Capital' *Business and Economic History*, vol. 23, no. 2 (1994) 1-26.

388 P. Gompers, J. Lerner, 'The Venture Capital Revolution' *American Economic Association - The Journal of Economic Perspectives,* vol. 15, no. 2 (2001) 145-168.

Figure 11 – Venture Capital



Source: Based on Gompers and Lerner, *The Venture Capital Cycle, p.11, Figure 1.2 (1999).*

Venture capital-backed investments mainly happen in firms following a shareholder-centric form of corporate governance, maximizing profits, and protecting the interests of investors. Meanwhile, challenging conditions in the global market have spawn corporations to integrate a built-in social and environmental cause into their objective. Despite the private financial market continuing to pursue high-impact entrepreneurship in the large picture, there is a gradual global culture shift, redefining what is success in terms of corporation performance. The global recession caused by Covid-19 with severe and unpredictable macroeconomic shocks and increasing climate change awareness in society have raised questions about the growth-at-all-costs methodology. Alex Lazarow, a global venture capitalist, suggested that the unicorn mindset in startup financing needs to be replaced by a long-term outlook and a balanced growth strategy, capable of surviving through crisis and sustaining and growing in adverse conditions. The author adopted Camels as the new metaphor, as animals capable of enduring Earth's harshest regions and 'survive for long periods without sustenance, withstand the scorching desert heat, and adapt to extreme variations in climate.'[389]

[389] A. Lazarow, 'Startups, It's Time to Think Like Camels — Not Unicorns' *Harvard Business Review* (2020), available at hbr.org/2020/10/startups-its-time-to-think-like-camels-not-unicorns (last visited 25 June 2021).

The length of the late market changes remains open to debate since a profit-maximization mindset is far from being on its deathbed. However, the long-standing abyss between venture capital and cooperative business has given its first signs that it might be gradually shrinking - or there is still an opportunity to do so. Cooperatives, like other startups, rely on access to financial resources to fund their projects. Impact entrepreneurs, who desire to launch shared ownership businesses in the market, still do not have easy access to a robust ecosystem that provides the mentorship and practical business experience needed to grow and scale. Usually, access to financing is the primary obstacle holding them back. As a result, undercapitalization is an abiding impediment to business development and the proliferation of this kind of democratic organization in the market.

In the United States of America, recent initiatives have started to approach the cooperative undercapitalization pain from a startup perspective. Despite the common assumption of incompatibility between cooperatives' democratic standards and venture capital financing, the US cooperative scenario has challenged conventional premises regarding employee-ownership and democratic governance to broaden the co-op model in the market and strengthen alternative business practices. The novel mix between venture capital and cooperative business emerges from the Savvy Cooperative case, a cooperative platform that connects patients and companies to advance patient-centered care. The case is intricate since it flourishes from the convergence of multiple scale-friendly strategies, including the digital platform infrastructure and the connection to a startup accelerator Start.coop.

In 2016, Jen Horonjeff and Ronnie Sharpe co-founded Savvy Cooperative, incorporated as a patient-owned Public Benefit Limited Cooperative Association. Based on their own experiences as patients, the founders envisioned a collaborative network among user-patients and designed a platform marketplace for collecting and sharing their insights as meaningful data for pharma companies and innovators focused on creating healthcare products and services. Conducting proper patient-centric research and clinical development programs in the healthcare industry is fundamental to delivering innovation, especially when including patients' voices and insights. Jen Horonjeff describes the engagement between research and patients as a win-win case: 'companies can create impactful, profitable businesses, and patients can get access to meaningful products that improve their lives and improve outcomes.'[390]

Patient perspectives are a valuable resource for pharmaceutical companies and other healthcare industries, as collecting this data demand engaging diverse patients during clinical trials - which can be particularly challenging in the case of rare diseases. Reaching out to a community of patients through the platform cooperative establishes a meaningful partnership to drive down costs, save time and resources, avoid costly amendments, increased patient adherence, and speed the launch of products or services to the market.[391] Conventionally, the mainstream health industry builds patient online platforms to offer certain free services to patients in exchange for their data, which is usually sold to other businesses for a profit. The patients have no control over the destiny of the data nor have a say on this process.

Savvy's approach is fundamentally different. The cooperative platform connects healthcare professionals in market and clinical research, hospital systems, insurance companies, non-profits to patients and innovators through surveys, focus groups, interviews, prototype testing and scientific research. Meanwhile, patient-driven solutions enable patients to enjoy innovations designed according to their needs and comfort. More than enjoying the co-created outcome through patient-focused solutions, the patients-members are also financially remunerated for their personal data provided, as Savvy share its profits with the members, recognizing the commercial value of their ideas, insights, and feedback.

The creation and development of such an intricate platform marketplace within a trillionaire pharmaceutical industry demanded substantial funding. As Savvy business model can deliver significant network effects and scalability potential, the cooperative received previous offers from traditional venture capital firms. However, the fear of diluting control and missing the organization's central goal frustrated the initial contacts with venture capitalists. Still, Jen Horonjeff believed that the cooperative could benefit from that sort of

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390 J. Horonjeff, 'Patient Insights: Pay Now or Pay Later' *Savvy Cooperative Blog* (2021) available at www.savvy.coop/blog/patient-insights-pay-now-pay-later (last visited 26 July 2021).

391 According to B. Levitan et al., 'Risk-adjusted financial models can assess the impact of patient engagement. A combination of empirical data and subjective parameter estimates shows that engagement activities with the potential to avoid protocol amendments and/or improve enrollment, adherence, and retention may add considerable financial value.' See results in: 'Assessing the Financial Value of Patient Engagement: A Quantitative Approach from CTTI's Patient Groups and Clinical Trials Project' *Therapeutic Innovation & Regulatory Science,* Vol. 52(2) 220-229 (2018).

funding while maintaining its value-centric mission if there is enough alignment between investors and members.[392]

Therefore, in April 2020, the healthcare cooperative decided to challenge the presumed incompatibility between cooperatives and venture capital by raising venture funding to boost its growth. Savvy raised an undisclosed amount of funding during its first round of financing from Indie.vc, making history as the first American cooperative to partner with venture capital to scale up its operations.[393] The investment was voted by Savvy's member-owners, approving amendments to its bylaws to create a series of investor shares. The investment structure focused on preserving the cooperative governance, aligning incentives between companies, users, and investors, and enabling Savvy to position itself as the leading network of patient inputs and patient-centered design in healthcare, reaching new patients and innovators. However, this pioneer investment deal was not a straight translation from classic startup instruments. The combination of how the investment was structured and the main actors' business culture made this unusual relationship feasible.

Indie.vc was an experimental venture capital firm in San Francisco seeking a new kind of risk capital to build independent, venture-scale companies without the pressure to 'blitzscale'[394] or 'growth at all costs,' proposing an alternative methodical path to profitability and scale. Bryce Roberts, founder and managing director at Indie.vc, highlighted that 'venture capital morphed into a one-size-fits-all solution for something as multidimensional as the rich and vibrant world of entrepreneurship.' Instead of asking for founders to twist their visions to fit into the venture capital expectations, Indie.vc encouraged founders to preserve their value, prioritizing real businesses centered on 'customers' needs, revenue and profitability, adopting a slower, thoughtful, compounding growth over scaling fast.'[395]

Indie.vc financial arrangement used to differ from the mainstream venture capital target, typically looking for liquidity events or third-party buyouts. The firm challenged the concept of venture scale to select investees, debunking the perception that certain ideas, products, or the market are not scalable. Indie.vc used to invest from \$100k to \$1M in exchange for an ownership stake, which would be repurchased after the redemption starting

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392 Media Enterprise Design Lab, 'When Co-ops and Venture Capital Meet' *University of Colorado Boulder* (2020) available at archive.org/details/coops-venture-capital-meet (last visited 5 July 2021).
393 Ibid.
394 B. Roberts, 'Venture Scale ≠ Blitzscale' *Medium* (2020) available at bryce.medium.com/venture-scale-blitzscale-590ffbd148f8 (last visited 5 July 2021).
395 *Indie.vc,* 'Real Businesses' available at www.indie.vc/notes/real-businesses (last visited 5 July 2021).

date, through a percentage of gross monthly revenues.[396] The deal allowed founders to repurchase up to 90% of the ownership.

Savvy Cooperative and Indie.vc were able to build a mutually beneficial financial relationship through a shared business vision, adding venture capital as an available tool for cooperative growth for the first time. Along the same lines, Indie.vc operated for six years, funding nearly 40 companies within their alternative investment portfolio. However, in 2021, Bryce Roberts publicly announced the end of the Indie experiment due to challenges in raising subsequent funds from the institutional LP market. He acknowledged that many investors did not sustain the enthusiasm for the innovative 'Indie Economy,' despite the success of their early investments: 'each of the initial eight companies that received investment is still in business with many of them generating 7 and 8 figures in revenue.'[397]

On the one hand, the case of Indie.vc and Savvy Cooperative, and multiple other companies financed through their venture capital structure, were small, but relevant signals of what can be successfully achieved when venture capital move away from exclusive return-maximization at all costs. On the other hand, after the unexpected termination of Indie.vc, a statement from Zebras Unite[398] highlighted that 'Indie.vc did not fail. Investors failed Indie.vc,' diagnosing venture capital as a lost cause in terms of sustainable growth, only fitting a very narrow kind of business.[399] Rather than refurbishing venture capital finance, other capital innovations and alternative financing models can be and have been envisioned by social impact investors to fit mission-centric ventures rather than refurbishing venture capital finance.[400]

Other reactions to Indie.vc closure were less extreme and did not wholly debunk a renewed vision for venture capital with a methodical, steady, and patient growth pace, considering the achievements and projections of Indie.vc portfolio companies: 'Indie.vc shut

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396 *Indie.vc Terms,* available at www.indie.vc/notes/v3-terms (last visited 26 July 2021).

397 B. Roberts, 'The End of Indie' *Medium* (2021) available at bryce.medium.com/the-end-of-indie-6e1b92d90b09 (last visited 26 July 2021).

398 A US-based founder-led, cooperatively owned movement working to develop financing alternatives for companies that do not fit the standard capital model.

399 J. Brandel, M. Zepeda, A. Scholz, A. Williams, 'Indies are Everywhere: A Statement from Zebras Unite on the end of Indie.vc' Zebras Unite (2021) available at medium.com/@sexandstartups (last visited 25 July 2021).

400 Ibid. Among them: 'revenue-based financing (like the 1863 Fund), character-based loans (like the Matriarch Funda), worker-ownership conversion (like the Main Street Phonix Fund), and equity injections (like the Community Equity Fund).'

down, but its vision for venture capital lives on.'[401] Even though investors have failed Indie.vc expectations at that moment, the sense of social responsibility and the pressure for sustainable companies that value their workers are mounting against the VC managers' profit machine, rejecting shareholder financial goals as the sole corporate purpose.[402]

Indie.vc's proposal may have been a naive attempt to subvert the venture capital essence and its prosperous achievements, such as Savvy Cooperative funding, just happy exceptions. Data is scarce as a recent and isolated case, and many questions remain open to debate. It is soon to conduct an in-depth assessment of what this pioneering case represents to the broad cooperative movement and the venture capital world. Nevertheless, the Savvy Cooperative and Indie.vc deal became a real precedent as a potential growth strategy available, overthrowing cooperatives' fundamental incompatibility with venture capital in a shifting global market since few but impactful investors are willing to think outside the unicorn box and to face the central moral challenges of our economy.

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401 *The Hustle,* 'Why did Indie VC shut down?' (2021) available at https://thehustle.co/-why-did-indie-vc-shut-down/ (last visited 26 July 2021).

402 N. Heller, 'Is Venture Capital Worth the Risk? The industry shaped the past decade. It could destroy the next.' The New Yorker (2020, available at www.newyorker.com/magazine/2020/01/27/is-venture-capital-worth-the-risk (last visited 26 July 2021). Also, M. Zepeda, J. Brandel, 'We Need More Startups That Don't Prioritize Growth Above All Else' *Harvard Business Review* (2019), available at hbr.org/2019/09/we-need-more-startups-that-dont-prioritize-growth-above-all-else (last visited 26 July 2021).

V.II.c. COOPERATIVE STARTUP ACCELERATORS AND INCUBATORS

The advent of cutting-edge technology in the market and the evolution of entrepreneurial finance raised the business world's intricacy to a new level.[403] Instead of steady and organic development, new ventures have focused on fast growth and high returns at an unprecedented pace. Startup Accelerators became a new class of institutions that support business advancement to navigate modern entrepreneurial instruments' complexity.[404] As a strategic tool of the venture capital industry, accelerators provide an intensive time-limited program to incipient endeavors in exchange for an ownership stake.[405] Their operations are not limited to investor-owned businesses and today also reach early-seed cooperatives as they often share the same highly competitive market.

On the one hand, cooperatives - which also navigate through the same market complexity - shall develop growth strategies and support mechanisms aligned with their mission and institutional design to perpetuate the long-term principles without compromising their nature. In this section, we will explore how innovative tools, primarily used by venture-backed businesses, could offer exciting alternatives to issues shared by cooperatives as well, without necessarily mitigating their values - and the limits to it. Due to the cooperative multi-dimensionality, adapting innovative solutions to the proper cooperative framework can transmute the strategies themselves to serve as an impactful instrument for joint ventures.

403 Even though complexity is an essential concept in financial markets with rational agents, defining complexity is challenging, considering the agents' information overload. In general lines, complexity is connected to the amount of information available to an individual to make an informed decision about a complex asset. See M. K. Brunnermeier, M. Oehmke, 'Complexity in Financial Markets' *Working Paper* 1-12 (2009) available at scholar.princeton.edu/markus/publications/complexity-financial-markets (last visited 2 April 2021).

404 'As the traditional avenues of corporate growth become less attractive, many companies find the appeal of new venture strategies harder to resist. Though difficult to implement and often slow to repay investment, these strategies do offer the promise of facilitating entry into new business areas with innovative, usually technology-based products. (...) To meet ambitious plans for growth and diversification, corporations are turning in increasing numbers to new venture strategies.' See E. B. Roberts, 'New Ventures for Corporate Growth' Harvard Business Review (1980) available at hbr.org/1980/07/new-ventures-for-corporate-growth (last visited 20 March 2021).

405 For instance, the Telluride Venture Accelerator (TVA) in Western Colorado adopts the Revenue-Based Financing (RBF), a type of variable loan, making the accelerator a lender, not a traditional shareholder, a good fit for startups that do not want to give up equity. See www.tellurideva.com (last visited 6 April 2021).

Therefore, this section's primary goal is to analyze how a specific growth mechanism elaborated to fit the venture capital needs can be customized to match the cooperative demand for growth support. This section covers two individual cases of startup accelerators focused on the early-seed cooperative growth: Start.coop in the United States of America and UnFound in the United Kingdom. The goal is to identify these instruments' critical contributions in cooperative development, backed by the literature on business incubators and accelerators. Both examples illustrate how novel entrepreneurial mechanisms, usually applied to boost conventional for-profit investor-owned startups, can be viable tools bridging the development gap between joint projects and market opportunities for economies of scale.

There are proven competitive advantages from the spatial clustering of economic activity, including inside and outside factors and complex relations among firms and other social structures.[406] The leverage gained in networks of relationships, and regional agglomerations like Silicon Valley and Route 128 is a macro dynamic that serves as an inspiration to build smaller networked structures focused on knowledge exchange.[407] The 'mix of competition and collaboration required in today's fast-paced technology industries[408] can also arise from small startup hubs designed explicitly with this purpose.[409] The modern approach of selecting a cohort of innovative projects and providing the know-how and additional resources to boost the original idea finds its roots at the end of the Twentieth

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406 It is essential to underline that regional clusters are not solely an outcome of private efforts promoting high-growth entrepreneurship but the convergence of multiple factors, including public policies and universities' hubs, to encourage innovative local ventures. See A. Chatterji, E. L. Glaeser, W. R. Kerr, 'Clusters of Entrepreneurship and Innovation' *National Bureau of Economic Research Working Paper Series* 1-32 (2013).

407 The establishment of a regional startup technology cluster, the availability and provision of seed and early-stage venture capital funding help retain companies locally, transforming local economies. See D. C. Fehder, Y. V. Hochberg, 'Accelerators and the Regional Supply of Venture Capital Investment' available at www.seedrankings.com/pdf/accelerators-and-regional-suppy-of-vc-investment.pdf (last visited 20 March 2021).

408 Regional clusters produce a self-reinforcing dynamic, encouraging exchange of information and specialized technical skills and engaging a continuous innovation through an open flow of know-how in a network system. See A. Saxenian, 'Inside-Out: Regional Networks and Industrial Adaptation in Silicon Valley and Route 128' *Cityscape: A Journal of Policy Development and Research,* Volume 2, Number 2, 57 (1996).

409 'In terms of the impact on the local startup community, early evidence shows that accelerators may have a big effect on attracting seed and early-stage financing, as well as additional investors to a community, including outside of the accelerated companies. This could bring additional spillover benefits to the wider regional economy.' See I. Hathaway, 'Accelerating growth: Startup accelerator programs in the United States' *Brookings* (2016) available at www.brookings.edu/research/accelerating-growth-startup-accelerator-programs-in-the-united-states/ (last visited 1 April 2021).

Century and early 2000s due to the brisk technological progress. One prominent example is the Idealab, founded by Bill Gross in 1996,[410] which has created, operated, and helped growing tech companies in the United States by providing the necessary human and financial capital to spawn new businesses in the market. Along the same lines, Y-Combinator (2005), TechStars (2007), and many other companies are responsible for designing supportive ecosystems to fuel up novel enterprises occupied mainly by the advanced engineering and hi-tech industry.

When entrepreneurs visualize a disruptive project and desire to launch an innovative product or service to the market, they need guidance and additional resources to set up the new venture. A classic accelerator turns that innovation into a tangible commodity undertaking a myriad of operations to help the portfolio companies to build a solid corporate structure and refine their business model. Accelerators provide financial advice, fundraising opportunities, human resources, legal and accounting services, strategic support, branding advice, office space, and undertake other curated resources to facilitate the organization of resources necessary to take an innovative business to the next level and expedite its development.[411]

First, the accelerator promotes the next time-limited program and selects a curated community of entrepreneurs after an open call for applications. The highly competitive selection process considers criteria such as corporate innovation, customer segments, the commercial potential, and the prospects of breakthrough ideas in their respective industry. Those startups that meet the candidate profile join the cohort-based intensive mentoring program designed to incentivize information exchange among participants, later exiting the program synchronously as graduates. The selection criteria are based on a particular industry or a given community (e.g., minority-owned startups), as they usually adopt an industry-vertical focused method. The enrollment happens upon a formal agreement bonding the

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410 Bill Gross is also the founder of a Concentrated Solar Power (CSP) company, Heliogen, focused on reengineering the Industrial Revolution with renewable energy to mitigate climate change, working on massive and novel infrastructure projects.

411 The entrepreneurs are exposed to ideas, opinions, and opportunities that can help them to navigate tricky situations and tough decisions. See S. Karim, 'Inside a Techstars Accelerator: What To Expect From the Three Months' avaialable at www.techstars.com/the-line/advice/inside-a-techstars-accelerator-what-to-expect-from-the-three-months (last visited (last visited 20 March 2021).

accelerator to an equity stake from the graduate in return for all the financial and human investment taken by the new portfolio company during the accelerator program.

During a fixed number of weeks or months, depending on each program's length, the businesses experience intensive mentoring through a tailored curriculum focused on scalability. The program's intensity to forge strong enterprises reminds of boot camp training for military recruits, designed to improve their skills. Each accelerator's curriculum depends on its particular profile but going through an accelerator generally means committing to an extensive hands-on program, pitch development, learning sessions, workshops, access to database and office space, meetings with subject experts, connections with potential customers, partners, and service providers.

This substantial mentorship is offered by a community of world-class peers (e.g., scholars, experienced entrepreneurs, functional specialists, prospective partners) who volunteer to build a network of experts, expediting company development. The select group of mentors provides critical input to well-defined entrepreneurial projects focused on exponential growth, offering strategic, monetary, and advisory support to ensure that business plans can drive promising results. Brad Bernthal describes this dynamic as 'an entrepreneurial confluence where for-profit ambitions meet volunteer help.'[412] This mentor-driven approach based on informal network governance is common among accelerator governance, rather than the vertically integrated 'guru model' of in-house-full-time expert partners (through a formal contract model), in which outside mentors receive an equity interest in the accelerator's overall performance. The appeal behind collaborative efforts and alternative governance arrangements, especially through informal mentor-entrepreneur relationships, is attracting high functioning creative talent that otherwise would not be available through a full-time formal bond. Volunteerism generates a more extensive poll of mentors and contains opportunistic behavior due to formal and informal structures' entwinement. Behavioral norms within the startup culture, the prestige of mentorship status, previous personal relationships among the community, reputational enforcement regulate the dynamic in interdependent ways. Other reasons for this typical mentorship structure are lowering transaction costs and avoiding legal frictions.[413]

412 J. B. Bernthal, 'Investment Accelerators' *Stanford Journal of Law Business and Finance*, 139-191 (2016).

413 Despite the high information flow and the fear of opportunistic behavior towards new ventures, empirical data show that a set of constraints reduce that possibility and those mild forms of opportunism do not overwhelm the system. Ibid.

In terms of investment, most accelerators provide a lean investment on each eligible portfolio company to fund the initial operations in exchange for a predetermined amount of equity.[414] This early capital injection is limited and does not entirely solve the overall demand for financial resources at this development stage. Still, the investment has a symbolic role once it bears a more pronounced responsibility and a greater engagement in the graduate performance. This funding is an additional investment beyond the human capital already provided throughout the program.

Regarding the efficacy of these programs, the combination of learning-oriented practices with sorting and signaling mechanisms does meaningfully affect venture development. Affiliating with a vibrant startup community serves as strong signals about the venture's quality to other network connections. The impact varies across multiple accelerators, and some have a more significant effect on the business growth than others. There is not a universal acceleration effect as the results depend on many interdependent activities. Still, empirical evidence shows they raise the company's chances of reaching the desired outcomes, raising the necessary funding, and accelerating these results even outside the most prominent entrepreneurial hubs like Route 128 and Silicon Valley.[415]

Managing complex interactions within innovation ecosystems made incubators and accelerators a successful host supporting startup communities. These institutions' capabilities are among the multiple factors that propelled a boom in venture capital-backed businesses in the last couple of decades, explaining the rise in the numbers of US-based accelerators and incubators, especially between 2007 and 2016. Not only the number of accelerators grew, but the percentage of startups that raised a Series A after joining an accelerator program also significantly increased over time from approximately 2 percent in 2010 to 28 percent in 2019.[416]

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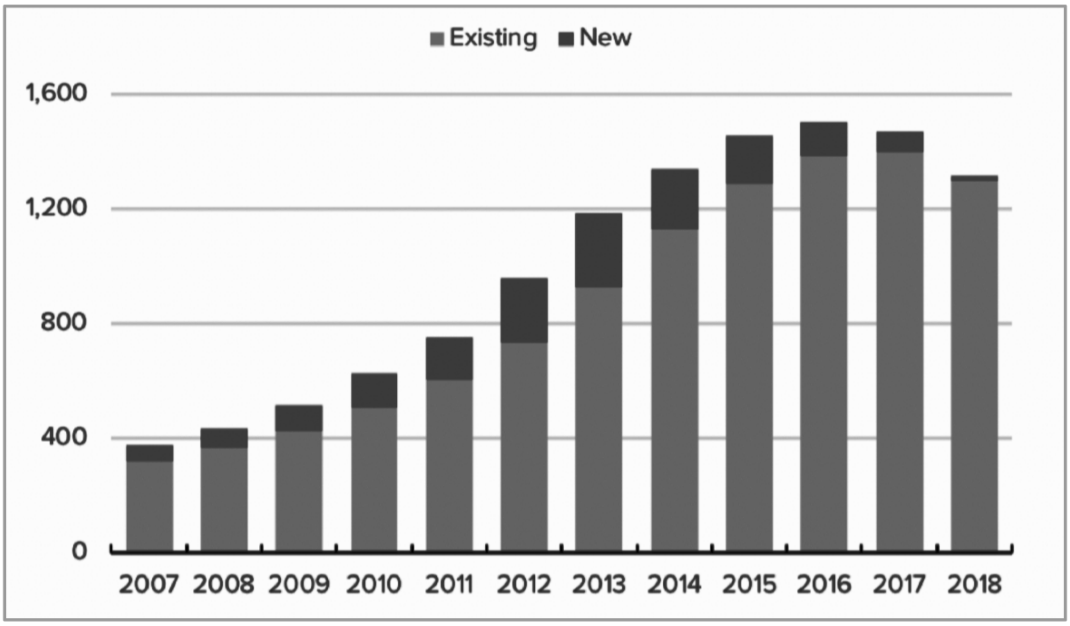
[414] The seed investment made by accelerators in exchange for equity is not equivalent to angel investors' financing. These are wealthy individuals capable of providing early capital for young businesses assuming the investment risk. The risk reflects the lack of substantial revenues and a yet-to-be formed consumer base with high levels of uncertainty. Most angel investors only provide capital, while accelerators may invest a modest sum of money combined with other non-tangible resources.

[415] B. L. Hallen, S L. Cohen, C. B. Bingham, 'Do Accelerators Work? If so, how?' *Organization Science* Vol. 31, No. 2, (2020).

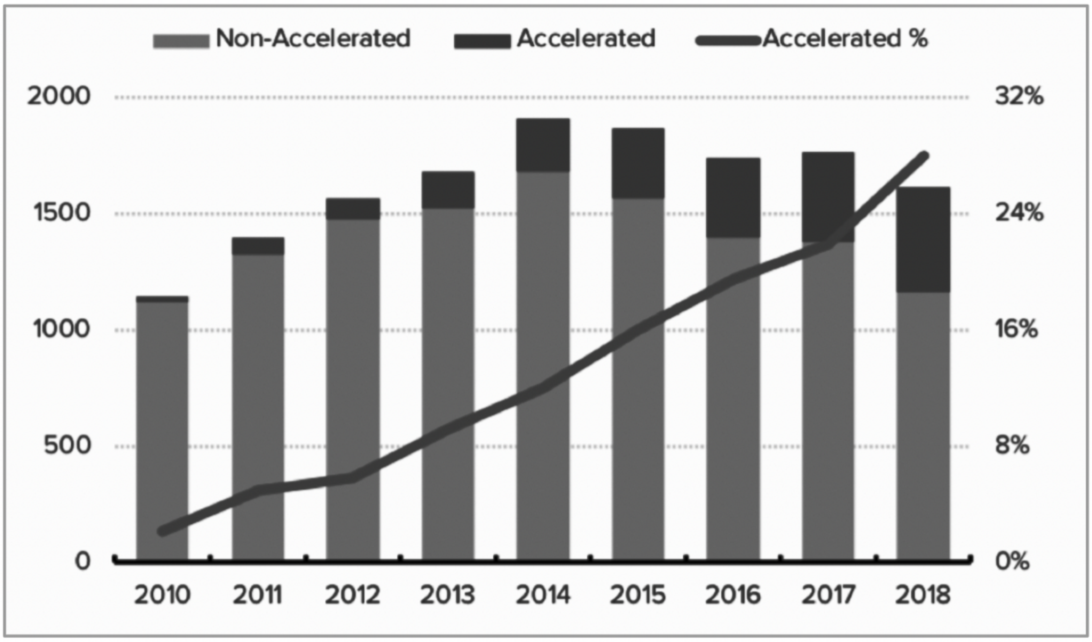
[416] I. Hathaway, 'Accelerated Companies at Series A' available at www.ianhathaway.org/blog/2019/4/9/accelerated-companies-at-series-a (last visited 1 April 2021).

Figure 12 - New and Existing US-based Accelerators and Incubators



Source: I. Hathaway, 'Accelerated Companies at Series A' (2019) analysis of PitchBook data.

Figure 13 - US Series A Financing Accelerated and Non-Accelerated Companies



Source: I. Hathaway, 'Accelerated Companies at Series A' (2019) analysis of PitchBook data.

As innovation-driven entrepreneurship begins to increase beyond the traditional technology hubs, a convergence of factors in information technology and capital markets has helped consolidate a growing startup ecosystem, including establishing accelerator programs and incubators for promising seed companies. Accelerators and incubators share similar goals regarding startup development operating as engines of innovation economy at large, but they are not synonymous. On the one hand, incubators act like newborn nurseries for budding businesses at their very seed-stage development. On the other hand, accelerators speed up their growth to launch a market-ready enterprise into the market. The nature of their core activities is the most substantial difference between both types of institutions. Still, other elements distinguish them, such as the program's duration, the cohort approach, their business model, the selection dynamic, the venture stage, the type of education, and the mentorship offered.[417]

Incubators assist early-seed companies with business basics 'based on territorial synergy, physical proximity, relational symbiosis, and economies of scale,' adopting a different rhythm and intensity than most accelerators.[418] They are commonly based out of universities and economic development organizations, fostering growing enterprises while furthering each entrepreneur's products or services. During a more extended period between three to five years, typically, incubators usually offer co-working space and shared office resources, where entrepreneurs access consistent in-person training, support from advisory boards, and networking opportunities. They bring a less competitive approach, the admissions are not selective, and usually do not provide financial investments through stake agreements.[419]

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417 S. G. Cohen, Y. V. Hochberg, 'Accelerating Startups: The Seed Accelerator Phenomenon' (2014) available at seedrankings.com/pdf/seed-accelerator-phenomenon.pdf (last visited 31 March 2021).

418 'Some incubators have been established to accelerate regional economic development.' See A. Bøllingtoft, J. P. Ulhøi, 'The networked business incubator—leveraging entrepreneurial agency?', *Elsevier Journal of Business Venturing* 20, 265(2005).

419 H. Zajicek, 'Accelerator vs. Incubator: Which Is Right for You?' *Entrepreneur* available at www.entrepreneur.com/article/294798 (last visited 26 March 2021).

Table 14 - Summary of the differences between incubators and accelerators

	Accelerator	Incubator
Duration	3 months	1-5 years
Cohort	Yes	No
Business Model	Investment; non-profit	Rent; non-profit
Selection Frequency	Competitive, cyclical	Noncompetitive
Venture Stage	Early	Early, or late
Venture Location	Usually, on-site	On-site
Mentorship	Intense, by self and others	Minimal, tactical
Education	Seminars	Ad hoc, human resources/legal, etc.

Source: S. G. Cohen, 'What Do Accelerators Do? Insights from Incubators and Angels' *Innovations: Technology, Governance, Globalization,* volume 8, number 3/4, 19-25 (2013).

This idea of deep-dive coached sessions in programs with a strong foundation for expanding a market-ready product started to reach the cooperative movement. Regardless of the profound differences between venture capital-backed startups and seed cooperatives, they share the same marketplace: a Colosseum of highly competitive players. The demand for guidance for new cooperatives within this complex and innovative market made few institutions focus on accelerating cooperative development, offering the much-needed technical, advisory, and financial assistance to jointly owned firms.

The incipiency of cooperative accelerators means that little systematic research exists on their effect on the participating cooperatives and the broader co-op startup community. Despite the shortage of comprehensive information on cooperative accelerators, this section explores two cases of accelerator-like institutions that support the business plan and the ownership model adopted by impact entrepreneurs, bringing insights into how accelerators can foster a striving cooperative environment. The data is based on public records and personal communications between the author and representatives from Start.coop in the United States of America, UnFound in the United Kingdom, and CoopUp in Italy.

As previously mentioned, most accelerators advertise a clear cut on which type of business or segment they intend to assist. Few of them embrace the potential of growth and positive impact behind cooperatives and focus on companies left out of the mainstream economy due to their shared ownership structure. Cooperatives and other employee-owned enterprises serve a more comprehensive stakeholder base and distribute the profits evenly, unlocking wealth distribution. Their competitive advantages caught the attention of a community of mentors and investors willing to provide tailored guidance for their further development in the market.

Based in Boston (US), Start.coop is a business accelerator structured as a Limited Cooperative Association (LCA) focused on shared ownership businesses with scalability potential. Initiatives like Start.coop are designed to provide knowledge, tools, and financing to create transformative, scalable, cooperatively owned companies, similar to the support offered by traditional startup accelerator programs to investor-owned enterprises. Start.coop designs a cooperative-centered program to educate entrepreneurs about the opportunities and advantages of jointly owned endeavors and fully explore their advantages to raise social and economic impact.

According to Greg Brodsky (personal communication, 2020), Co-Director of Start.coop, the program identifies and tackles three main obstacles for cooperatives to overcome. The first is a perception problem regarding what cooperatives genuinely are. Most people may be familiar with the term but not comprehend the model's full extent, constraining them to a particular niche such as agricultural cooperatives or worker cooperatives. Notwithstanding the cooperative's long history throughout multiple cultures and legal systems, they still seem opaque for most people. Second, there is an overall lack of technical assistance to help entrepreneurs build a more equitable business and offer a more straightforward path on how to grow it. There are substantial differences in governance, tax regime, and ownership structure between cooperatives and investor-owned firms. Entrepreneurs are often unfamiliar with public policies and other incentives available for cooperatives. The third challenge is access to capital, which the lack of financing translates into a limitation to scale. The cooperative sector traditionally did not have access to money in the same way as other businesses within the financial market (Brodsky, personal communication 2020).

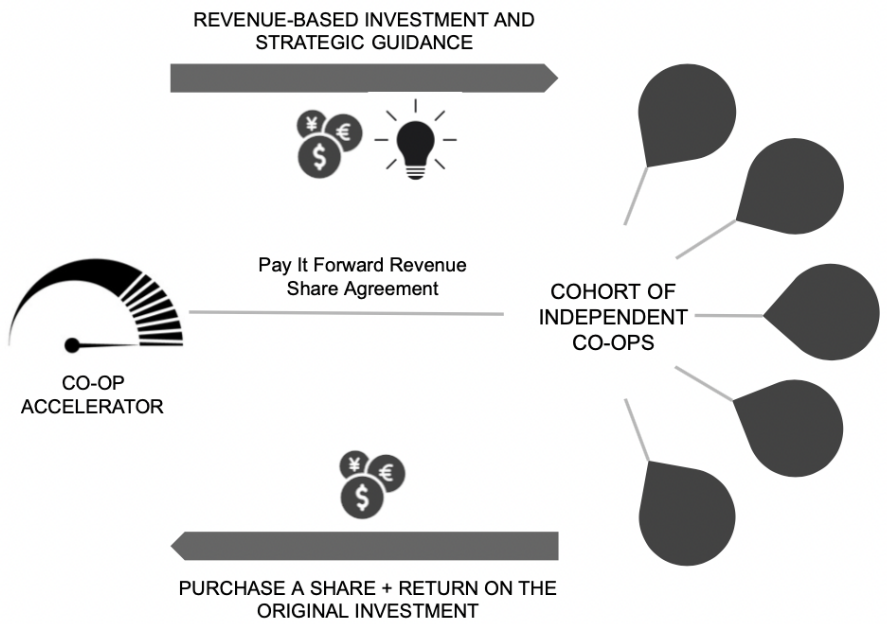
Start.coop was designed to answer the following questions: 'Can we create more cooperatives at scale by making the business development process easier for those cooperatives?' Brodsky underlined that many of the current cooperative development and financing resources in the American entrepreneurial ecosystem to support cooperatives are regionalized and based on a one-off approach (personal communication, 2020). Building a business plan and looking for financial support involves a lot of time and energy that usually gets trapped into one cooperative development and does not regenerate back to other co-ops. Usually, each co-op is very focused on the needs of its members. Even though cooperatives want to support each other and cooperate among themselves, any business in this intense and robust competition environment is primarily focused on surviving in the market. Hence, it can be challenging for them to invest time and money to build new co-ops, fully embracing the principle of cooperation among cooperatives.

Regarding capital provision, the accelerator places an initial seed investment in cash, and an additional non-tangible investment translated in time, mentorship, and other in-kind accelerator services, to assist the business development. Start.coop adopts a revenue-based investment model called 'Pay It Forward Revenue Share Agreement,' by which portfolio cooperatives are obligated to pay back up to 3x the original investment through a quarterly payment equivalent to a small percentage of gross revenue (Brodsky, personal communication, 2020). The agreement is designed for the cooperatives to purchase the Preferred Shares from Start.coop back over time through the same revenue share payments described above. This repurchase is known as a redemption at a price of 3x the original purchase price of those shares. Through this agreement, the goal is that successful graduates fund future cohorts as a way of honoring the principle of cooperation among cooperatives at a higher level (Brodsky, personal communication, 2020).

As a cooperative itself, Start.coop's stocks are also owned by its graduates. Upon acceptance into the accelerator program, cooperatives agree to purchase one share of Class B voting common stock in Start Coop LCA (Brodsky, personal communication, 2020). The graduates are entitled to an equal share of patronage dividends simply by graduating from the accelerator and staying on as a member, including attending membership meetings and participating as a mentor to help other participants. As a Class B shareholder, the co-ops graduates get to vote in board elections and have the option to run for the board. Start.coop has a minimum of at least one Class B member on the board. The cooperatives also get the right to participate in a proportional share of any surplus profits that Start.coop generates after paying back their investors, and the board authorizes distribution (Brodsky, personal communication, 2020).

Cooperative accelerators like Start.coop usually encompass a multidimensional contractual framework, including service provision and investment agreements. However, Bernthal highlights those accelerators also have extra-legal dimensions to align incentives and constrain opportunistic behavior, displaying a framework that blends formal and informal mechanisms, often exchanging economic value without formal agreements or direct compensation in unorthodox networks based on reputation.[420]

Figure 15 - Start.coop diagram



Source: authorial diagram.

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[420] J. B. Bernthal, 'Investment Accelerators' *Stanford Journal of Law Business and Finance*, 139-191 (2016).

Every year, Start.coop evaluates over 70 applicants from across North America. Just in the first year of operations, the accelerator received 82 applications and another 76 in the second year (Brodsky, personal communication, 2020). The cohort's choice is based on social impact, prospective growth in revenue, geographic extension, long-term financial viability, the founding team's industry experience, the shared vision for the venture, and the ability to execute it. The requirements are not based on a single business model but regard significant and quick scalability across different business segments. These parameters allow the accelerator to curate a candidate profile and establish specific selection criteria to evaluate annual applicants.[421]

The choice of not focusing on a single business model came from understanding that scalability is not business model dependent (Brodsky, personal communication, 2020). A small convenience store or a local coffee shop could be thought of as non-scalable, but the entrepreneurial world is full of counterexamples that challenge any business scalability typology, such 7/11 and Starbucks in the United States. Across multiple industries and business models, scaling up requires a vision of scale, a solid business plan, access to capital and reliable infrastructure to grow.

Within the process of bonding social impact with business scalability, creating broad prosperity through shared ownership, Start.coop also expressed their willingness to tackle the wealth equity gap by designing a hospitable program for 'companies that have an explicit intention to share equity with marginalized communities,' such as people of color, women, immigrants, LGBTQIA, gender non-conforming persons, and people with disabilities.[422] Socially disadvantaged groups experience stigmatization and do not fit the leadership stereotype nurtured by a white-male dominant market hierarchy.[423] The breadth of this social-economic stigmatization, subordination, and marginalization impact their ability to occupy managerial positions in business and access the tools available for financing their venture, as mentioned in the section about credit unions as a cooperative-based alternative to

421 Data retrieved from Start.coop official website, available at start.coop/candidate-profile/ (last visited 6 April 2021).

422 Ibid.

423 There is a desperate need for leaders to bring people together and leverage the power of diversity and inclusion by fostering inclusive leadership development, diversity management, team effectiveness, organizational development, and intergroup relations based on social justice in a time of increasing divisiveness in politics and society. See R. W. Livingston, A. S. Rosette, 'Stigmatization, Subordination, or Marginalization: The complexity of Social disadvantage across gender and race,' in *Inclusive Leadership: Transforming Diverse Lives, Workplaces, and Societies*, edited by Bernardo M. Ferdman, Jeanine Prime, Ronald E. Riggio (New York: Routledge, 2021).

commercial lenders. Values-driven and human-centered cooperative incubators and accelerators can add to the tools available to fight wealth inequality and establish new wealth parameters, inclusive to all social groups and communities. The ability of cooperatives and shared ownership in narrowing is a reflection of 'creating more seats at the table for everyone,' which is openly embraced by Start.coop.

In Italy, the so-called *incubatore delle imprese cooperativa* are also responsible for promoting the cooperative entrepreneurial culture and encouraging cooperative business growth. Within the Italian cooperative ecosystem's integration policy, Confcooperative, the most prominent representative body of the cooperative sector, has designed CoopUp to offer assistance to young innovative cooperatives and social enterprises as part of a national incubator network.[424] CoopUp is the Confcooperative incubator, where companies have access to coworking space, services, finance, mentorship, and connections to over 20,000 cooperatives their network of fellows, partners, and external consultants to support the birth and development of their entrepreneurial projects, ideas, and skills. CoopUp covers business activities in Bergamo, Bologna, Brescia, Catania, Cesena, Firenze, Genova, Modena, Piacenza, Ravenna, Reggio Emilia, Roma, Rovigo, Siena, Torino, and Udine across multiple sectors, including cultural, agricultural, fishing, housing, social enterprises, health care, credit unions, consumer, power generation, services, entertainment, sport, tourism, and education cooperatives. CoopUp focuses on attracting less traditional business sectors to the cooperative economy, mainly through less than a year-old seed business led by young entrepreneurs and women, to promote the cooperative presence on the territory through an innovative method in the cooperative world.

Next Generation Italia is the National Recovery and Resilience Plan (*Piano Nazionale di Ripresa e Resilienza -PNRR*),[425] launched in 2021 by the Italian Government within the Next Generation EU (NGEU),[426] a COVID-19 recovery package funded by the European Union, to invest in and accelerate the ecological and digital transition in the post-crisis European economy. Awarded with an extensive 2021-2027 budget[427] to resume sustainable and

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424 See www.coopup.net (last visited 31 May 2021).

425 *Governo Italiano Presidenza del Consiglio dei Ministri,* 'Piano Nazionale di Ripresa e Resilienza' (May 2021) available at www.governo.it/it/articolo/piano-nazionale-di-ripresa-e-resilienza/16782 (last visited 30 May 2021).

426 European Council, 'Infographic - Next Generation EU – COVID-19 recovery package' available at www.consilium.europa.eu/en/infographics/ngeu-covid-19-recovery-package/ (last visited 31 May 2021).

427 European Council, 'Infographic - EU budget 2021-2027 and recovery plan' available at www.consilium.europa.eu/en/infographics/recovery-plan-mff-2021-2027/; and 'Multiannual financial

enduring economic growth, Italy embraced the commitment to address structural problems, undertake major contextual reforms, modernize public administration, and strengthen its production system. Adhering to the Next Generation mission through a close dialogue with the Parliament and the European Commission, the Italian entrepreneurial ecosystem will further focus on six policy areas, including 'the green transition; digital transformation; smart, sustainable and inclusive growth and jobs; social and territorial cohesion; health and resilience; and policies for the next generation, including education[428] and skills.'

Amid the Next Generation Italia recovery plan, the plan explicitly addresses the further support for innovative green startups to enable and accelerate the ecological and digital transition at scale, materializing scientific research into innovative patents and businesses.[429] The plan also recognizes the advantage of startup incubators and accelerators startup to place the investments and support growth strategies among young ventures, spotlighting the contribution of these programs to business growth.

Another novel European-based cooperative startup accelerator program is hosted by the UnFound project for platform co-ops in the UK, delivered by Co-operatives UK[430] in partnership with Stir to Action,[431] funded by The Hive.[432] UnFound is the convergence of multiple initiatives aimed at the growth of the cooperative economy. In comparison to Start.coop, UnFound presents a broader scope beyond the accelerator program, placing itself

framework for 2021-2027' available at www.consilium.europa.eu/en/press/press-releases/2020/12/17/multiannual-financial-framework-for-2021-2027-adopted/ (last visited 31 May 2021).

428 'Out of €209 billion that Italy will receive from the European Union, €11.7 billion has been allocated for research, to be spent over five years.' See M. Paterlini*, 'What'* Next Generation Italia' means for research' *Nature Italy (*15 January 2021).

429 *Governo Italiano Presidenza del Consiglio dei Ministri,* 'Piano Nazionale di Ripresa e Resilienza' (May 2021) available at www.governo.it/it/articolo/piano-nazionale-di-ripresa-e-resilienza/16782 (last visited 30 May 2021).

430 Co-operatives UK is the UK's trade body for independent cooperatives for over 150 years. The organization is owned and controlled by its members, who are member-owned themselves, sharing the vision of growing the cooperative economy. See www.uk.coop (last visited 26 May 2021).

431 Stir to Action organizes multiple projects based on the new economy, supporting community economic development. In 2018 Stir to Action led a two-month accelerator for a cohort of platform cooperatives in Manchester and London. A year later, the project co-created the UnFound roadshow to raise awareness of the platform cooperative model across technology and innovation hubs. See www.stirtoaction.com/projects (last visited 26 May 2021).

432 A support program for startup and existing cooperatives funded by the Co-operative Bank provides resources to help them grow and support businesses to convert to employee or community ownership. According to the Co-op UK Annual Report 2020, the Co-operative Bank committed a further £400,000, on top of the £1.3m already invested, to extend the Hive development program supporting cooperatives impacted by Covid-19. See www.uk.coop/start-new-co-op/start/support/about-the-hive (last visited 26 May 2021).

within a global movement, mapping the worldwide platform cooperativism ecosystem, and organizing international networking events and campaigning activities.

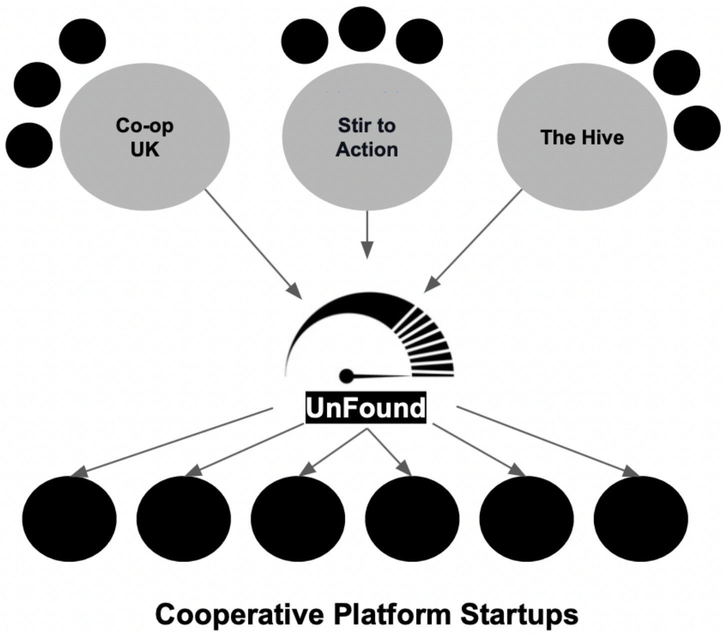
Regarding the Unfound accelerator, in particular, it derives from previous pilot programs tested in different ways to support prospective platform cooperatives in the digital market. Over the last few years, UnFound project has recognized the platform economy as a sector that calls upon significant focus and investment with great potential for shared ownership among users. The attention towards the platform economy came specially from the UK National Co-operative Development Strategy, launched in summer 2017, and, since then, multiple partners promoted pilot projects across technology and innovation hubs. Pilot events within the UnFound framework were designed with two primary goals: first, to raise awareness of the platform cooperative model, increase understanding of the opportunities within this movement, and, secondly, to gather the support and data available to consolidate the program.

The accelerator was launched in 2018 with the 'Platform Co-ops Now online course in collaboration with Mondragon University and the New School in New York,' and in 2020, UnFound participated as a local partner in two editions of the course. The international articulation among various actors consolidated the UnFound accelerator program, with two cohorts of cooperative ventures planned for 2021.

Unlike the US-based Start.coop, which carries a broader section criterion regarding business segment, UnFound is intended to a specific niche of business: platform business that primarily utilizes digital networks to deliver their service and offers democratic ownership and governance. Fundamentally, the UnFound Accelerator is a 10-week program designed to assist early-stage business willing to embrace the cooperative model to operate in the platform economy. During that time frame, a cohort of eight teams enjoy the guidance of Co-operatives UK and Stir to Action's experts, focusing on turning entrepreneurial ideas into a concrete business plan. Afterwards, the startups have the opportunity to pitch their innovative business proposal to access funding.

UnFound recognized that digital companies are monopolizing vital economic sectors and that labor platforms often encourage precarious employment practices. In addition to the demand for user and worker-owned digital platforms, these market pains encouraged UnFound to expand cooperatives presence in the digital economy. Scalability has gained new contours in the platform dynamic, considering that 'platforms are subject to network effects in ways that traditional businesses are not.'[433] The broad challenge for platform cooperatives is how to execute a business plan that can leverage positive network effects while facing increased tech monopolization and concentration of corporate power.

Figure 16 - UnFound diagram



The following section will further elaborate on the understanding of the platform economy and how this movement is deeply rooted in the scalability pursuit and new wealth parameters in the digital economy. In the meantime, it is enough to underline that these cooperative platforms are usually unappealing to traditional venture capitalists and tech investors due to their trueness to a long-term operational and financial commitment to build a democratic-based technology collaboratively. Hence, the establishment of cooperative focused incubators and accelerators and other sources of capital such as cooperative banks, credit union, and decentralized finance applications on the blockchain is vital for the sustainability of alternative business model in today's market. Instead of an eye on swift

433 D. McCann, E. Yazici, 'Disrupting together: The challenges (and opportunities) for platform co-operatives' *New Economics Foundation* (2018) available at neweconomics.org/2018/07/disrupting-together (last visited 27 May 2021).

monetary return, cooperative platforms focus on leading a 'virtuous cycle of positive network effects.'[434]

There is an explosion of mentoring-like programs all over Europe focused on social enterprises, including social cooperatives, primarily through small scale region-specific mentorship plans to build capabilities and provide funding support to the social enterprises' growth. Social businesses mentorship, incubators, accelerators, or alternative frames, often comprise responsible consumption and production, inequality reduction, quality-jobs opportunities in sectors related to affordable and clean energy, sustainable cities and communities.[435] Among these programs are the Vienna Impact Hub and Female Founders in Austria; the 'U zoni' accelerator for impact entrepreneurs in Croatia; the IdeaSTART in Czech Republic; the CooUp, the Culturability, and the "Insieme per il Lavoro" programme in Italy; the Mentor program in Social Economy Support Centers in Poland; the Target – social innovation incubator of Academy for social economics in Slovakia; the Social Impact Lab Berlin, the Scaling Programme, and the FellowShip For Good Programme in Germany, and many others.

The advancement of accelerator activities for tailored support to startup cooperatives exercise a double role in cooperative scalability: first, the access to seed funding in tech sectors and other high-risk sectors where cooperatives hardly permeate; secondly, the mentorship and instructions offered by these intensive programs to fuel innovative power-building strategies suits the fruition of ICA's principle five of education, training, and information, raising awareness of the cooperative model among entrepreneurs in the fast-growing gig economy. Cooperative startup incubators and accelerators, particularly build on the cooperative advantages and capabilities, can tap into the most pressing challenges this alternative model faces to grow successfully and achieve in the market, opening opportunities for achieving significant scale in capital-intensive industries.

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434 Ibid.

435 Slovak Centre of Scientific and Technical Information, 'Analysis of existing mentorship programmes and practices 01/2020: Entrepreneurs-to-Entrepreneurs,' *European Union Regional Development Fund,* Deliverable D. T1. 3. 3., 1-117 (2020).

V.II.d. DEBT FINANCING THROUGH COOPERATIVE BANKING

This chapter deals with the indispensable access to financial services for cooperative consolidation and growth through non-equity instruments. Classic entrepreneurial finance includes an informed capital structure decision in which the company either borrows money through debt issuance or the ownership capital provided by members in various forms.[436] Different capital structures are optimal at other points in the business cycle. Even though debt financing is not an innovative scaling strategy *per se*, capital formation through traditional lenders can be a challenge to most cooperatives.

Traditional banks, by their nature, want to lower risks and build up their financial returns. As a fundamental component of the financial system, banks are intermediaries that assign funds from savers to borrowers. By managing this capital flow and easing debt provision, they can augment credit accessibility in the market. Essentially, debt is a loan where a borrower contracts for a regularly scheduled repayment of principal plus interest - an additional expected amount - to a lender in return.[437] For businesses, the motivation behind loan demand covers not only a potential poor financial performance but also entails new investment needs.[438] This provision is often used to endow initial means for starting a business activity, which must provide proof of revenue streams or substantial tangible assets to back the loan. In this case, borrowers ought to establish a reputation with lenders, showing a sharp credit score. Ordinarily, the bank loan criteria seek warranties and financial information. The lender expects a return through loan repayment without playing a governance role in the business.

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436 "Cooperatives use two types of debt capital to finance operations. Short-term loans are obtained to finance day–to–day operating expenses. The lend- er expects that funds borrowed on a short– term loan will be repaid in less than a year. These funds supplement the cooperative's own working capital and may be used to pay for raw products delivered by members in a marketing cooperative, or to purchase goods for resale in a supply cooperative. These loans are usually repaid from sales proceeds. Long-term debt is obtained to finance the purchase of fixed assets such as property, plant, and equipment. Long–term loans are scheduled for repayment in annual installments over the useful life of the asset being acquired. Long-term loans are repaid from net income." See USDA, 'Understanding Cooperatives: Financing Cooperatives', Cooperative Information Report 45, Section 7, 1-4 (1994).

437 Z. Swanson, B. Srinidhi, and A. Seetharaman, *The capital structure paradigm: evolution of debt/equity choices* (Westport: Praeger, 2003).

438 I. Catturani, C. Borzaga, 'Facts and Stereotypes about Cooperative Banks: To Whom Do CBs Actually Lend?' *JEOD - Journal of Entrepreneurial and Organizational Diversity,* Volume 3, Issue 2, 7-31(2014).

From the borrower's perspective, a fundamental advantage of debt financing is retaining control over the business, in addition to the potential tax deduction taken for the interest that accrues on debt. Retaining the control afforded no less than five advantages for the members, including safeguarding inherent ownership benefits; interests' alignment with the management body; reduction of the risks taken; the freedom of undertaking ethical goals; and keeping the shareholder sense of control over the business's future.[439]

As a notable evolution in entrepreneurial finance for early-stage startups, new financing tools position investors into a non-shareholder capacity outside the mainstream typology of pure debt or equity as capital structure. These novel financial instruments become part of a new financial typology based on economic, control, time, and regulatory dimensions.[440] Nowadays, relying on commercial banks for boosting a business activity is far from being the only option available, especially for businesses that have not already been able to build a strong market reputation to secure the traditional lenders. Nevertheless, the accessibility of specific financial resources is at the core of developing alternative banking models backed by the membership and democratic governance concepts, capable of addressing the cooperative sector's demands.

New endeavors shall get capital from somewhere to establish their ventures. Cooperatives may encounter obstacles in collecting capital akin to other firms; the difference is that their unfamiliar nature can mislead the outside perception as financially unappealing. Neither government entirely apprehend the sturdy cooperatives' prospects.[441] The cooperative structure by itself is not the reason why this perception is built. This fragile notion relies on a myriad of premises, among other things, how cooperatives perform their operations, the sector they belong to, their extent, and the peculiarities of their geographical region.[442]

In a worker-owned company, members are the primary source of capital by acquiring shares in the business. The caveat is that potential new workers may struggle to invest enough money to be made co-owner, either because of previous unemployment or personal bills

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439 J. Birchall, 'The potential of co-operatives during the current recession; theorizing comparative advantage', published by *JEOD - Journal of Entrepreneurial and Organizational Diversity*, volume 2, Issue 1,1-22 (2013).

440 J. Brad Bernthal, 'The Evolution of Entrepreneurial Finance: A New Typology', *Brigham Young University Law Review*, 773-858 (2018).

441 S. Turri, I. Gotz, C. Carini, G. Salvatori eds., 'World Co-operative Monitor Report: Exploring the Co-operative Economy' Euricse 1-91 (2017).

442 Ibid.

overdue.[443] Not every laborer is in the position of providing capital regardless of their desire. Although employee ownership is located in a diverse range of business sizes across multiple sectors, with accomplished financial results, the lack of awareness and understanding is a critical drawback regarding financial accessibility when it comes to commercial lending. Also, since early-stage cooperatives often lack sufficient revenues to fund operations, they may pursue outside financing.

Since profit is not the primary aim, cooperatives' vast ownership structure and the principle-based foundation can spark tension amongst capital requirements for expansion—the uniqueness of cooperative economic dynamics challenges their ability to get loans from traditional lenders.[444] Commercial banks generally neglect cooperatives' budgetary needs based on a misjudgment of that particular type of corporate governance and ownership model, disregarding their financial discipline value. This defective risk assessment leads to the financial exclusion of collective projects not targeted by the mainstream monetary segment. Cooperative banking assumed a critical role as an alternative outside source of funds for other cooperatives by arising out of this market pain.

Cooperatives' financial marginalization is shared with other social spheres, including populations of Black and Native people, women, LGBTQIA+, people with disabilities, and immigrants, who face countless limitations in assessing the financial market. A narrow group of founders can navigate through the system. Still, discrimination, financial illiteracy, and low income create obstacles to others.[445] Cooperatives underline a highly asymmetrical system's fractures while also providing a distinct financial paradigm to unlock economic leverage.[446] The network effects of this alternative model can build wealth and empower communities historically excluded.

443 H. E. Covington, *Lending power: how the Self-Help Credit Union turned small-time loans into big-time change* (Durham: Duke University Press, 2017).
444 Sustainable Economy Law Center, 'Financing a Cooperative: Resources for Worker Cooperatives', available at www.co-oplaw.org/knowledge-base/financing/#2_Understanding_The_Bank8217s_Perspective (last visited 7 March 2021).
445 T. Beck, A. De La Torre, 'The basic analytics of access to financial services', *The World Bank*, Policy Research Working Paper Series 4026, The World Bank, (2006).
446 Cooperatives play an important practical role in crisis response, providing access to jobs and income generation. Collective action through cooperatives enhances solidarity and mutual support, advancing agency and resilience among forcibly displaced persons due to persecution, conflict, violence, or human rights violations. See International Labour Organization, 'Mapping responses by cooperatives and social and solidarity economy organizations to forced displacement' (2020) available at www.ilo.org/wcmsp5/groups/public/---dgreports/---ddg_p/documents/publication/wcms_742930.pdf (last visited 8 March 2021).

Devising mutual-benefit coordination mechanisms to fulfill social and economic needs includes wider access to financial support. Cooperative banks and credit unions are prominent drivers of socio-economic development once they focus on their members' interests and the territories where they operate. As social-oriented financial players, they are responsible for fostering financial inclusion by tackling the complex interconnected set of factors that prevent certain societal groups from accessing a range of necessary financial services in an appropriate form, such as credit, insurance, bill-payment services, and deposit account facilities.[447] Amongst the benefits they enable are promoting small-scale loans and savings in conjunction with amplifying financial education to low-income groups. Cooperative banks also contribute to the vigor of small and medium-sized businesses willing to develop the local economy by offering credit to those considered unappealing to joint-stock financial institutions.[448] Empirical evidence collected in Italy points out the power of cooperative banks in mitigating regional inequality, supporting new businesses, backing female labor, and promoting higher education standards, positively affecting local economies throughout the country.[449]

Based on transparency and accountability, cooperative banks are a particular class of cooperatives closer to the definition of a standard bank than other cooperatives.[450] However, the fundamental difference between their governance frameworks is that cooperative banks incorporate a fundamental democratic value designed to reduce opportunistic behavior. Along with democratic governance, the unique shared ownership structure draws a line between private and cooperative banks, entailing numerous consequences in their business orientation and principles.

Private banks have an investor-ownership structure, whereas cooperative banks belong to their customer-members. In joint-stock banks, the decision-making power is

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447 L. Nieri, 'Access to Credit: the Difficulties of Households'; and P. Molyneux, 'What Are the Specific Economic Gains from Improved Financial Inclusion?A Tentative Methodology for Estimating These Gains', in L. Anderloni, M. D. Braga, and E. M. Carluccio (eds), *New Frontiers in Banking Services Emerging Needs and Tailored Products for Untapped Markets* (Berlin: Springer, 2007).

448 Y. Lemzeri, 'Did the Extent of Hybridization Better Enable Cooperative Banking Groups to Face the Financial Crisis?' *JEOD - Journal of Entrepreneurial and Organizational Diversity*, Vol.3, Issue 1, 57-85 (2014).

449 P. Murro, V. Peruzzi, 'Cooperative banks and income inequality: Evidence from Italian provinces' available at www.eacb.coop/en/virtual-library/studies/cooperative-banks-and-income-inequality-evidence-from-italian-provinces-murro-peruzzi.html (last visited 20 March 2021).

450 M. Stefancic, S. Goglio, I. Catturani, 'Democratic Governance Mechanisms in Cooperative Banks: A Reassessment', *JEOD - Journal of Entrepreneurial and Organizational Diversity*, *Euricse Working Papers,* 99 | 17, 1-21 (2017).

proportional to each shareholder's investment, whose interests are protected by a centralized board of directors operating top-down regarding the business policies. On the other hand, by nature, cooperative banking control is exercised by customer-members through a relationship based on loyalty and trust. To achieve democracy, cooperative banks shall implement mechanisms that incentivize active membership voicing their dissatisfaction and concerns towards institutional policies and strategies.[451]

Table 17 – Credit Unions versus Commercial Banks

Credit Unions	***Commercial Banks***
Not-for-profit	For-profit
Member-owned	Shareholder-owned
Member-driven	Shareholder-driven
Volunteer Board of Directors	Paid Board of Directors
Affiliation required	Anyone can join
Higher saving rates and lower loan rates	Lower saving rates and higher loan rates

Source: Adapted from USAlliance Federal Credit Union

Within different credit intermediaries' plurality, cooperative banking and credit unions became stronger as alternative financial services providers. Financial cooperatives can deliver financial assistance at reasonable rates, propping values-driven businesses. Seeking mutualism and presenting a limited profit-seeking nature,[452] they were rapidly absorbed by a changing economic and technological environment. Cooperative banking is based on mutuality, locality, ethics, solidarity, social cohesion, and the promotion of financial interest and value creation of their members-customers-employees.

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451 I. Catturani, C. Borzaga, 'Facts and Stereotypes about Cooperative Banks: To Whom Do CBs Actually Lend?' *JEOD - Journal of Entrepreneurial and Organizational Diversity,* Volume 3, Issue 2, 7-31(2014).

452 M. Migliorelli, *New Cooperative Banking in Europe Strategies for Adapting the Business Model Post Crisis* (Cham: Palgrave Macmillan, 2018).

Cooperative baking does not entail a single banking model. Membership design and inner business culture, including its form, appearance, organization, and operation, create diversification in the banking structure depending on country-specific historical and cultural factors. Regardless of specific attempts to build comprehensive regulations to foster inter-cooperation in the European Union, the bloc still faces integration challenges. Different legislation, consumer protection rules, tax treatment, and various types of democratic processes impose obstacles to integrate a cross-border banking system concept.[453] Even though cooperative banking *lato sensu* can assume diverse attributes, there is still a connection between the standard features and shared advantages of this alternative financial model throughout multiple legal systems.

A century ago, the first European cooperative banks were locally developed, mostly in rural areas deprived of financial services to assist farmers, communities, and small businesses. Their transition to urban areas happened during the First Industrial Revolution, backed by wealthy individuals and enterprises. Generally, the emerging credit cooperatives' idea focused on expanding financial services to impoverished communities, overcoming the associated problems of asymmetric information in favor of borrowers by including them in the decision-making process. Germany initially developed the modern concept of a cooperative banking system during the nineteenth century.[454] It gradually spread in most European systems, including the first Romanian people's bank founded in Ardeal in 1851;[455]

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453 A. Fici, 'Pan-European cooperative law: Where do we stand?', *Journal of Entrepreneurial and Organizational Diversity*, 1-12 (2013).

454 'The German cooperative banks, namely the Raiffeisenbanken and Volksbanken and their central institutions, linked together in the so-called Finanzverbund, define the "third pillar" of the German banking system beside the large commercial banks. They are independent, private banks established locally in the form of registered associations with legal personality.' See M. Biasin, 'The German Cooperative Banking System: Volksbanken and Raiffeisenbanken', in V. Boscia, A. Carretta, P. Schwizer (eds), Cooperative Banking in Europe: Case Studies (Hampshire: Palgrave Macmillan, 2010) 129-147.

455 In Romania, 'the first credit cooperatives came into being in the second half of the nineteenth century. They were based on the German systems of Raiffeisen and Schulze-Delizch. During 1870-80, credit and economic firms (societati de credit si economie) appeared and spread in almost all of the country's main cities and towns.' See C. Bussol, 'Credit Cooperatives in Romania,' in V. Boscia, A. Carretta, P. Schwizer (eds), *Cooperative Banking in Europe: Case Studies* (Hampshire: Palgrave Macmillan, 2010) 203-222.

the *banche popolari* in Italy in 1864;[456] the Rabobank Network in 1898 in the Netherlands;[457] the Finnish Okobank in 1902.[458]

Cooperative banks have emerged from market pains and local demands. Despite their many standard features and shared principles, they are not fruiting from a uniform movement. They are representatives of a plural European banking system. The ongoing political, social, and economic integration attempt within the European community has boosted the cooperative value without homogenizing the movement itself. Multiple networks, clusters, and relevant cooperative cases emerged in Europe, either made up of a broad membership base with a large business scope and a vast operational area or formed by small, locally based cooperatives, or even a blend of the last two.[459]

Cooperative banks and credit unions are well-integrated into local production networks, harmonizing economic and social goals. Cooperative banks and credit unions are well-integrated into local production networks, coordinating financial and social goals.[460] The regional dimension of cooperative banking is an outstanding characteristic in contrast to large commercial banks. Local cooperative banks have supported strong links to their members and communities, operate locally, referring to local stakeholders, and addressing local economic demands. Occasionally, former cooperative banks scale and may lose this

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456 In Italy, 'the Popular Banks (banche popolari) were created in the second half of the 19th century - with the foundation of the first Banca Popolare in Lodi in 1864 - on the model of the German Volksbank, introduced in Italy by Luigi Luzzatti'. See Associazione Nazionale fra le Banche Popolari, 'Storia del Credito Popolari: Il valore di un sistema dalle radici profonde,' available at www.assopopolari.it/banche-popolari/storia-del-credito-popolare/(last visited 10 March 2021).

457 'Within the Dutch banking system, a leading role is played by the cooperative credit system with its definite propensity for the food & agricultural sector. Organized in a single national network, nowadays Rabobank comprises 248 independent local cooperative banks. The origins of the Rabobank Network date back to 1898 when 46 local credit cooperatives saw the establishment of two separate banks, which were to engage for the most part in cooperative credit to the agricultural sector.' See M. Cotugno, 'Cooperative Banking in the Netherlands: Rabobank Network,' in V. Boscia, A. Carretta, P. Schwizer (eds), *Cooperative Banking in Europe: Case Studies* (Hampshire: Palgrave Macmillan, 2010) 111.

458 'The cooperative movement developed in rural areas at the end of the nineteenth century to ease access to credit by the poorest segments of the population. The founding of a national confederation in 1899 (Pellervo-Suera) gave way to the evolution of the Finnish cooperative system: two years later, the confederation contributed to the approval of the first law on cooperatives, which was substantially amended in 1954 and subsequently modified in 1981 and 2001.' See R. Di Salvo, J. S. Lopez and I. Schraffl, 'The Credit Cooperative System in Finland,' in V. Boscia, A. Carretta, P. Schwizer (eds), *Cooperative Banking in Europe: Case Studies* (Hampshire: Palgrave Macmillan, 2010) 163.

459 V. Boscia, A. Carretta, P. Schwizer, *Cooperative Banking in Europe: Case Studies* (Hampshire: Palgrave Macmillan, 2010) 244.

460 M. Stefancic, 'Cooperative Credit Network: Advantages and Challenges in Italian Cooperative Credit Banks, Euricse Working Papers, N.016|11, 1-20 (2010).

local facet, converting into joint-stock banks, as witnessed by the Italian banking system.[461] On the other hand, their networked territorial establishment translates into proximity with their customer-members, resulting in a substantial advantage in reducing information asymmetry.[462]

Cooperative banking groups benefit from a governance model that plays a stabilizing role in periods of crisis, pursuing low-risk goals, and developing long-term valorization, protected against hostile takeovers.[463] They are not absolved from crisis, but their limited profit-seeking nature lowers their reliance on financial markets and notably reduces economic turmoil exposure. Generally, they are particularly designed to mitigate risks connected to high capitalization, focusing on retail banking instead.[464]

Due to their ownership structure, the lending relationship between the members and the institution deserves notice. The medium or long-term operations translate into repeated lender-borrower interactions consolidating a mutual-trust-based behavior. When these relationships are established, cooperative banks offer more flexibility in terms of collateral requirements. Consequently, creditworthiness is measured by intangible assets and soft information such as 'proximity, mutual trust, and borrowers' credit reputation.'[465]

Given the strain posed against small businesses and cooperatives to access capital due to their lack of substantial tangible assets, the issuance of loans based on more abstract requirements is fundamental for their growth. Cooperative banks, implementing a decentralized organizational scheme, display high-quality soft knowledge.[466] This competitive advantage based on subjective information gathered throughout long-term lending relationships allows them to reach untapped mission-driven businesses and social enterprises.

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461 P. Murro, V. Peruzzi, 'Cooperative banks and income inequality: Evidence from Italian provinces' available at www.eacb.coop/en/virtual-library/studies/cooperative-banks-and-income-inequality-evidence-from-italian-provinces-murro-peruzzi.html (last visited 20 March 2021).

462 Y. Lemzeri, 'Did the Extent of Hybridization Better Enable Cooperative Banking Groups to Face the Financial Crisis?' *JEOD - Journal of Entrepreneurial and Organizational Diversity*, Vol.3, Issue 1, 57-85 (2014).

463 Ibid.

464 H. Groeneveld, 'Features, Facts and Figures of European Cooperative Banking Groups Over Recent Business Cycles', *JEOD - Journal of Entrepreneurial and Organizational Diversity*, JEOD - Vol.3, Issue 1, 11-34 (2014).

465 S. Cornée, 'Soft Information and Default Prediction in Cooperative and Social Banks', *JEOD - Journal of Entrepreneurial and Organizational Diversity*, Vol.3, Issue 1, (2014) 97.

466 Ibid.

As the protagonists of a more stable, trustworthy, and equitable economic order, cooperative banks generally performed better during the 2007-2008 crisis.[467] Their performance reflected their risk assessment, leading them to devote their lending power to the real economy. Not only were they less affected by the global financial downturn, but they also collaborated to a speedy recovery in Europe. Their multifaceted presence in the financial market has represented diversification and, consequently, higher stability, corroborating a prosperous and sustainable growth path.[468]

The 2018 report on Europe's cooperative banking models organized by the European Economic and Social Committee shows that since the 2008 economic crisis, the banking sector, in general, has had to reduce the number of branches and employees. However, the impact on cooperative banks was substantially lower compared to the for-profit ones. From 2011 to 2014,[469] the reduction in the number of branches was 10%, and the number of employees was 10.3% in the sector as a whole. Not-for-profit cooperative financial institutions' performance counted only 4.6% of workers cut, and 3.3% of the branches declined, still maintaining a wide branch network close to their membership base and local communities.[470] Besides, during the same period, cooperative banks proved more efficient in comparison to other financial institutions.[471]

Since 1970, the European Association of Co-operative Banks (EACB) is the representative body of 2.700 cooperative banks which serves 214 million customers, such as consumers, SMEs, and communities. In 2020, EACB promoted a study in partnership with Tilburg University, developed by Hans Groeneveld revealing that cooperative banks

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467 However, 'recent financial crises affected credit cooperative systems on different levels and to different extents, depending on the country and the system. Measures regarding supervision and solvency have been put in place, creating important changes in the function of the credit cooperative institutions, in some cases even ending the function of credit cooperative banks.' See S. Karafolas, *Credit Cooperative Institutions in European Countries* (Cham: Springer International Publishing, 2016) 6.

468 'Since growth in Europe relies on the solidity of its banking system and not on financial markets (like in the United States, for example), it is crucial to maintain a diversified and efficient banking system' See C. Borzaga, 'Appeal on the importance of cooperative banks for Europe's economic recovery and growth' available at www.euricse.eu/publications/appeal-on-the-importance-of-cooperative-banks-for-europes-economic-recovery-and-growth/(last visited 13 March 2021).

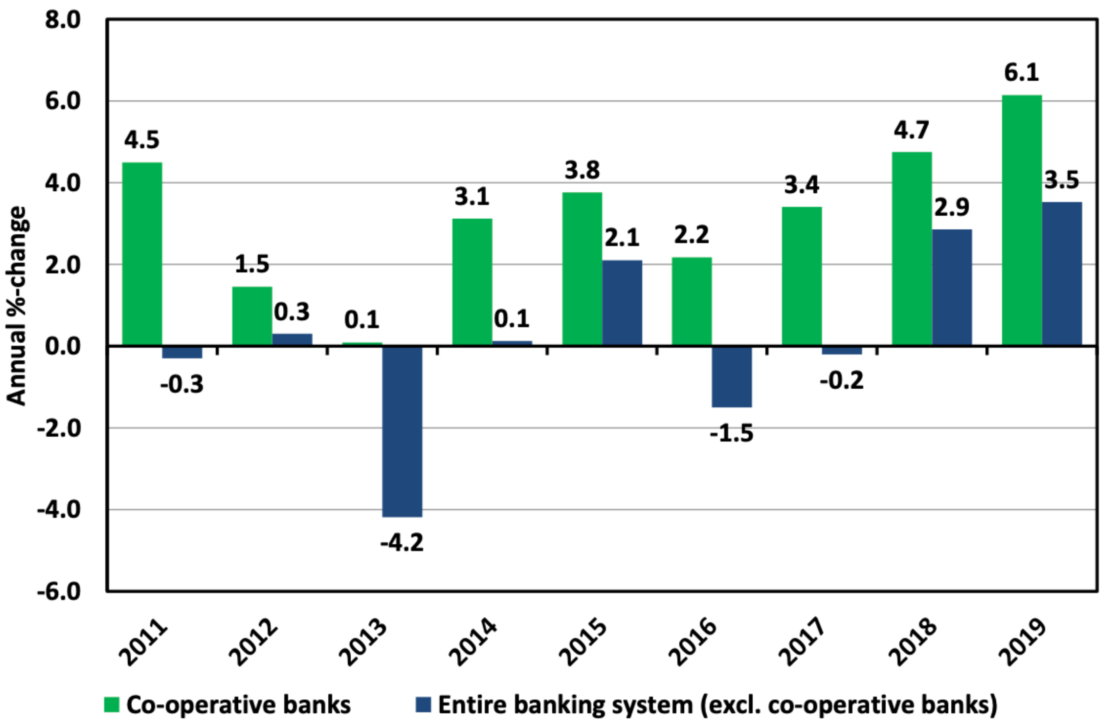
469 H. Groeneveld, 'Research Letter - European Co-operative Banks, October 2020' available at www.eacb.coop/en/virtual-library/studies/european-co-operative-banks-in-2019-a-concise-assessment-tilburg-university.html (last visited 18 March 2021).

470 European Economic and Social Committee, *Europe's cooperative banking models (revised report)*, E. Castelló, C. Trias, A. Arribas (eds), 1-57 (2018).

471 Ibid.

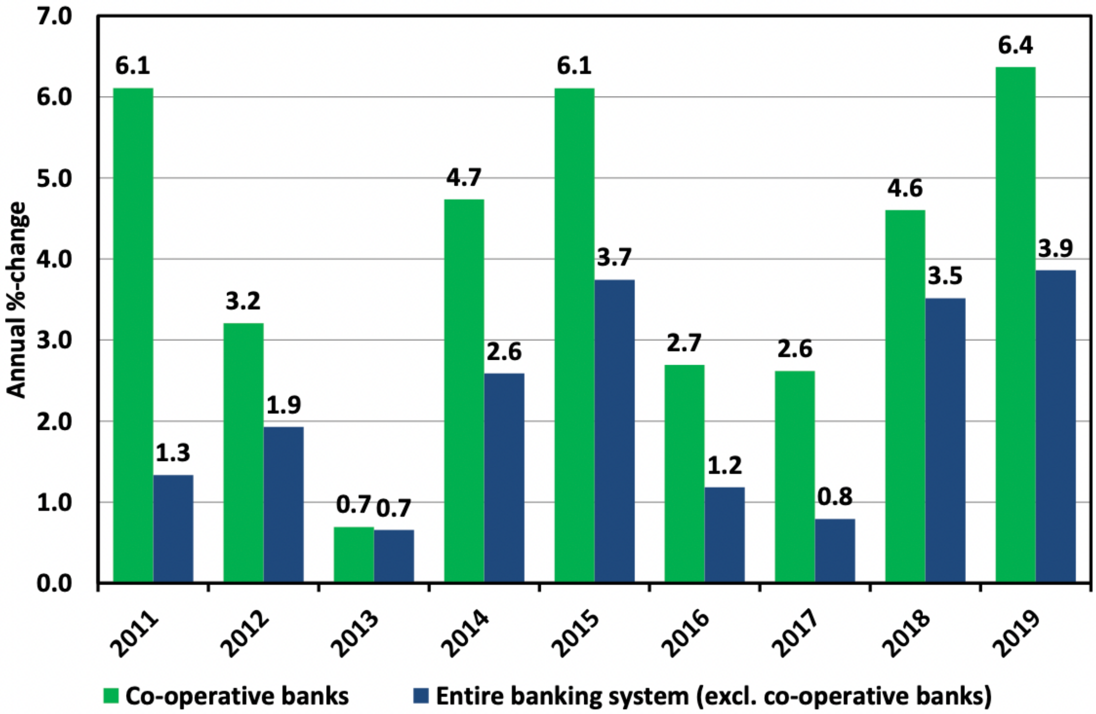
registered their record loan expansion and deposit growth in 2019, the highest growth since 2007, exceeding all other banks on this matter.

Figure 18 - Loan Development



Source: H. Groeneveld, 'Research Letter - European Co-operative Banks, October 2020.'

Figure 19 - Deposit Development



Source: H. Groeneveld, 'Research Letter - European Co-operative Banks, October 2020.'

Acknowledging banks as social organizations unlocks the human component within financial operations since it is embedded in the risk assessment. Knowledge Risk management is a valuable resource in banking operations that comprises intangible personal assets combined with external data through a process deeply rooted in human actions.[472] Hence, there is room for a greater shift from an economistic to a humanistic pattern, even in the financial realm. Amongst financial institutions, cooperative banks better embrace this paradigm change. However, a cooperative built upon the sole purpose of providing economic benefits to members still does not reach the level of impact that values-driven

[472] 'The main purpose of skilful knowing is to ensure the availability of the knowledge necessary for the organization to create value, reducing uncertainty, and managing risk. When knowledge is unavailable, it creates risk, as the organization is unable to perform these activities or not perform them at optimal levels.' See M. La Torre, *Risk in Banking: Developing a Knowledge Risk Management Framework for Cooperative Credit Banks* (Cham: Palgrave Macmillan, 2020).

cooperatives potentially create.[473] Credit cooperatives can enable transformative change by redefining wealth, recognizing its own role as a broader economic deviser.

By detaching themselves from a primary profit-maximization target, they can strengthen the relationship between supply and demand for capital, overcome the gap between investors and recipients, and encourage other cooperatives outside the financial industry to grow. Adopting the cooperative structure, cooperative banks and credit unions are a keen translation of the principle of cooperation among cooperatives, usually operating through networks and industrial clusters. This inter-connection allows them to share information and even sustain each other financially during a crisis. Besides, they lower transaction costs, lessen the level of uncertainty and rationalize risks. Along with a proper regulatory framework, the network strategy bestows their aspiration for economies of scale and scope.[474]

There is a link between risk-taking and the moral narrative behind cooperatives' organizational ambition. When particular tenets drive a financial institution, the firm culture inhibits hasty behaviors based on the expectation of significant returns. Values pivot the focus from money to social commitment, protecting the membership interest beyond their individual wealth. This shift directly contributes to a resilient and sturdy community-based economy, better navigating through harsh economic upheaval.[475] Evaluating the cooperative performance during the 2007-2008 turmoil, evidence suggests that financial institutions that adopt member-ownership within their organizational structure better responded to the crisis. Stakeholder-value-oriented banks held better ratings than commercial banks that adopt a profit-maximizing structure.[476]

> In terms of vision and mission, these banks are conservative, confined to limited products and business. They are close to their members and are important providers of financial services in the villages. Their importance has increased after the Global Financial Crisis because they did not fail or

[473] K. Miner, S. Novkovic, 'Diversity in governance: A cooperative model for deeper, more meaningful impact' avaialble at ncbaclusa.coop/journal/2020/fall-2020/diversity-in-governance/ (last visited 16 March 2021).
[474] See note 26.
[475] A. Minto, 'The Spirit of the Law over its Letter: The Role of Culture and Social Norms in Shielding Cooperative Banks from Systemic Shocks', *Euricse Working Papers*, 83|15, 1-21 (2015).
[476] G. Ferri, P. Kalmi, E. Kerola, 'Organizational Structure and Exposure to Crisis among European Banks: Evidence from Rating Changes', *JEOD - Journal of Entrepreneurial and Organizational Diversity*, JEOD -Vol.3, Issue 1, 35-55 (2014).

> suffer as much as the commercial banks though they deal with the more vulnerable section of the population and have high co variance risk. It has been well documented that they were not severely impacted by the GFC because, majority of them did not indulge in originating models of banking. As such, most of the cooperative banks withstood the financial crises7 more efficiently than other banks. In this regard RABO bank has observed that —All large co-operative banks suffered substantial losses on more risky investments. But by comparison with private banks they appear to have been dealt only a glancing blow by the immediate effects of the crisis. These co-operative banks escaped relatively unscathed from the crisis thanks to their unique characteristics, not least in terms of their corporate governance.[477]

The realization that cooperative banking is a pivotal tool during and after major economic cataclysms is not necessarily new. In 1933, after the Great Depression, employees from the US Navy Department created Navy Federal Credit Union[478] to assist the military body with affordable and secure financial services. Navy Federal became one of the world's largest member-owned credit unions, holding $136.5 Billion in assets in 2021. The not-for-profit nature allows it to return surplus as dividends for its members, lower loan interest, and reduce other fees. It serves over 10 million member-owners, including not only naval employees but active-duty officers and veterans from multiple branches of the military - Department of Defense, Army, Marine Corps, Air Force, Coast Guard, Space Force -, including their family members.[479]

The member-centered approach combined with the locality feature is key elements of what cooperatives banks are based on historically. These roots highly contributed to their resilience over consecutive crises. Credit cooperatives' building blocks were found in past moments of distress where collective power could overcome shared individual struggles. Today's novelty is the growing realization that credit co-ops can serve specific groups according to their needs, creating financial advantages and synchronously enabling bulkier impacts in the economy and society at large, beyond local needs. Value-based leadership and management are in a burgeoning moment. The cooperative culture emerges as a critical

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477 International Cooperative Banking Association, 'Regulation and sustainability of cooperative banks: a cross country study' available at www.icba.coop/master/document/images/image1869.pdf (last visited 18 March 2021).

478 Disclosure: the author is a member of the Navy Federal Credit Union.

479 Navy Federal Credit Union, '2021 Fact Sheet' available at www.navyfederal.org/content/dam/nfculibs/pdfs/membership/fact-sheet.pdf (last visited 14 March 2021)

stabilizing factor by offering an array of advantages in developing local economies and a more comprehensive banking system.[480] The question that remains is how to foster further transformations and increase their impact without losing the very basic features that allowed them to create a positive performance in the first place.

Cooperative banks do not represent a singular permanent format. The institutional design and size are constantly evolving to address market demands. Likewise, the way these banks collaborate also corresponds to more fluid interactions, assuming different layouts.[481] A single credit cooperative's scaling process may also include cooperation agreements with other institutions to leverage the resources available and their competitive advantages. The partnership can specifically address one or multiple specific needs - insurance, IT services, payment services, etc. - without merging their structures. Alternatively, the collaboration may represent a tighter bond, with one cooperative serving as an umbrella to other smaller institutions, creating mutual benefits for each other. Another possible route is creating a network of federated cooperative banks with a central hub responsible for this multifaceted and more complex interaction of common services and risk management.

One route found within cooperative banking was the establishment of Cooperative Banking Groups, especially in the European financial ecosystem. The steps taken towards merges of regional credit cooperatives and integration with larger groups represented robust organizational changes. On the one hand, they outlined the need for innovation and management of more complex knowledge. On the other hand, they portrayed potential risks of emptying their elemental nature.

The fear of annihilation of cooperative banks' core features arose for multiple reasons. Perhaps the most notable source of concern came from the case of Italian *Banche Popolari*. In 2015, cooperative banks of this type with more than 8 billion euros of assets had to convert into limited companies, losing their original cooperative nature.[482] With fewer

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480 J. Birchall, 'The potential of co-operatives during the current recession; theorizing comparative advantage', published by *JEOD - Journal of Entrepreneurial and Organizational Diversity*, volume 2, Issue 1,1-22 (2013).

481 G. Ferri, P. Kalmi, E. Kerola, 'Organizational Structure and Exposure to Crisis among European Banks: Evidence from Rating Changes', *JEOD - Journal of Entrepreneurial and Organizational Diversity*, JEOD -Vol.3, Issue 1, 35-55 (2014).

482 *Decreto-legge n. 3/2015, convertito con legge n. 33/2015.*

assets than the legal requirement for conversion, the remaining *Banche Popolari* kept their local operations in their competence areas under the legal growth constraint. This major change raised red flags for the cooperative movement but was not enough to fade away Italy's cooperative banking sector. The second type of cooperative bank in the country is the *Banche di credito cooperativo* (Credit Cooperative Banks or Mutual Banks), which embrace mutualism, localism, democracy, and the non-profit aim, under the rules established by the Civil Code and The Banking Law of 1993 (D.Lgs. 385/1993, *Testo Unico delle Leggi in materia bancaria e creditizia*). For this second type, instead of a threat, banking groups' network dimension may help confront the challenges of efficiency and the organizational improvements to achieve scale.[483]

In 2020, the Governor of the Bank of Italy, Ignazio Visco, during his speech about 'The Italian economy and banks: implications of the pandemic and outlook', claimed that:

> The reform of the cooperative credit sector aims to combine the opportunities stemming from greater size with the necessity of supporting the local economy, to reconcile the cooperative credit model with the need for sufficient capital levels and to operate in conditions of adequate profitability so as to remain on the market. To be sure, some aspects still need to be clarified with respect to the operation and conduct of supervisory checks and the resolvability of cooperative banking groups, owing to the specificity of their structure and business model. These topics are being examined by the cooperative banks themselves and by the competent authorities. The comprehensive assessment of the two new cooperative groups, which has begun recently, is a crucial part of this process. It will complete the reform and provide strong impetus for these groups to bolster integration of the various components, improve risk management processes, and make corporate governance more effective. Also drawing on this experience, the system composed of the remaining less significant institutions, particularly the small popular banks (of which about half are now being given priority by the Bank of Italy's supervisory function) must find internal solutions for their preservation and renewal. In this respect, it is difficult to agree with positions which, instead of pushing for a strengthening of intermediaries' institutions, organization, and capital, limit themselves to extolling the virtues of the model based on small local banks, disregarding the fact that its sustainability is today jeopardized by the economic transformations underway, and not by the will of regulators or supervisors. Similar considerations apply to those larger banks that have not withstood the difficulties brought about the crisis or have overcome them only thanks to the help of the rest of the banking system or, within the limits imposed by the rules introduced in Europe, the public sector.[484]

483 I. Catturani, M. L. Stefani, 'Italian Credit Cooperative Banks' in *Credit Cooperative Institutions in European Countries,* S. Karafolas (ed), 149-167 (Cham: Springer International Publishing, 2016).

484 *Banca D'Italia Eurosistema*, '<u>The Italian economy and banks: implications of the pandemic and outlook</u>' available at www.bancaditalia.it/pubblicazioni/interventi-governatore/integov2020/en-Visco-ABI-16092020.pdf (last visited 17 March 2021).

The cooperative standards are gradually blending themselves into large companies bringing them closer to joint-stock banks. This hybridization process happens in various degrees, which still concerns part of the literature regarding a potential trend towards the capital-oriented corporate model. The locality is the traditional source of credit cooperatives' strength. The inceptive mission embraced by cooperative banking to serve small-scale farmers and firms could vanish if local cooperatives pivot towards becoming large international network organizations, fading their cooperative identity.[485] On the other hand, some scholars claim that cooperative banks are not precisely disappearing through hybridization. Instead, they prove their 'flexibility by adapting to current conditions through innovation.'[486] Arguments of this kind rely on the fact they are amidst the nimblest-growing financial endeavors in progressive nations.

Both perspectives call forth the reinforcement of cooperatives' fundamental features and the protection of members' voices within the internal governance structures. These alternative financial institutions' strategic courses depend on surviving a highly competitive market, expanding their institutional pattern without losing their essence. If this process itself is either harmful or advantageous to the cooperative movement, it depends on the intensity in which the hybridization occurs, but it is not *per se* a red flag. Multiple strategies that emerge from the hybridization trends can be identified in banking networks. Some local banks might integrate a more extensive group under the control of a holding or choose not to integrate it at all, solely providing logistical support. Nevertheless, those institutions which managed to keep the core identity when enlarging their operations and network collaborations succeeded the most in terms of financial stability.[487]

A cross-border financial cooperative movement seeks innovation and flexibility to strive in a capital-intensive market. The bottom line is that those cooperatives still carry the mission of capital provision to the most vulnerable business entities in the economy,

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485 H. Groeneveld, 'Features, Facts and Figures of European Cooperative Banking Groups Over Recent Business Cycles', *JEOD - Journal of Entrepreneurial and Organizational Diversity*, JEOD - Vol.3, Issue 1, 11-34 (2014).

486 'We are in an era in which competition is blurring the lines between a pure commercial and a cooperative enterprise, if cooperative banks want to survive and flourish as an institutional pattern, they must reestablish the - lost in a market logic approach - link between cooperative values, members' active participation and commercial strategy, as well as excellence in practices.' See S. Goglio, Y. Alexopoulos, 'Cooperative Banks at a Turning Point?' *JEOD - Journal of Entrepreneurial and Organizational Diversity*, Vol.3, Issue 1 (2014) 5.

487 Y. Lemzeri, 'Did the Extent of Hybridization Better Enable Cooperative Banking Groups to Face the Financial Crisis?' *JEOD - Journal of Entrepreneurial and Organizational Diversity*, Vol.3, Issue 1, 57-85 (2014).

including start-up cooperatives. The balance required within this dynamic is not straightforward, which means that each specific market suffers from its own pains. Each legal and economic system presents an array of tools to navigate through those pains. Any rigid typology of cooperative alternatives eventually fails to assess the complexity of this broad movement. The overall attachment to its core principles and the maintenance of capital provision's original mission to financially excluded niches of business and communities reinforce cooperative banking's starring role in a more equitable society and a more sustainable economy.

The apical merit of cooperative banking is its contribution to the real economy during an era of fierce financial speculation. Credit cooperatives' focus on the tangible value created by businesses of various sizes and shapes, particularly the value created by other cooperatives, must be preserved throughout their enlargement in the banking sector. The question is not how large they can grow through hybridization processes, merges, and other partnerships without losing their local communities' roots. The question is how large they can grow without engaging in risky speculative operations disconnected from their membership security and stability.

'Speculation lies somewhere between investment and gambling.'[488] Speculation is what drives global capital flows today, where a handful of affluent speculators maneuver the roller coaster of currency and stock markets.[489] Investing and assuming certain risks is a game underlining how rational agents equipped with modern technology and relevant information allocate scarce resources efficiently to maximize their capital return. There is a moral and economic dilemma undertaking risky transactions motivated by pronounced profits, often disconnected from a concrete value from labor, useful products, or services performed in favor of society. The harsh judgment on speculation as a simple bet or gamble with real assets comes from an intense and ongoing debate about speculative operations' nature and consequences of risky trading in creating economic chaos. Over speculation was the main

488 S. Banner, *Speculation: a history of the fine line between gambling and investing* (New York Oxford University Press 2017).
489 B. Brown, *What Drives Global Capital Flows? Myth, Speculation, and Currency Diplomacy* (New York: Palgrave Macmillan, 2006).

source of the crisis during the first decade of the XXI Century and why cooperatives - by not engaging in this behavior - could maintain their institutional health.

Speculation's raw nature comes from guesstimate gains without firm evidence of what the venture can lead to. Many financial theories try to mitigate the conjectural aspect of the market's risks, even pointing out how fast the market has always recovered following the most violent downturns. Advocators suggest blurred lines between speculation and investment as if it is impossible to tell the two apart. They lessen the gamble claims by centering the dynamic in data-driven operations deploying smart machines and algorithmic predictions. They pledge a market ran rationally and objectively in the intersection of economics and innovation. They claim that the breakneck pace of technological innovation deeply transforms concepts of probability, revising the grounds on which speculations happen.[490] The current market, baptized as Innovation Economy,[491] is centered on economically meaningful innovation driven by financial speculation and market volatility forecasting. A culture of trading analytics and metrics based on a mechanical method supported by a strict data-driven approach, using probability, statistical theory, and central tendency theorems, still cannot sharply predict market movements and eliminate all risks.[492]

Overspeculation in financial markets generates recurrent crises because of the bubbles of asset prices, which can rise in trade volume and inflate beyond their intrinsic value.[493] In fact, these bubbles are highly associated with technological innovations since their very incipient nature brings uncertainty to their real value. Backing risky investment choices with technology is dangerously misleading. Critics underline the harm of reckless speculative bubbles in loosely governed markets due to information asymmetry, imperfect algorithms,

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490 S. Hong, *Technologies of Speculation: The Limits of Knowledge in a Data-Driven Society (*New York: New York University Press 2020).

491 'Throughout the history of capitalism, financial bubbles have emerged and exploded wherever liquid markets in assets exist. The objects of speculation have ranged across a spectrum that challenges the imagination: from tulip bulbs to gold and silver mines, to the debt of newly established countries of unknowable wealth and – again and again – by way of real estate and of the shares that represent ownership of corporations. The central dynamic is that the price of the financial asset is separated from any concern with the underlying cash flows – past, present or possible future – generated by the economic assets it represents. Speculators in the financial asset can and often do profit, even when the project they have financed fails. Inevitably, the speculation collapses: the more it has been fueled by credit and has infected the banking system, the more disastrous the economic consequences and the broader and more urgent the pleas for public relief.' See W. H. Janeway, *Doing Capitalism in the Innovation Economy: Markets, Speculation, and the State* (Cambridge: Cambridge University Press 2012) 2.

492 M. Toma, *The Risk of Trading: Mastering the Most Important Element in Financial Speculation* (New Jersey: John Wiley & Sons, Inc., 2012).

493 J. A. Scheinkman, *Speculation, trading, and bubbles* (New York: Columbia University Press, 2014).

hidden political influence, unprovable predictions, and deep wealth inequality.[494] A deeper understanding of the challenges of technological advance reveals that no innovation so far could deal with the radical uncertainty of speculative finance. After peeling every layer of financial speculation, the bottom line is that speculation is a subjective experience. The growth of sophisticated financial products tries to detach finance from labor[495] and human behavior.

The growth of cooperative banks and the trends towards hybridization may raise concerns about the depletion of some key cooperative features. As long as credit cooperatives adopt a prudent approach, growing their impact without abruptly increasing the risk taken along the way, cooperatives can mediate a healthy interplay between the market of real goods and services and innovative financial markets. In the cooperative realm, the not-for-profit nature prevents managers from assuming large risks and dive into speculative operations. After all, credit cooperatives' goal is not to boost returns to a group of investors but guarantee the level of stability and organic growth expected amongst their membership bases.

However, risk is an entwined element of financial activities. The prudent posture overall adopted by cooperative banks does not mean an absence of risks, but a higher level of caution connected to the institutions' fundamental goals. As a non-homogenous sector, cooperatives present different standards in terms of risk management, varying according to not only their different patterns of development over time but also to the country and size of the banks. There is empirical evidence of risk assessment's uneven nature amongst European cooperative banks in Austria, Germany, Italy - being considerably higher in the last.[496] A risk-based behavior also subject to the country's economic environment and its susceptibility to financial conundrums. This multivariate framework also underlines that risk assessment is not linear over time nor regular within different regions of the same country.

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[494] See notes 53, 55, and 56.

[495] 'The financial sector seems to become autonomous from the productive sector and, in this sense, we can say that the relationship between finance and labor is both fetishized and complex. It is fetishized because finance and labor seem to operate in separate watertight spaces: money seems to become autonomous, just like the miracle of bread, and to generate money from itself without there being a relationship with labor and working conditions.' See G. M. C. Mello, M. S. Sabadini, *Financial Speculation and Fictitious Profits: A Marxist Analysis* (Cham: Palgrave Macmillan, 2019) 6.

[496] D. S. Mare, D. Gramlich, 'Risk exposures of European cooperative banks: a comparative analysis' *Springer, Review of Quantitative Finance and Accounting*, Volume 56, issue 1, 1-23 (2021).

The current world distress installed by the COVID-19 pandemic spotlights cooperative banks' ability to recover the socio-economic fiber due to their anti-cyclical lending policy. The weight and particular scope of this sector constitute a strategic pilaster of social innovation and funding. Regardless of demutualization and hybridization trends that erratically cloud the cooperative nature, the founding principles that endorsed the credit co-ops' social role are the same values that must urgently be promoted today, notably solidarity, long-term approach, and local anchoring, to drive sustainable growth and social cohesion post-crisis.[497]

Beyond the economic benefits for the members and the stabilizing role in the financial intermediation process, cooperative banks recently embraced an additional purpose aligned with their social welfare pursuit: engagement to green and sustainable finance. The clear and active commitment involves developing climate policies, assisting the transition towards renewable energy, investing in low-carbon technologies, and fostering green projects.[498] Many cooperative groups and individual co-op banks are part of this cross-sector collective effort, adopting a wide range of policies towards this shared goal, mostly devoted to reducing carbon emissions. In 2017, the US National Credit Union Administration granted a federal charter to the Clean Energy Credit Union (CECU) to boost renewable energy lending.[499] The first American cooperative bank devoted to mitigating climate change built several partnerships within the industry to offer low-cost, long-term loans to cover the high upfront costs of green projects.

In Kenya, the Kenya Union of Savings Credit Co-operatives (KUSCCO), and The Nature Conservancy (TNC) united themselves to provide credit to support environmental safeguard, afford reforestation within local communities, protect the soil, and create awareness in climate action.[500] KUSCCO's initiative also included small-farming credits to

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497 H. Groeneveld, 'Reconciling different truths about isomorphic pressure and distinctive behavior at European cooperative banks: Back to the future with Raiffeisen's principles' *Wiley Ann Public Coop Econ.,* 1–27 (2020).

498 'Cooperative banks committed to help accomplish the SDG's, Paris Agreement and are signatories to important principles such as the Equator principles and the UN Principles for Responsible Banking.' See European Association of Co-operative Banks, 'Co-operative Banks engagement to sustainable finance' available at www.eacb.coop/en/studies/eacb-publications/co-operative-banks-rsquo-engagement-to-green-and-sustainable-finance.html (last visited 18 March 2021).

499 CECU is also part of a broader cooperative movement as one of the Multistakeholder Cooperative Network businesses examined in chapter X.

500 International Cooperative Banking Association, 'Sustainable Development Goals and Objectives: Contribution of Cooperative Banks' available at www.icba.coop/master/document/images/image1576.pdf (last visited 18 March 2021).

foster green technologies and empower agroforestry best practices. In India, Rural Cooperative Banks also embraced the environmental agenda, focusing on the water resources and irrigation systems in the agricultural sector, vastly impacted by global warming.[501]

In 2020, the Canadian Desjardins Group became the first financial institution in North America to commit with the Powering Past Coal Alliance (PPCA).[502] This cross-sector coalition backed by the United Nations translates an international commitment through over 100 countries to speed coal phase-out. Desjardins Group's contribution to this movement is reducing greenhouse gas emissions, moving away from the coal energy industry, helping companies in its portfolio transition to clean energy sources.[503]

This vast engagement with the environmental agenda reinforces that scalability for cooperative banks instate striking outcomes for the non-profit itself and the other cooperatives and small businesses it supports, and society at large. The goal pursuit by this kind of financial institution transcends the interest of few investors and capital gains. Therefore, evaluating scalability through cooperative banks' lenses is fundamental to understand scalability under a broader scope.

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501 Ibid.

502 PPCA 'Global Summit 2021' available at www.poweringpastcoal.org/summit-2021 (last visited 20 March 2021).

503 'In 2020, Desjardins reached its carbon footprint reduction target for its own investments in publicly traded securities. As of September 30, its carbon footprint for these types of investments was 31% lower than that of the stock and bond market index average. The target was a 25% reduction by December 31, 2020.' See Desjardins, '2020 Report: Desjardins Group maintains its commitments to sustainable development' available at blogues.desjardins.com/press_release/2020/12/2020-report-desjardins-group-maintains-its-commitments-to-sustainable-development.php (last visited 20 March 2021).

VI. SCALABILITY IN THE CYBERSPACE

VI.I. PLATFORM COOPERATIVES

With the digitization of supply and demand, the current technological shift helps create entirely new peer-to-peer digital ecosystems, ranging from social media platforms, chat apps, e-commerce, streaming services to educational venues, where customers and producers are interchangeable. Digital platform organizations are a disruptive phenomenon that profoundly change digital products and services' consumption and provision by creating an online infrastructure that enables multiple individuals and organizations to coordinate their operations on an unparalleled scale. This infrastructure is built upon data and algorithms that stimulate users' interaction in a collaborative form, facilitating transactions among them, allowing businesses and small producers to achieve new growth parameters.[504] Digital platforms disrupted and dominated vast traditional industries within just a few years of their launch, transforming the principles governing economic growth and business competition: 'an *open architecture* allows players to access platform resources, such as app developer tools, and create new sources of value. Open governance allows players other than the owner to shape the rules of trade and reward sharing on the platform.'[505]

Airbnb platform is one of the first peer-to-peer services focused on housing accommodations created in 2008 in San Francisco. In summary, the co-founders, Brian Chesky, Joe Gebbia, and Nathan Blecharczyk, designed a way of providing affordable room rentals without owning the facilities themselves, disrupting the traditional hospitality industry. Their business model relies upon accommodations and resources provided by the platform users connected through an interactive ecosystem in exchange for a rental fee. Sharing a similar DNA in the transportation landscape, the Uber ride-hailing and delivery platform was founded a year later by Garrett Camp and Travis Kalanick in San Francisco and, since then, it has conquered a disruptive power in its market segment by offering smartphone-based car services worldwide with the help of digital technology.

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504 Dutch Transformation Forum 2018, *Unlocking the value of the platform economy: Mastering the good, the bad, and the ugly,* available at dutchitchannel.nl/612528/dutch-transformation-platform-economy-paper-kpmg.pdf (last visited 1 December 2020).

505 M. W. Van Alstyne, G. G. Parker, S. P. Choudary, 'Pipelines, Platforms, and the New Rules of Strategy' Harvard Business Review (2016) available at hbr.org/2016/04/pipelines-platforms-and-the-new-rules-of-strategy (last visited (last visited 22 June 2021).

Collaborative enterprises typify plural business models that blend characteristic elements of traditional companies and a symbiotic relationship among platform subjects in a multi-sided market. Platform-like marketplaces are designed to enable independent suppliers and customers to meet their goals through inherently low-cost structures and fat gross margins, owing to network effects.[506] Their unyielding expansion has happened due to multiple factors, including their practical and convenient infrastructure, providing low search and advertising costs, easy transactions, a wide variety of assets from users, differential regulatory requirements, trust-enhancing mechanisms such as users reviews and ratings, and alternative working patterns.[507]

Platforms outline unmatched advantages compared to the business archetype operating in the traditional system. Most conventional companies outside the digital revolution run a linear value chain through a step-by-step arrangement to transfer value through the pipeline from producers to final consumers, with gatekeepers managing the flow of value. On the other hand, platforms break the linear supply chain by deploying data-based tools, enabling an engaged community of users to assess and rank the quality of content and unlock new sources of value creation. The ability to establish decentralized community-driven control mechanisms at scale translates into an outstanding competitive advantage to platform ventures as opposed to pipeline-based counterparts.[508]

The community of member-users is the most critical asset of the emerging platform economy. Therefore, a thriving platform must be able to set up well-thought-out digital mechanisms to shrewdly shape the relations among a diverse crowd of products and services providers, wielding intuitive and straightforward designs on top of cutting-edge platform architecture. The businesses pioneering the platform-based dynamic in their respective industries, offering offbeat experiences in the online marketplace, tend to attract producers, consumers, and investors through the project's novelty and resourceful scheme. The central challenge of accomplishing the desired network effects is attracting these players simultaneously to build a multi-angular relationship[509] on the platform, arousing the classic

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506 A. Hagiu, S. Rothman, "Network Effects Aren't Enough
The hidden traps in building an online marketplace" Harvard Business Review (2016) available at hbr.org/2016/04/network-effects-arent-enough (last visited 12 December 2020).

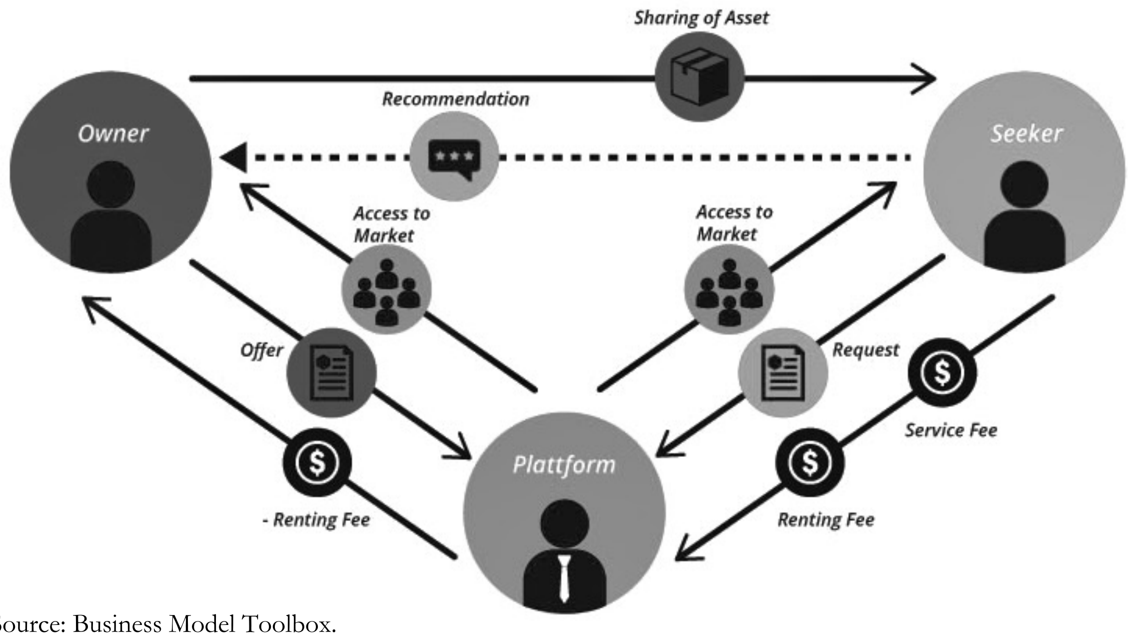
507 OECD, *The Sharing and Gig Economy: Effective Taxation of Platform Sellers,* Forum on Tax Administration, OECD Publishing, Paris (2019). https://doi.org/10.1787/574b61f8-en

508 G. G. Parker, M. W. Van Alstyne, S. P. Choudary, *Platform Revolution: How Networked Markets Are Transforming the Economy - and How to Make Them Work for You* (New York: W. W. Norton & Company, 2016).

509 "Platform work presupposes a triangular or multi-angular relationship, involving at least a platform, a platform worker and a client." H. Hauben (ed.), K. Lenaerts, W. Waeyaert, *The platform economy and precarious*

chicken-and-egg problem. Overcoming this chicken-and-egg problem and consolidating a long-term growth engine is a matter of major pre-investment and innovative propositions, tendering enough value to early users through monetary subsidies such as loyalty programs and referral fees combined with special product features to unlock unique functions to key users to increase loyalty and usage among valuable targeted groups - ideally, those whom can play both consumer and producer roles - as strategies to create user sequencing and gating access to the network.[510] Once the platform succeeds in stack enough users and reaches its inflection point in terms of connections and interactions among the community, the business gains an escalating rhythm and follows an exponential growth trajectory.[511]

Figure 20 – Sharing economy



Source: Business Model Toolbox.

These online spaces are usually attached to ideas such as 'sharing,' 'collaborative', or 'on-demand economies,' deploying under-utilized assets, people's free time, and unused skills

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work. Publication for the committee on Employment and Social Affairs, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament (Luxembourg, 2020).

510 A. Moazed, '7 Strategies for Solving the Chicken and Egg Problem as a Startup,' available at www.applicoinc.com/blog/7-strategies-solving-chicken-egg-problem-startup/ (last visited 25 June 2021).

511 M. W. Van Alstyne, G. G. Parker, S. P. Choudary, 'Pipelines, Platforms, and the New Rules of Strategy' Harvard Business Review (2016) available at hbr.org/2016/04/pipelines-platforms-and-the-new-rules-of-strategy (last visited (last visited 22 June 2021).

as economic fuel.[512] They are based on a mindset of ecosystem orchestration, enabling multi-sided markets to set and enforce their operational rules.[513] Digital platform organizations are designed based on scalability to well-suit the current demands of a globalized society, where cross-border interactions happen daily through a diverse range of legal and economic systems.

Despite the original purpose of sharing assets and nurturing online collaboration in a digital communal way of life, adding convenience, transparency, and trust to maximize the potential of underused resources, the platform economy hardly upholds their initial social value, being either subject of misuse or antitrust abuse.[514] In the words of Trebor Scholz: 'the internet has become a simple-to-join, anyone-can-play system where the sites and practices of work and play increasingly wield people as a resource for economic amelioration by a handful of oligarchic owners.'[515]

As discussed in this section, the relationship between digital technologies and monetizable labor open fierce debates towards worker exploitation and job precarity in labor-based platforms. There are severe criticism and broad debates concerning who should set standards and limits for sharing platforms and how they should be defined as they become the leading form of shaping social and economic interactions. As Jathan Sadowski precisely asserted, 'the internet of landlords makes renters of us all.'[516]

Dominant players and a monopolization trend in the platform economy due to extreme network effects has led to a 'winner takes all' dynamic, mainly in the hands of Silicon Valley giants. Dominant tech businesses can lock in a long-lasting network of users based on supply economies of scale, holding production efficiencies and cost advantages, influencing the price, output, and investment of an entire industry, which easily inhibit their competitors'

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512 B. Fabo, M. Beblavý, Z. Kilhoffer, K. Lenaerts, *An overview of European Platforms: Scope and Business Models,* European Commission's Joint Research Centre (JRC), JRC Science Hub, 1-38 (2017). doi:10.2760/762447

513 *Dutch Transformation Forum 2018,* 'Unlocking the value of the platform economy: Mastering the good, the bad, and the ugly' available at dutchitchannel.nl/612528/dutch-transformation-platform-economy-paper-kpmg.pdf (last accessed on December 1st, 2020)

514 B. Balaram, 'Fair Share: Reclaiming power in the sharing economy,' a report from the RSA: The Royal Society for Arts, Manufactures, and Commerce, published by *Medium* (2016). Available at medium.com/rsa-reports/fair-share-reclaiming-power-in-the-sharing-economy-499b46bd4b00 (last accessed on December 13th, 2020).

515 T. Scholz (ed.), *Digital Labor: The Internet as Playground and Factory* (New York: Routledge, 2013).

516 J. Sadowski, 'The Internet of Landlords Makes Renters of Us All: Breaking the platform economy's cycle of extraction and enclosure can redistribute power over data and infrastructure to the public' *The Reboot* (2021) available at thereboot.com/the-internet-of-landlords-makes-renters-of-us-all/ (last visited 25 June 2021).

growth.[517] These tech giants are primarily profit-oriented platforms based on the monetization and exploitation of the data provided and generated by their users, seeking to maximize an expanding ecosystem's total value in a circular, iterative, feedback-driven process. The paramount concentration of power held by a few American-based platforms worldwide has created a stage of informatics of domination characterized by the erosion of workers' rights regulation. Moreover, the asymmetrical relationship of interdependence between the West and many developing powers through unequal technological, capital and data exchanges signal the evolutionary nature of imperialism towards platform imperialism.[518] In the internet age, imperialism is not exclusively exercised by government powers but also by private corporations with more financial power than most countries.

A proper cyber communal life with peer-to-peer marketplaces and a collaborative economy in place would effectively share value with those who add value to the platform, recognizing its true engine: the individuals composing the network in both supply and demand side. If truth be told, the platforms companies themselves create value using resources they do not own or control by connecting the real actors and their assets. Still, the wealth generated through this process remains locked with the platform company. Within their vision for a more democratic digital economy, the Platform Cooperative Consortium condemn that the 'internet giants collect and control innumerable data points about users, and in exchange, offer zero transparency for how this information is used, who it is sold to, and for what purpose. Despite the fortunes made by many investors and creators of extractive platforms, the users who give value to these apps through their data don't have a say about what happens on them.'[519]

The economic hegemony and cultural, social, and political influence of 'Big Tech' giants led the US Department of Justice to file an antitrust action against Google and Alphabet - the multinational parent of Google and Google subsidiaries - at the end of 2020 over search dominance, which counts over 80% of general search queries, alleging the company has unlawfully maintained a monopoly of the US search market after a year-long

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517 G. G. Parker, M. W. Van Alstyne, S. P. Choudary, *Platform Revolution: How Networked Markets Are Transforming the Economy - and How to Make Them Work for You* (New York: W. W. Norton & Company, 2016).
518 D. Y. Kin, 'The Construction of Platform Imperialism in the Globalization Era' tripleC 11(1): 145-172 (2013).
519 Platform Cooperative Consortium, 'Vision & Advantages' available at: platform.coop/about/vision-and-advantages/ (last visited 20 December 2020).

investigation.[520] Shortly after, the European Commission released an antitrust investigation into Amazon's e-commerce business practices and informed the company 'has breached EU antitrust rules by distorting competition in online retail markets breaking EU antitrust rules by distorting competition in online retail markets'.[521]

Collective power is the pathway to defeat monopoly in the sharing economy. Schneider and Vaheesan argue that 'cooperation among small actors can remedy the yawning imbalance of power between corporate giants and everyone else,' [522] framing 'cooperative enterprise as an antimonopoly strategy.'[523] Cooperative intelligence is a resurgent model capable of creating a steady economic base and accelerating social change. The cooperative framework well suits modern marketplaces in the digital economy, considering there are no clear lines between workers, consumers, and users, welcoming all participants of the production process into its governance and ownership structure. Nevertheless, a cooperative tech economy calls forth different operating methods, complex legal instruments, open-source software, and innovative solutions facing the harsh competitive standards imposed by tech giants.

Yochai Benkler coined the concept of commons-based peer production regarding the cooperative production among large groups of people over the Internet to recreate the diversity of constraint and degrees of freedom in the network as a social-cultural-economic platform, mitigating the points of control and power concentration the market developments have introduced through big data, surveillance, and behavioral marketing.[524] The peer production focuses on cooperative continuity, pairing diverse motivations and interests to social integrity through mutual social recognition, characterized by decentralization and

520 L. Feiner, 'Google sued by DOJ in antitrust case over search dominance' (2020) available at www.cnbc.com/2020/10/20/doj-antitrust-lawsuit-against-google.html (last visited 27 June 2021).

521 European Commission, Press Release 'Antitrust: Commission sends Statement of Objections to Amazon for the use of non-public independent seller data and opens second investigation into its e-commerce business practices' (2020) available at ec.europa.eu/commission/presscorner/detail/en/ip_20_2077 (last visited 27 June 2021).

522 N. Schneider, S. Vaheesan, 'There's More Than One Way to Fight a Monopoly: Tougher regulation will help, but workers and small businesses also need the ability to join forces against corporate power' *The Atlantic* (2019) available at www.theatlantic.com/ideas/archive/2019/08/fighting-monopoly-will-require-collective-power/595729/ (last visited 10 December 2020).

523 S. Vaheesan, N. Schneider, 'Cooperative enterprise as an antimonopoly strategy' *124 Penn State Law Review 1* (2019).

524 According to Benkler, 'Internet architecture shapes power' highlighting the urgent need for values of a genuinely open Internet that diffuses and decentralizes power through autonomous and organically chosen collective action. See Y. Benkler, 'Degrees of Freedom, Dimensions of Power' (2016) available at www.benkler.org/Degrees_of_Freedom_Dimensions_of_Power_Final.pdf (last visited 27 June 2021).

separation of governance and management.[525] Peer networks move away from the power array owned and controlled by multi-billion-dollar investor-owned corporations towards open commons outside the classic model of property rights.

Cooperatives can heal the growing pains of the platform economy, recovering the digital marketplace's collaborative potential. The first pain to heal is the dystopian 'future of work' that quickly turned digital labor into job precarity, emptying the long-fought-for worker protections. The contemporary social-technical arrangements in web-based work environments blur the lines between leisure and work, forging alternative configurations of waged and unwaged labor.[526] Even though user behavior on the social web is monetizable labor, Trebor Scholz explains that everyday digital work resembles 'expenditure of cognitive surplus,' without the appearance of traditional labor.[527] Attracted by online freelancing, promised flexible, autonomous work, the workers end up tangled into precarious working arrangements. On the one hand, labor digitalization drives up well-educated, highly skilled labor. On the other hand, unskilled jobs are lost to automation.

According to a recent study in support of the European Parliament's Committee on Employment and Social Affairs, the risks of precariousness include: 'low, fragmented and unstable income, with insufficient fallback options during intermittence periods; low protection of working conditions, including little or no access to training and career development; exposure to particular health and safety risks characteristic of platform work; low social protection coverage for risks that are particularly relevant for platform work (e.g. work accidents, unemployment and sickness); and deficient level of collective labor rights and representation.'[528] The unreliable work conditions are even more problematic concerning socioeconomically disadvantaged communities, mounting the systemic inequality, discrimination, and injustice faced by women, non-white workers, disabled and LGBTQIA+ persons.[529] Plenty of poor quality, informal work arrangements, insecure jobs become the leading source of income of marginalized individuals, who are already deprived of their rightful share of productive resources and mainstream economic activities. In contrast,

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525 Y. Benkler, 'Peer production, the commons, and the future of the firm' 15 *Strategic Org.* 264 (2017).

526 T. Scholz (ed.), *Digital Labor: The Internet as Playground and Factory* (New York: Routledge, 2013).

527 Ibid.

528 H. Hauben (ed.), K. Lenaerts, W. Waeyaert, *The platform economy and precarious work*. Publication for the committee on Employment and Social Affairs, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, Luxembourg, 2020.

529 Platform Cooperative Consortium, 'Vision & Advantages' available at: platform.coop/about/vision-and-advantages/ (last visited 20 December 2020).

others capture the platform returns as merely an additional income, intensifying income inequalities.[530]

The literature explores two common ways out of an exploitive platform dynamic: regulatory compliance and widespread platform ownership and governance among users. Calls for regulation in labor-based platforms seek to elucidate the employment bond between worker-users and the platform to grant them the most elementary work rights, as well as to protect consumers, possibly translating into the moderation of tech giants' competitive advantages.[531] On the other hand, solutions involving turning gig workers into owners usually describe grassroots cooperative platform organizations or exits to community (E2C) through ESOP-type buyouts[532] and other strategies for platform multi-stakeholder ownership.[533] Shared ownership and governance represent a major structural change by introducing democratic principles into the sharing economy.

The regulation challenges rise mostly from classification issues since there is no clear typology drawing a line between professional and non-professional activities in the platform and the level of control exercised by the platform over the users.[534] Each platform sets its operational design, simply creating a marketplace open infrastructure, behaving as an intermediary matching demand and supply among peers, while others foster a more extensive control over the transactions and rates. The entire spectrum of peer-to-peer production evades the work and consumer legal protections in place, yielding opportunistic behaviors and exploitive practices. The European Union has laid a foundational legal framework for online services, the e-Commerce Directive, covering cross-border information services, advertising, professional services, entertainment, and trading of products and services,

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530 ILO – International Labour Organization, World Employment and Social Outlook: The changing nature of jobs (2015) available at www.ilo.org/global/research/global-reports/weso/2015-changing-nature-of-jobs/WCMS_368640/lang--en/index.htm (last visited 20 December 2020).

531 G. Smorto, 'Regulating (and Self-regulating) the Sharing Economy in Europe: An Overview' in *Multidisciplinary Design of Sharing Services, Research for Development*, M. Bruglieri (ed.), *Springer Nature* (2018). https://doi.org/10.1007/978-3-319-78099-3_8

532 T. Gonza, D. P. Ellerman, 'Turning Platform Workers into Owners: ESOP-Type Buyouts for the Labor-Based Platforms' original article (2021).

533 Including 'transferring stock to a non-charitable perpetual purpose trust, federating the platform, and tokenizing corporate stock'. See M. Mannan, N. Schneider, 'Exit to Community: Strategies for Multi-stakeholder Ownership in the Platform Economy' *Georgetown Law Technology Review - 5 GEO. L. TECH. REV. 1* (2021).

534 G. Smorto, 'Regulating (and Self-regulating) the Sharing Economy in Europe: An Overview' in *Multidisciplinary Design of Sharing Services, Research for Development*, M. Bruglieri (ed.), *Springer Nature* (2018). https://doi.org/10.1007/978-3-319-78099-3_8

mostly exempting intermediaries from liability for the content they manage.[535] However, there is no uniform interpretation and pressing questions about the platform economy remain unsolved, especially regarding cross-border regulatory barriers, monopoly trends and platform accountability.

In line with the e-commerce directive, the 2016 European agenda for the collaborative economy refers to the collaborative economy as 'business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals,' and attempt to cover critical aspects of this new economic environment such as market access requirements, liability regimes, protection of users, self-employed and workers in the collaborative economy, and taxation.[536] However, a critical assessment of the EU agenda highlights that there is no 'one size fits all' in the platform economy.[537] Still, minimum standards must be incorporated along with a certain level of flexibility, especially regarding decentralized self-regulation efforts. The sustainability of this borderless collective dynamic is based on soft law to mitigate the negative externalities of the sharing economy.[538]

Considering the intrinsic cross-border nature of the platform economy and its remaining controversies, in 2019, the European Parliament introduced a new regulation, Regulation (EU) 2019/1159, regarding fairness and transparency for business users of online intermediation services, including consumer protection, data protection, intellectual property rights, competition regulations.[539] The newest regulation, implemented in March 2021, is an international legal framework primarily focused on contractual relationships, trying to draw more precise definitions, mitigate the level of uncertainty, amplify the protection conferred by the previous references, improve access to information about terms of use and access to a simplified internal system for handling complaints, and define the legitimacy of legal actions

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535 European Commissiom, *e-Commerce Directive* available at digital-strategy.ec.europa.eu/en/policies/e-commerce-directive (last visited 29 June 2021).

536 European Parliament, A European agenda for the collaborative economy Briefing 2016, available at www.europarl.europa.eu/RegData/etudes/BRIE/2016/593510/EPRS_BRI(2016)593510_EN.pdf (last visited 29 June 2021).

537 G. Smorto, *A critical assessment of European agenda for the collaborative economy* In Depth Analysis for the IMCo Committee. European Parliament (2017) available at www.europarl.europa.eu/RegData/etudes/IDAN/2016/595361/IPOL_IDA(2016)595361_EN.pdf. (last visited 29 June 2021).

538 F. Casale, 'La sostenibilità delle imprese collaborative' In *L'impresa sostenibile Alla prova del dialogo dei saperi,* a cura di D. Caterino and I. Ingravallo, Dialogi Europaei (EuriConv, 2020).

539 Regulation (EU) 2019/1159, available at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R1150&from=EN (last visited 29 June 2021).

about non-compliance claims against platform companies. Even after this additional resource, the sustainable development of online platforms remains heavily represented by contract law and antitrust law, through domestic authorities repressing unfair commercial practices.[540]

Sharing mobility is one of the most controversial sectors within the sharing revolution: courts worldwide are handling similar cases, mostly leaning towards the safeguard of workers when evaluating the contractual nature[541] of the bond between gig workers and the platform companies.[542] In 2021, the UK Supreme Court pronounced that Uber drivers are entitled to certain employment rights, including minimum wage and paid holidays, as they are not merely independent contractors but hold a worker status performing driving services booked through the Uber app. The judgment of the case 'Uber BV v Aslam' dismissed Uber's appeal against a landmark employment tribunal ruling and concluded that the service drivers are indeed subordinate and dependent on the business, following standards of performance, subjects of strict rating monitoring and fares set by the company. The iconic decision changes the gig economy dynamic, recognizing that self-employment, flexibility, and entrepreneurial freedom comes from artificial contracts and algorithmic trickery from tech giants to insulate themselves from responsibility and avoid basic worker protections.[543]

In Italy, the litigation between food-delivery riders against the Foodora (Foodinho S.L.R.) platform reached the Supreme Court (*Corte di Cassazione*) in 2020.[544] The workers asked for compliance with the discipline of subordinate work by arguing that the defendant does not grant true autonomy to the workers responsible for the service provided through a continuous subordination between the parties. Even though the Court followed the initial

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540 F. Casale, 'La sostenibilità delle imprese collaborative' In L'impresa sostenibile Alla prova del dialogo dei saperi, a cura di D. Caterino and I. Ingravallo, Dialogi Europaei (EuriConv, 2020); G. Smorto, 'La tutela del contraente debole nella platform economy dopo il Regolamento UE 2019/1150 e la Direttiva UE 2019/2161 (c.d. Omnibus)' Giornale di diritto del lavoro e di relazioni industriali (2018) available at www.uerinnovationchair.org/wp-content/uploads/2020/06/04-Smorto-049-070.pdf (last visited 20 June 2021).

541 G. Smorto, 'Regulating and Deregulating Sharing Mobility in Europe' In *The Role of Sharing Mobility in Contemporary Cities: Legal, Social and Environmental Issues,* (editors) Guido Smorto and Ignazio Vinci (Cham: Springer Nature 2020). https://doi.org/10.1007/978-3-030-57725-4

542 G. Smorto, 'Caso Uber, l'impatto su tutta la sharing economy' *Il Sole 24 Ore* (2017) available at www.ilsole24ore.com/art/caso-uber-l-impatto--tutta-sharing-economy-AEOUAVMB?refresh_ce=1 (last visited 15 June 2021); *The Guardian,* 'Courts close in on gig economy firms globally as workers seek rights: Companies such as Uber and Deliveroo have lost a string of cases in at least 40 legal challenges' (2021) available at www.theguardian.com/business/2021/mar/17/courts-close-in-on-gig-economy-firms-globally-as-workers-seek-rights (last visited 30 June 2021).

543 UK Supreme Court, Uber BV v Aslam (19 February 2021) available at www.supremecourt.uk/cases/docs/uksc-2019-0029-judgment.pdf (last visited 30 June 2021).

544 Cassazione civile sez. lav., 24/01/2020, (ud. 14/11/2019, dep. 24/01/2020), n.1663.

ruling of the Tribunal of Turin in terms of the absence of strict legal employment status, the decision ultimately recognized a certain level of subordination between platform workers and the business as well as their vulnerability within this arrangement.[545] The Court deployed a comprehensive interpretation of the 2015 Italian Jobs Act,[546] a major labor market reform revising employment protection, extending worker rights in cases of *lavoro etero-organizzato,* a category of an outsourced work relationship.[547] In 2021, the Court in Florence recognized the subordinative nature of the relationship between the riders and the platform, welcoming the demand driven by the Italian General Confederation of Labor (Filcams-Cgil).[548]

Deploying cooperative tenets into the sharing economy is one promising alternative to overcome the harmful outgrowths of exploitive platforms beyond the attempts of regulatory protections. Platform co-ops are liberating tools for financial self-sovereignty, using technologies instrumentally to co-create prosperity in community innovation hubs. Through cooperation, the wealth resulting from digital markets can be distributed and empower users who actively participate in the value production, incorporating the offline democracy and forms of collective rule into a transparent governance layer for online communities.[549] The participatory governance and the shared ownership structure enact democracy in the digital economy, creating sustainable work opportunities. The same economies of scale inherent in platform dynamics greatly benefit venture-backed, fastest-growing private companies translate into growth opportunities to cooperatives in several

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545 Sentenza n. 3570/2020 pubbl. il 24/11/2020, full decision available at www.lavorodirittieuropa.it/images/sentenza_fava_riders.pdf (last visited 23 November 2021); also see A. Aloisi, V. De Stefano, 'Delivering Employment Rights to Platform Workers' Rivista *Il Mulino* (2020) available at rivistailmulino.it/news/newsitem/index/Item/News:NEWS_ITEM:5018 (last visited 23 November 2021).

546 Decreto legislativo, 15/06/2015 n° 81, G.U. 24/06/2015

547 About the 2015 Jobs Act, see D. Pinelli *et al.* 'The Recent Reform of the Labour Market in Italy: A Review' *European Commission Discussion Paper 072* (December 2017) ISSN 2443-8022; In 2019, the labour law passed through another significant reform expressly addressing the protection of platform workers. However, the newest rules did not apply to the case. Instead, the Court still applied the 2015 discipline *lato sensu*.

548 G. Falasca, 'Rider come dipendenti, il recesso passa dai licenziamenti collettivi' (2021) available at quotidianolavoro.ilsole24ore.com/art/contenzioso-e-giurisprudenza/2021-11-24/rider-come-dipendenti-recesso-passa-licenziamenti-collettivi-213952.php?uuid=AE8h68y&refresh_ce=1 (last visited 25 Novembre 2021).

549 The so-called 'modular politics' model proposes a framework based on modularity, expressiveness, portability, and interoperability, authoring and sharing governance practices across communities, recognizing that '(1) platform operators and community members should have the ability to construct systems by creating, importing, and arranging composable parts together as a coherent whole. (2) The governance layer should be able to implement as wide a range of processes as possible. (3) Governance tools developed for one platform should be portable to another platform for reuse and adaptation. (4) Governance systems operating on different platforms and protocols should have the ability to interact with each other, sharing data and influencing each other's processes.' See N. Schneider, P. de Filippi, J. Z. Tan, A. X. Zhang, 'Modular Politics: Toward a Governance Layer for Online Communities' Proceedings of the ACM on Human-Computer Interaction, Vol. 5, Issue CSCWi, Article 16, 1-26 (2021).

industries by connecting individuals and groups or organizing services. Penetrating the digital marketplace is a viable and urgent strategy for cooperatives to perform collective decision-making at scale.

Through varied innovative institutional designs, cooperative platforms, ESOP-buyouts and hybrid organizations, labor-owned and managed firms have tried to build their own online infrastructure to enjoy the economies of scale while emancipating the platform participants from exploitive business practices.[550] For instance, New York driver's cooperative launched in 2020 the city's first worker-owned ridesharing platform to fight against competitor's extractive model. The pilot project was envisioned by the largest worker co-op in the US, the Bronx-based Cooperative Home Care Associates, and got accelerated due to the pandemic urgency to boost driver income and establish fundamental employment rights. The COVID-19 pandemic and the outburst of online meetings also led a global coalition of cooperatives to envision a pioneering open-source[551] meeting and conferencing platform called Meet.coop, as a democratic-based alternative to Zoom, Google Meets, and other conventional video conferencing app and communication platforms.[552]

The economies of scale projected by today's digital marketplace can enable a genuine societal change if the benefits of the sharing economy reach all its participants through mutual support towards the common good. In 2016 and 2017, Schneider organized a shareholder campaign on Twitter to 'Democratize the people's news network' (#buyTwitter)[553] and presented the proposal at Twitter's annual meeting to grant company equity to their users. The revolutionary proposal did not get the proper attention at the time. Still, since then, Schneider has defended along with other cooperative advocates exits for the community,[554] arguing that instead of going public or get acquired by other investor-owned

550 M. Hadfield, 'New York taxi drivers launch fundraiser for platform co-op' *NCBA CLUSA* (2021) available at ncbaclusa.coop/blog/new-york-taxi-drivers-launch-fundraiser-for-platform-co-op/ (last visited 30 June 2021); H. Nolan, 'New York City Drivers Cooperative Aims to Smash Uber's Exploitative Model: The city's first worker-owned ridesharing app gets ready to take on the big boys' *In These Times* (2020) available at /inthesetimes.com/article/new-york-city-drivers-cooperative-uber-lyft (last visited 30 June 2021).

551 See BigBlueButton, available at bigbluebutton.org (last visited 30 June 2021).

552 R. Harvey, 'Democracy, you're on mute: A co-op alternative to Zoom -The Online Meeting Cooperative use open-source software, with hardware powered by renewable energy' *Coop News* (2021) available at www.thenews.coop/154366/topic/technology/democracy-youre-on-mute-a-co-op-alternative-to-zoom/ (last visited 30 June 2021).

553 N. Schneider, 'Democratize the people's news network: Tell Twitter to study democratic ownership' available at www.buytwitter.org (last visited 27 June 2021).

554 M. Mannan, N. Schneider, 'Exit to Community: Strategies for Multi-stakeholder Ownership in the Platform Economy' *Georgetown Law Technology Review - 5 GEO. L. TECH. REV. 1* (2021).

corporations, tech startups should entertain the idea of welcoming users into their ownership structure.[555] Gradually, the widespread user-ownership has been strategically emerging in the tech economy as well as concepts of decentralized social media and deployment of blockchain technology to decentralize tech control.

While it is true that many projects have been introducing an ethical approach into the platform economy and offering alternative organizational options towards broad ownership and governance, this early-stage online democracy is still poorly equipped to compete with venture-backed firms. The technology is still advancing to properly hold democratic decision-making at scale, moderating large communities of users with transparency and accessibility. Infused in the platform economy, the infant blockchain technology promise to solve many of these sorrows by supplying smart contracts capable of endorse voting processes, securely registry members, and provide multiple applications to facilitate peer-to-peer production through a new approach of financial decentralization without the conventional intermediaries.

The use of blockchain technology will be deepened in the following section, considering it translated a broader strategy towards scalability beyond the mainstream platform economy. Protocols like Cardano not only intend to provide practical applications to decentralized organizations but also adopt comprehensive governance mechanisms in their internal infrastructure.

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555 K. Finley, 'Let's Build the Next Twitter Like the Green Bay Packers: Twitter doesn't work as a commercial company. But it would make a great co-op.' *Wired* (2016) available at www.wired.com/2016/11/lets-build-next-twitter-like-green-bay-packers/ (last visited 27 June 2021); N. Schneider, M. Mannan, 'Let Users Own the Tech Companies They Help Build: Startups typically either go public or get acquired. But a more sustainable, accountable option would be to give the user base a stake' *Wired* (2021) available at www.wired.com/story/opinion-let-users-own-the-tech-companies-they-help-build/ (last visited 27 June 2021).

VI.II DECENTRALIZATION AND CRYPTOECONOMICS

Still in its infancy, the blockchain is today where dial-up internet was in the early 90s. Yet, this type of distributed ledger technology has opened the door to a realm of future possibilities beyond what the current state-of-the-art allows us to fully estimate. Amidst the myriad of innovations based on blockchain platforms, decentralized finance (DeFi) offers a glimpse at the embryonic revolution approaching our financial system. The growing demand for decentralization and the refashioned trend of user management connect, in principle, to the broader and long-standing economic democracy movement, offering a comprehensive set of tools to the workforce to manage and control their operations at scale.

Globalization elementally revises how the world operates, moving away from nation-states and segregated economic systems into deeply interconnected and inherently transnational organizational models. The old systems based on domination and hierarchy have intensely undergone a revolutionary process of disintermediation through blockchain technology. Fundamentally, Blockchain consists of a ledger that holds a database of transactions, an immutable record with a digital timestamp, verifiable by anyone through its inclusive accountability system. In addition, the open-source system deploying cryptography does not require a trusted third party to handle it. This decentralized and trustworthy technology fits not only financial transactions avoiding frauds but also can be deployed in voting processes, property management, supply chains, personably identifiable information (identity, passport, diplomas), holding sensitive information ordinarily handled by the registry, notaries, governments, and financial institutions. Without central authorities, the meta-question is: who is in charge?

The preliminary answer is no one. Nobody is entitled to control the blockchain as it is essentially built on a peer-to-peer basis removing intermediaries who traditionally hold paramount political and economic power outside cyberspace. Therefore, the core innovation installed by blockchain is trust regulation, enabling people all over the world who do not know each other to be in charge of their future and work together towards the common good. The paradigm of self-sovereign to preserve value and resources in a horizontal management structure implies trust regulation. Alone, blockchain does not replace trust, and it is not a 'trustless' alternative infallible or incorruptible - despite the early claims - but rather a 'confidence machine,' suitable to increase the confidence in polycentric governance based on groundbreaking cryptographic and mathematics rules.[556]

The story of blockchain and digital cash creation and development was not driven by a particular cooperative-based project but holds a distinctive alignment with peer production. The origin[557]of remarkable technologies behind making digital data valuable traces back to the 70s and the emergence of low-cost computers, when cypherpunks,[558] crypto-anarchists,[559] programmers, engineers, and other technical experts (e.g., David Chaum,[560] Adam Back,[561] Hal Finney,[562] and Wei Dai[563]) started entertaining prospects of deploying digital mechanisms to establish currencies outside the traditional financial and political system. The pioneers of cryptocurrency do not belong to any unitary project but reflect the confluence of efforts to design experimental money formats in the digital era. Like many other pathways explored along with this dissertation, blockchain technology and its various applications gradually give signs of their vast potential to the cooperative movement scalability regarding the empowerment of distributed mechanisms of governance on-chain. There is a growing recognition of the overlap between blockchain functionality and joint management, decentralized control, and user empowerment.

556 P. De Filippi, M. Mannan, W. Reijers, 'Blockchain as a Confidence Machine: The Problem of Trusts & Challenges of Governance' *Technology in Society*, Vol. 62, (2020); M. de Castro Cunha Filho, 'Bitcoin - Uma Tentativa de Construção da Confiança Por Meio da Tecnologia' *RIL Brasília* a. 56, n.221, 37-60 (2019).

557 F. Brunton, *Digital Cash: The Unknown History of the Anarchists, Utopians, and Technologists Who Created Cryptocurrency* (New Jersey: Princeton University Press 2019).

558 In 1992, a small eclectic crew of computer scientists, aware of what the internet would soon become, launched a mailing list for discussing cryptography, mathematics, politics, philosophy, and questioning the issues of government monitoring and corporate control of information, calling the members of the list 'cypherpunks.' In general lines, cypherpunks advocate the use of cryptography by individuals to promote personal privacy and freedom as a critical element to a sovereign Internet. See Nakamoto, 'The Cypherpunks' available at nakamoto.com/the-cypherpunks/ (last visited 30 May 2021).

559 'Just as the technology of printing altered and reduced the power of medieval guilds and the social power structure, so too will cryptologic methods fundamentally alter the nature of corporations and of government interference in economic transactions. Combined with emerging information markets, crypto anarchy will create a liquid market for any and all material which can be put into words and pictures.' Excerpt taken from T. C. May 'The Crypto Anarchist Manifesto' (1988), fully available at nakamotoinstitute.org/crypto-anarchist-manifesto/ (last visited 30 May 2021).

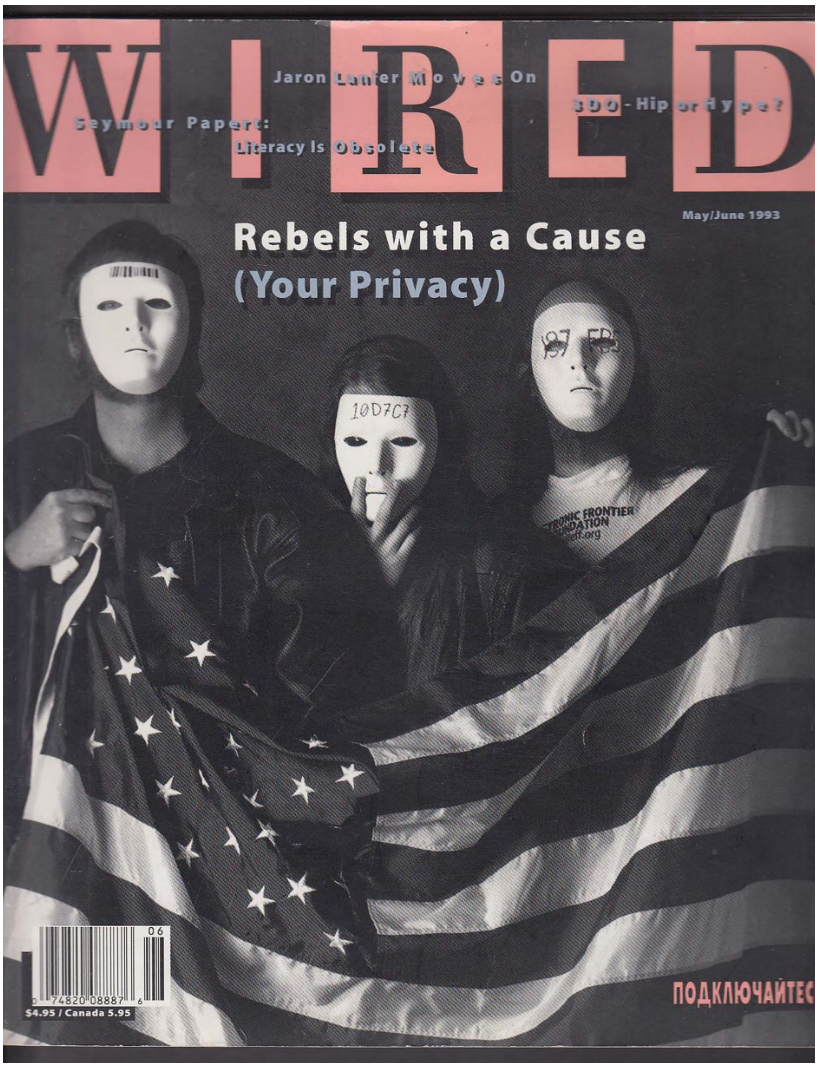
560 American computer scientist who led several breakthrough projects on cryptography and digital cash, available at www.chaum.com (last visited 30 May 2021).

561 British cryptographer and cypherpunk and early influencer on Bitcoin's proof of work algorithm.

562 Early bitcoin contributor.

563 Computer engineer known for contributions to cryptography and cryptocurrencies.

Figure 21 – US 90s Cypherpunks magazine cover



Source: Wired, 1993.[564]

There is a quiet entrepreneurial revolution striking the financial market via distributed ledger technology, which outcome is yet to be seen. The mainstream financial system is utterly fractured, cumbersome, poorly integrated, and fails to keep pace with modern society's global economic, social, political, and technological experience. Multiple variables have led to a 'liquid border' time with a significant rise in the scale of international migration,[565] including historic displacement events, such as conflict, severe economic and

564 Wired Magazine cover available at www.wired.com/story/wired-cover-browser-1993/ (last visited 30 May 2021).

565 M. Moraña, *Liquid Borders: Migration as Resistance* (Routledge Research on the Global Politics of Migration 2021).

political instability, climate change, as well as the ongoing expansion in globalization technologies, enabling the access of work and study opportunities worldwide and strengthening multinational family connectivity. The International Organization for Migration estimates the number of international migrants was almost 272 million globally in 2019.[566] Therefore, this cross-border influx demands responsive financial tools capable of navigating through the intricacy of an age fueled by hi-tech borderless bonds.

When the systemic limitations are evaluated through a comprehensive global lens, it becomes clear that the financial market is loosely interconnected and, at the same time, deeply centralized in its governance and control. The market is driven by few economic groups,[567] and potentially impacted by harmful governmental interference, vulnerable to fraud, abusive fees, corruption, and mismanagement. The mammoth concentration of market power held by traditional financial institutions - which rely upon a central authority to exercise control - became a fertile playfield for developing highly advanced tools towards economic decentralization, capable of supporting a greater merging of the markets while redistributing the governance to the users.

When Bitcoin's whitepaper was launched in 2008 as a cryptocurrency based on open-source software, the feasibility of a peer-to-peer financial network without intermediaries started to be globally entertained. Bitcoin alone does not offer the complete infrastructure required to manage many financial services but served as a proof of concept for other technologies to build on for that purpose, including diverse classes of other blockchain networks. Bitcoin enabled the creation of a second generation of blockchain, pioneered by Ethereum bringing the programming language paradigm to unlock smart contract functionality, allowing developers to run decentralized applications (dApps), write automated code, and issue new crypto assets.[568] Bitcoin and Ethereum exercise different functionalities

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566 According to the World Bank, in 2017, approximately 1.7 billion adults were still unbanked 'without an account at a financial institution or through a mobile money provider.' See The World Bank, 'The Global Findex Database 2017: The Unbanked" available globalfindex.worldbank.org/chapters/unbanked (last visited 3 April 2021).

567 J. Stiglitz, 'Inequality, Stagnation, and Market Power: The need for a progressive era' Talk delivered to *Market Power Rising: Do We Have a Monopoly Problem?* Event organized by The Roosevelt Institute in Washington, DC, September 25, 2017, available at www8.gsb.columbia.edu/faculty/jstiglitz/sites/jstiglitz/files/Roosevelt%20Inequality-Stagnation-and-Market-Power.pdf (last visited 12 April 2021).

568 After the radical development of Bitcoin enabling the creation of on-blockchain digital assets, Vitalik Buterin published the introductory white paper of Ethereum blockchain before officially launching the project two years later. Ethereum is regarded as the second generation of blockchain for creating a foundational layer for decentralized applications and smart contracts by coupling the programming language

and lead the current cryptocurrency market, offering an operating system, the base layer, and the first building blocks to a novel multifaceted financial scheme.

During the last decade, many smart contract protocols were gradually designed by a community of developers to enforce rules, execute trades, and securely handle funds and information residing in the blockchain. The conglomeration of DeFi tools behave like building blocks of a vast financial ecosystem based on the concept of interoperability. DeFi projects are called 'money Legos,'[569] designed to complement other applications rather than act as stand-alone products. The DeFi scheme relies on a decentralized infrastructure for decentralized exchanges without an intermediary operator like banks, reducing transaction costs and removing a central authority.

Created in 2014, MakerDao or Multi-Collateral Dai system is an example of a decentralized protocol developed to enable financial freedom and one of the most extensive applications on the Ethereum blockchain. The dynamic allows users to fight hyperinflation and exercise better control over their personal finance. The MKR token is what powers the decentralized community-driven governance by evaluating the proposed changes and upgrades publicly displayed in the Maker governance dashboard and voting in the MakerDao forums.[570] Another appealing case within the Ethereum blockchain is the Colony platform, which open-source and modular nature allows entrepreneurs and workers to start their voluntary, non-profit, or for-profit organization through flexible and extensible templates. Colony offers all the digital infrastructure, from shared funds collaborative management to smart decision-making mechanisms, coordinating complex production at scale by employing market-style interactions. This decentralized software built on the blockchain explicitly enable the creation of democratic cooperatives with autonomy and customizable decision authority. The primary goal is turning intricate organizational models which previously involved high coordination costs attainable upon automating and customized business rule enforcement.[571]

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to the blockchain technology. See Ethereum *White Paper* available at ethereum.org/en/whitepaper/ (last visited 31 March 2021).

569 V. Tabora, 'Money Legos and Composability as DeFi Building Blocks' *The Capital* (2021) available at thecapital.io/article/money-legos-and-composability-as-defi-building-blocks-MTV_6A8jWbIrGq3vYdB (last visited 28 March 2021).

570 ''MKR voting weight is proportional to the amount of MKR a voter stakes in the voting contract' See the Maker Protocol: MakerDAO's Multi-Collateral Dai (MCD) System available at makerdao.com/pt-BR/whitepaper#abstract (last visited 31 March 2021).

571 A. Rea, D. Kronovet, A. Fischer, J. du Rose, 'Colony Technical White Paper' (2020) available at colony.io/whitepaper.pdf (last visited 31 May 2021).

Deepening on the applicability of capital and governance structure of Decentralized Autonomous Organizations (DAOs) - such as Colony, DAOstack,[572] Aragon,[573] Steem[574] - many collections of smart contracts on-chain have been developed to enable the creation of decentralized and self-organized multi-stakeholder ventures, behaving as the organization's operating system. The benefits brought by these disruptive digital infrastructures include the enforceability of standards of conduct, reduction of information asymmetry, and space for multiple voices in critical decisions regarding the production process, which are fundamental elements of the cooperative framework. They offer an unprecedented set of tools to entrepreneurs, workers, and users, to freely architect alternative endeavors with distributed power arrangements, sparking creativity and autonomy. Despite their incipient nature, they expand the technological potential of decentralized governance structures at scale by tackle cross-border challenges as democratic ventures expand worldwide.[575]

The deployment of blockchain technology on food production started to be highly entertained by agricultural cooperatives to mitigate risks, improve quality control, and provide a measure of predictability to smooth their operations through artificial intelligence.[576] Engineering secure and trust mechanisms capable of improving food safety and ecological footprint is particularly appealing in a productive multistakeholder process, including farmers, processors, traders, wholesalers, retailers, and consumers across a globally

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572 'DAOstack is an operating system for collective intelligence and a new form of human association: the DAO. Decentralized Autonomous Organizations have captured the imagination of the best minds in the blockchain space, but despite their promise have yet remained unachievable. A central missing element is a solid framework for decentralized blockchain governance, and in particular scalable and resilient governance protocols that can support the processing of large number of crowd decisions effectively. At the base of the DAO stack, Arc1 is a modular and adaptive framework for governance and collective value management over the blockchain.' See DAOstack *White Paper* 'An Operating System for Collective Intelligence' (2018) available at daostack.io/wp/DAOstack-White-Paper-en.pdf (last visited 31 May 2021).

573 Aragon was launched in 2016 to respond to the emergent societal crisis and failure of democracy. Envisioned by nternet entrepreneurs Luis Cuende and Jorge Izquierdo, they wrote the Aragon Manifesto: *A pledge to fight for freedom,* underlining the need for self-sovereign organizational forms for long-term value *versus* short-term profit, encouraging user participation, collaborative mechanisms, and decentralized power. 'Aragon is a suite of applications and services that enable new forms of global communities. Communities can organize around capital assets, currency, or tokens, which will increase in value as more people hold and use that asset to participate in the community. Aragon not only provides basic financial tools like tokenization but can create reproducible and broadly applicable templates for defining the boundaries of a community and flowing value to contributors over the internet without traditional intermediaries.' See the Aragon Manifesto available at aragon.org/manifesto (last visited 31 May 2021).

574 Founded in 2016, Steem is an incentivized, blockchain-based, public content platform that supports community building and enables entrepreneurs to design new token-based economic models, build apps, and monetize content through immediate revenue streams on the blockchain. See Steem White Paper (2018) available at www.steem.com/steem-whitepaper.pdf (last visited 31 May 2021).

575 M. Mannan, 'Fostering Worker Cooperatives with Blockchain Technology: Lessons from the Colony Project' *Erasmus Law Review,* Volume 11 - Issue 3 p. 190- 203 (2018).

576 M. H. Ronaghi, 'A blockchain maturity model in agricultural supply chain' *China Agricultural University,* 1-11, (2020) doi.org/10.1016/j.inpa.2020.10.004

interconnected agricultural market.[577] The co-called AgTechs are agricultural applications of blockchain modernizing farm management software, tracing the whole supply chain more intelligently with greater accountability to overcome many shortcomings of industrialized agriculture. Applications such as Ripe, OriginTrail, AgriDigital, Decisive Farming, Ambrosus, EthicHub, SmartAgriHubs, DEMETER, The Food Safety Market (TheFSM), and many others, offer a myriad of digital services to assist the supplier network to management of warehouses, oversight farm inventory, monitor crop storage and machinery, store data about transaction trends, provide data regarding stock price of commodities, facilitate payments, oversight subsidiaries, manage contracts, minimize food waste, safeguard food in transit, improve profitability, mitigate commodity inconsistency and uncertainty, creating a system of transparency, safety, and efficient communication for producers and service providers along the supply chain.[578]

The multidimensional benefits of open-source infrastructure for decentralized data marketplaces can improve market inefficiencies, streamline suppliers' network, reduce costs, and simplify regulatory compliance through advanced computing and cutting-edge software architecture, bringing 'transparency from farm to fork.'[579] Furthermore, combining different smart contracts and applications using blockchain technologies enables the consolidation of decentralized food networks, sustaining the future of agriculture based on democratic governance, collective ownership, and circular token economics. Advanced agricultural applications built on the blockchain can help develop a community-oriented and environmentally sustainable food system by resuming the approach of small food hubs closer to local communities to strengthen regional food economies through short food supply

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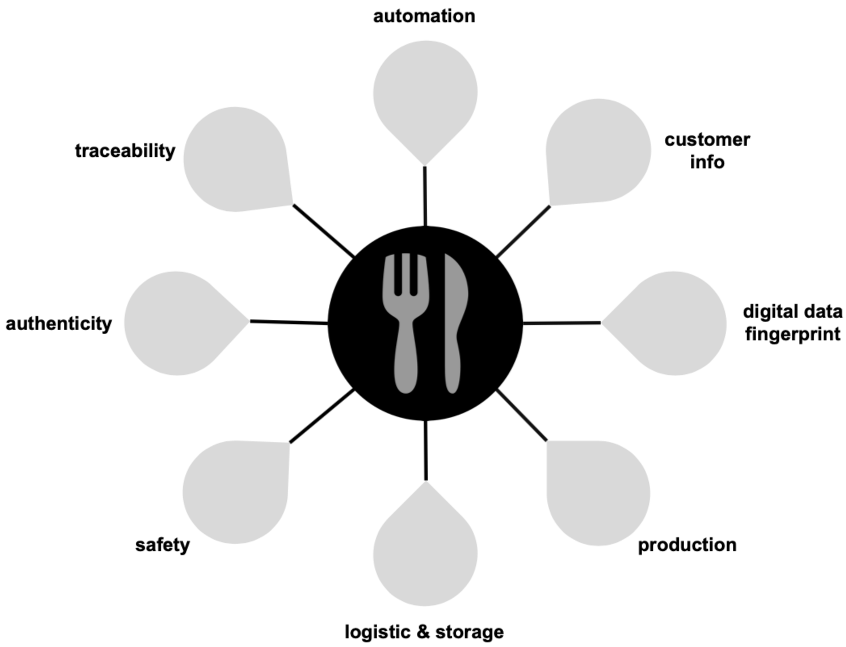
577 F. Antonucci, 'A review on blockchain applications in the agri-food sector' *Society of Chemical Industry* - J *Sci Food Agric* 99, 6129–6138 (2019). DOI 10.1002/jsfa.9912

578 S. Mire, 'Blockchain In Agriculture: 10 Possible Use Cases' *Disruptor Daily* (2018) available at www.disruptordaily.com/blockchain-use-cases-agriculture/(last visited 2 June 2021); S. K. Sharma, V. Singh, 'Applications of blockchain technology in the food industry' *New Food Magazine* (2020) available at www.newfoodmagazine.com/article/110116/blockchain/ (last visited 2 June 2021); S. Casey, 'Importance of Blockchain in Agriculture and Food Supply Chain' *The Capital* (2020) medium.com/the-capital/importance-of-blockchain-in-agriculture-and-food-supply-chain-2da7a7af37dd (last visited 2 June 2021).

579 M. Creydt, M. Fischer, 'Blockchain and more - Algorithm driven food traceability' *Food Control* 105, 45–51 (2019).

chains and alternative food networks[580] capable of safe[581] large-scale production in contrast to the current centralized conglomerated producers.[582]

Figure 22 – Applications of Blockchain technology within the food industry



Source: Adapted from M. Creydt, M. Fischer, 'Blockchain and more - Algorithm driven food traceability' *Food Control* 105, 45–51 (2019).

The first two blockchain generations' scalability constraints, concerning governance experience and funding sustainability, led Input-Output Global to develop Cardano in 2015. Therefore, outside the Ethereum code, Charles Hoskinson and Jeremy Wood envisioned and developed the third generation of the blockchain platform in 2015 to continuously grow a

580 M. Van Ginkel, 'Leveraging blockchain technologies and platform cooperativism for decentralized food networks and short food supply chains' *Hackernoon* (2018) available at medium.com/hackernoon/leveraging-platform-cooperativism-and-blockchain-technologies-for-decentralized-food-networks-and-28dc5e7c42f1 (last visited 2 June 2021).

581 J. Qian et al. 'Food traceability system from governmental, corporate, and consumer T perspectives in the European Union and China: A comparative review' *Trends in Food Science & Technology* 99, 402–412 (2020).

582 B. McNmara, 'Examining the Need for a Decentralized Food System' Medium (2016) available at medium.com/@CarFreeBrad/examining-the-need-for-a-decentralized-food-system-fc06420ba9c7 (last visited 2 June 2021).

decentralized ecosystem based on interoperability between sidechains, mirroring past generations' main lessons and lodging new concepts. The Cardano protocol has gained notoriety due to its core principles of scientific peer-review and high assurance code, launching projects 'built by the community for the community,' placing itself as the most secure, democratic-driven, and decentralized governance model available within the blockchain ecosystem. Cardano seeks to be a blueprint for change towards complete financial decentralization, where every token holder holds a stake in the network, has a voice and control over the platform's future development and the use of Cardano's treasury funds, redistributing control power and eliminating intermediaries through a collective voting mechanism.[583] Users control software updates and technical improvements, known as Cardano Improvement Proposals, and decisions regarding Funding Proposals, all publicly visible to the users for evaluation.

Cardano was built on the 'Ouroboros' secure proof-of-stake protocol (PoS) with rigorous security guarantees designed to mitigate malicious behavior and corruption while overcoming scalability, efficiency, and composability limitations from previous blockchain generations based on the proof-of-work paradigm).[584] Structural flaws are acutely entrenched in modern financial market infrastructure arrangements. Investor control in securities trade, systemic risk distribution, and excessive intermediation and safekeeping fees calls forth a pivotal approach regarding decision-making and risk-management techniques. Blockchain technology is a multi-asset environment with great transformational potential in transparency, low cost, safety, tradability, and sustainability of long-term patterns of investment.[585]

The Cardano protocol also adopts the Treasure System as 'a community-controlled and decentralized collaborative decision-making mechanism for sustainable funding of blockchain development and maintenance' based on liquid democracy and collaborative

[583] B. Zhang, R. Oliynykov, H. Balogun, 'A Treasury System for Cryptocurrencies: Enabling Better Collaborative Intelligence,' Input Output 1-48 (2019) available at eprint.iacr.org/2018/435.pdf (last visited 10 April 2021).
[584] See B. David, P. Gaˇzi, A. Kiayias, A. Russell, 'Ouroboros Praos: An adaptively-secure, semi-synchronous proof-of-stake blockchain' Input Output 1-37 (2017) available at https://eprint.iacr.org/2017/573.pdf (last visited 30 March 2021); A. Kiayias, D. Zindros, "Proof-of-Work Sidechains' Input Output 1-20 (2018) available at eprint.iacr.org/2018/1048.pdf (last visited 30 March 2021); and C. Badertscher, P. Gaˇzi, A. Kiayias, A. Russell, V. Zikas, 'Ouroboros Genesis: Composable Proof-of-Stake Blockchains with Dynamic Availability' Input Output 1-66 (2019) available at eprint.iacr.org/2018/378.pdf (last visited 10 April 2021).
[585] E. Avgouleas, A. Kiayias, 'The Promise of Blockchain Technology for Global Securities and Derivatives Markets: The New Financial Ecosystem and the 'Holy Grail' of Systemic Risk Containment' Springer European Business Organization Law Review 20:81–110 (2019).

intelligence principles.[586] This asynchronous peer-to-peer network is built upon integrating community-wide knowledge skills and expertise through a complex interaction amongst all cryptocurrency stakeholders. The Universal Composability (UC) framework guarantees rigorous levels of privacy and reliability. It ensures the integrity of the voting outcomes through a secure end-to-end verifiable voting protocol, including mechanisms to suppress the impact of potentially malicious or corrupt members and prevent centralization risks. Cardano is evolving to incorporate smart contract functionality and strengthen the decentralized finance movement. Compared to the previous generation of blockchain, Cardano capability is still premature. However, the fast development of projects within its protocol already significantly overlaps with the economic democracy movement and cooperative prospects.

The system is not confined to cryptocurrency articulation. Still, it suits the funding sustainability for a myriad of community projects seeking collective aid, especially in developing countries, enabling monetary and non-monetary transactions. The co-founder, Charles Hoskinson, avows that many individuals and communities are hostages of a 'geographic lottery,' immersed in economic systems that compromise their financial identity,[587] reminiscent of the theory of uneven geographical development by David Harvey.[588] The framework and structure of the argument of capital accumulation and uneven development encompass a multifaceted meaning of space, describing an actual material site and other 'spatialities and spatiotemporalities, including cyberspace.'[589] The system provides utility beyond cryptocurrency articulation, accommodating many projects seeking collective funding, especially in developing countries. Cardano has opened offices in Ethiopia, Rwanda, and Uganda, negotiating government contracts. Cardano's collaborative development enables stakeholders to submit proposals for utility and social structures, accommodating applications equally beneficial for people regardless of their origin and providing an alternative financial infrastructure in developing economies. During the Blockchain Africa Conference 2021, Hoskinson asked: 'How do we enable a system to operate from the bottom

[586] B. Zhang, R. Oliynykov, H. Balogun, 'A Treasury System for Cryptocurrencies: Enabling Better Collaborative Intelligence,' Input Output 1-48 (2019) available at eprint.iacr.org/2018/435.pdf (last visited 10 April 2021).
[587] C. Hoskinson, 'Blockchain Africa Conference 2021 - Keynote Address: Charles Hoskinson' available at www.youtube.com/watch?v=CGEs99I6qV8&t=279s (last visited 10 April 2021).
[588] D. Harvey, *Spaces of Capital: Towards a Critical Geography* (Routledge, 2001); and D. Harvey, *Spaces of neoliberalization: towards a theory of uneven geographical development* (Franz Steiner Verlag, 2005).
[589] Ibid. p. 59.

up instead of the top-down? How to give people self-sovereign identity and put them in control of their own money and their future?'[590]

Blockchain-based decentralized finance (DeFi) provides novel applications for the long-standing economic democracy movement, offering a set of tools to users and workforces to manage their operations. The conglomeration of DeFi tools behave like building blocks based on the concept of interoperability, designed to complement other applications rather than act as stand-alone products, reducing transaction costs and removing intermediaries. This complex interface is a two-way street with the cooperative framework impacting the governance *of* blockchain and governance *by* blockchain, incorporating community-driven projects within the platform, while real-world cooperatives can utilize the blockchain's applications to support their development. Cooperatives can use the blockchain to compile membership rosters, register by-laws and their revision proposals, and facilitate the voting process - all securely stored in a public ledger. As the technology advances, other interactive layers will be built upon the decisions made through community proposals funded by the crypto treasury. Digital markets and workplaces have been explored by cooperatives and other labor-managed ventures as a peer-to-peer pathway of providing goods and services in multiple industries.[591] Network platforms enable broad-based ownership and governance, with users directly involved in joint projects such as Opolis.co and Colony. Blockchain applications can scale labor-managed structures, including worker cooperatives and supply chains,[592] contributing to "a more engaged, more effective participatory democracy across nations.' [593]

The global turmoil caused by the COVID-19 pandemic only exacerbates the critical trends already in motion towards environmental overload, rampant unemployment, food insecurity, monopoly, cumulative inflation levels, social inequality, and depletion of pooled resources. Over recurrent economic crisis, a permanent state of chronic inflammation inflicts the social-economic system as a whole, setting a new stage in capitalism development: post-

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590 See note 18.

591 G. G. Parker, M. W. Van Alstyne, S. P. Choudary, Platform Revolution: How Networked Markets Are Transforming the Economy and How to Make Them Work for You (New York & London: W. W. Norton & Company, 2016); and T. Scholz, N. Schneider, Ours to Hack and to Own: The rise of platform cooperativism, a new vision for the future of work and fairer internet (OR Books, 2017).

592 T. Scholz, *Digital Labor: The internet as playground and factory* (Routledge, 2012); and J-A. Johannessen, *The Workplace of the Future: The Fourth Industrial Revolution, the Precariat and the Death of Hierarchies* (Routledge Studies in the Economics of Innovation, 2018).

593 M. Mannan, 'Fostering Worker Cooperatives with Blockchain Technology: Lessons from the Colony Project' *Erasmus Law Review,* Vol. 11, No 3, p. 202 (2018).

neoliberal precarious capitalism.[594] Curbing this new face of capitalism requires paramount innovative solutions capable of fortifying democracy by subverting capitalism itself, operating inward changes set upon its driving force: the competitive production of profit. Hence, the antithetical answer to competition is via collaboration, shared control, and distribution of power. Decentralization, community-driven management, user/worker participation, economic identity, democratic governance are intertwined elements between the third generation of blockchain and shared capitalism. The inceptive playfield offered by modern distributed ledger technology seems to suit the wave of puzzling flaws of the mainstream financial system, offering a complex of novel solutions to old dissatisfactions oft-ignored by financial intermediaries.

Cutting-edge technology is the major propulsor of the Fourth Industrial Revolution. We shall raise strategic questions about the risks and rewards those technological breakthroughs hold on the cusp of a fundamental transformation of humankind's experience in scale, speed, scope, and complexity. Among the issues related to the technological revolution is massive job losses resulting from automating processes replacing activities currently performed by human beings.[595] The Gig economy enables the emergence of flexible and less secure jobs and an even greater divide between high and low-skilled labor. The concerns are well-grounded, but the bottom-line is technology by itself is neither inherently positive nor negative. Still, technological employment outcomes can either be a liberating vehicle or a weapon mounting social inequality. New hi-tech systems' promising advantages and potential hazards depend on a clear choice about the intention, purpose, and values undertaken from this societal standpoint. Choice requires control. Hence, cyberspace prospects rely on the fundamental question of who controls the blockchain.

Cardano seeks an economically free society, as advocated by Louis O. Kelso & Mortimer J. Adler.[596] The pillars that sustain democracy are economic liberty and equality of access to private property diffusion and people's education concerning wise management and productive resource use. The systematic ownership concentration of productive capital and economic power exercised by financial intermediaries is a perennial concern.[597] Beyond

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594 A. Azmanova, *Capitalism on edge: how fighting precarity can achieve radical change without crisis or utopia* (New York: Columbia University Press, 2020).

595 K. Schwab, *The Fourth Industrial Revolution (*Geneva: World Economic Forum, 2016).

596 L. O. Kelso, M. J. Adler, *The Capitalist Manifesto* (New York: Random House, 1958) 279.

597 L. O. Kelso, M. J. Adler, *The New Capitalists: A Proposal to Free Economic Growth from the Slavery of Savings* (New York: Random House, 1961) 78.

Employee Stock Ownership, Kelsoism explores the future of labor in the digitalization of economic and social life.[598] The following generation of scholars dedicated to broadened financial participation sustains that enterprises can increase their value and performance when enabled workers join the decision-making process and gain access to capital ownership stakes and profit shares.[599] The establishment of broad-based capitalism built upon the distribution of wealth to average citizens through different corporate designs - from Employee Stock Ownership Plans to worker cooperatives - improves the well-being of the businesses, the employees, and society, enhancing the economy' s functionality, income equality, and stability.[600]

The novelty of on-chain governance for decentralized finance sparks optimism in contrast to financial intermediaries' mainstream options, already depleted of trust. However, the fast pace taken by the blockchain 'confidence machine' calls for caution moving forward since the dynamic heavily relies on its multiple actors' behavior driven by their interests and the continued maintenance of complex interactions[601] not immune to hackers and frauds. Considering the absence of a central authority to control or influence the operations, the blockchain demand confidence on a distributed web of actors. The Cardano voting scheme counts on transparency, a 'mutual-gains' solution for the stakeholders, and 'soft agreement' to reduce the costs associated with the multi-party collaborative decision-making process and to mitigate malicious or corrupted behavior.[602]

Given the breadth of smart contract utilization, this section centers on Cardano's inceptive framework as it expressly focuses on pushing power to the edges of its community, empowering previously unbanked communities through decentralized digital tools.[603] Therefore, I ask: How can the blockchain provide for financial and governance

598 N. Schneider, "Digital Kelsoism: Employee Stock Ownership as a Pattern for the Online Economy' in *Beyond 2020: Reimagining the Governance of Work and Employment in a Rapidly Changing World,* ed. Dionne Pohler (Cornell University Press, 2020).

599 J. R. Blasi, R. B. Freeman, D. L. Kruse, *The Citizen's Share: Putting Ownership Back into Democracy* (New Haven & London: Yale University Press, 2013) 293.

600 D. L. Kruse, R. B. Freeman, J. R. Blasi (ed.), Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-Based Stock Options (Chicago and London: The University of Chicago Press, 2010) 419.

601 P. De Filippi, M. Mannan, W. Reijers, 'Blockchain as a confidence machine: The problem of trust & challenges of governance' *Elsevier Technology in Society* 62, 1-14 (2020).

602 See note 9.

603 F. Gregaard, 'Blockchain will bring trust back into capital markets' (2021) available at forum.cardano.org/t/city-a-m-blockchain-will-bring-trust-back-into-capital-markets/46389 (last visited 8 April 2021).

decentralization in economic democracy projects? How could these tools impact cooperative scalability?

The preliminary hypothesis is that 'liquid democracy', based on stakeholders' representatives' expertise and voting power proportional to the corresponding stake, could become antithetical to Cardano's purpose. Initially, the user crowd is heterogeneous with smaller investors willing to support the project. When DeFi becomes widespread and well-established, power will lean towards wealthy stakeholders. Therefore, if traditional financial intermediaries pivot their strategy to embrace the blockchain, they will renew centralization trends using their market power to purchase crypto assets and influence complex services. Additionally, smart contracts pose a series of enforceability issues due to jurisdictional variations and the absence of a central authority to decide potential disputes.[604] Finally, uneven internet access and financial literacy - fundamental requirements to join the on-chain financial system[605] - constitute a major obstacle for emerging economies.

The concerns are well-grounded, but technology itself is neither inherently positive nor negative. Technological employment can be a liberating vehicle or propagate social inequality depending on the purpose and values undertaken from this societal standpoint. This brief assessment of the blockchain tools designed to assure democratic and decentralized finance in emerging economies serves the purpose of introducing the most innovative projects with the on-chain technology towards collective decision-making processes at scale. As well stated by Nathan Scheneider: 'crypto should encourage a renaissance of creative governance possibilities that organize economic mechanisms around values and rights.'[606] This still-evolving technology already shows confluence of multiple theories on decentralized governance towards economic democracy. Cardano is the current most heavily developed blockchain, and the ecosystem will still be built over time. Input-Output Global has developed Cardano in three phases: metadata, tokens, and complete smart projects support. Intense developing activities are expected to continue happening

604 S. Murphy, C. Cooper, 'Can smart contracts be legally binding contracts? ' R3 and Norton Rose Fulbright white paper (2016); and V. Kostakis, 'How to Reap the Benefits of the "Digital Revolution"? Modularity and the Commons' *The Estonian Journal of Administrative Culture and Digital Governance* 4-19 (2019).

605 W. Lambrechts, S. Sinha, T. Marwala, 'Decentralizing Emerging Markets to Prepare for Industry 4.0: Modernizing Policies and the Role of Higher Education' in *The Disruptive Fourth Industrial Revolution Technology, Society and Beyond*, W. Doorsamy, B. S. Paul, T. Marwala (eds) (Cham: Springer 2020).

606 N. Schneider, 'Beyond Cryptoeconomics: Platform Cooperativism and the Future of Blockchain Governance' *The Reboot* (2021) available at thereboot.com/beyond-cryptoeconomics-platform-cooperativism-and-the-future-of-blockchain-governance/ (last visited 20 October 2021).

during 2021-2022. For future research development it is vital to evaluate the ground on which the concepts peer-to-peer production, community-driven governance, and liquid democracy serve the pursuit of self-sovereign financial identity and to deepen the understanding of how firms, and their workforce, operating outside the tech-industry can benefit from the on-chain governance tools and how cooperative principles can inform the improvement of these same tools.

VII FINAL CONSIDERATIONS:

GROWTH IS NOT ABOUT SIZE: SCALE AS A CHAMELEON CONCEPT

In 2020, US Congresswoman Alexandria Ocasio-Cortez confronted the reality of billionaires, wealth inequality, and modern-day slavery, stating that 'No one ever makes a billion dollars. You take a billion dollars. (…) If Jeff Bezos wants to be a good person, he would turn Amazon into a worker cooperative,'[607] suggesting a radical transformation of one of the largest American multinational conglomerates into a cooperative organization as a path to redistribute power. Imagining a cooperative as large as Amazon[608] sparked an intense debate regarding whether cooperativism should target that sort of scale: could a company that large be made into a cooperative?

The skepticism concerning cooperative growth has two distinct sources: on the one hand, the general public usually appraises cooperatives as small-scale organizations focused on their local communities. The unfamiliarity regarding cooperative-based ownership and governance often leads to a narrow vision about its potential, segregating cooperatives as an alternative, unusual, limited structure. On the other hand, even among scholars and cooperative enthusiasts, there is doubt whether a company as big as Amazon could transition to function as a cooperative and successfully handle democratic decision-making processes at scale. Part of the literature argues that cooperatives should 'stay small' and focus on their diffused decision-making capacity through distributed intelligence[609] instead of adopting obsolete management structures through a representative democracy, fading the core participation and egalitarian relations for worker-owners. This 'stay small' claim, anchored on the idea of 'diseconomies of scale,' reduces the pressure on firm size and lessen the

607 Alexandria Ocasio-Cortez made her statement in New York during the fifth annual MLK Now event in 2020, honoring the legacy of Dr. Martin Luther King Jr., organized by Blackout for Human Rights, a collective of artists, activists, filmmakers, organizers, musicians, religious leaders, and concerned citizens. See B. Burgis, 'AOC Knows Exactly What the Problem Is With Billionaires Like Jeff Bezos,' available at jacobinmag.com/2020/02/jeff-bezos-aoc-ocasio-cortez-amazon-earth-fund-cooperative/ (last visited 30 September 2021).

608 During the global pandemic of COVID-19, 'Amazon delivered a record performance in 2020 with annual revenue up 38% to $386 billion, a yearly increase of over $100 billion. Net profit for Amazon was up 84% for the year as compared to last year.' See S. E. Kohan, available at www.forbes.com/sites/shelleykohan/2021/02/02/amazons-net-profit-soars-84-with-sales-hitting-386-billion/?sh=229de64a1334 (last visited 30 September 2021).

609 A. Kemle, 'Radicalizing Mondragon: Size, Polycentricity, and the Obsolescence of Management' *The Center for a Stateless Society* (2021) available at c4ss.org/content/54413 (last visited 30 September 2021).

hierarchy-based authority within the organization, helping cooperatives to focus on building a decentralized economy in local markets with the multitude of small-scale producers.[610]

Indeed, there is a fundamental difference between the mainstream scalability processes practiced by conventional for-profit corporations and the growth target by cooperative ventures. As scalability became a synonym of growing big and growing fast in financial terms, this growth concept got detached from the cooperative framework, which is guided by a values system. When ventures scale-out, replicating its operations in other places and other industries, or scale-up to rapidly reach bulkier operations, the paramount growth standards raise the business complexity, evolving into more intricate governance practices. In the cooperative ecosystem, this complexity mainly impacts the internal democratic processes that must accompany the growth dynamic without depleting the cooperative values system or alienating its members. Yet, many cooperative-driven entrepreneurs target scale and desire to amplify their impact, showing that cooperatives can seek and achieve economies of scale by following and envisioning new growth parameters. The fundamental difference between cooperative scalability and other entrepreneurial frameworks does not mean cooperatives are antithetical to scale. Cooperatives are not meant to stay small.[611]

Rather than building a purely theoretical framework, I have mapped legal and economic resources available for cooperatives, systematizing new standards for scaling deep, which combines geographic expansion, enlargement of the membership base, as well as growth by the built-in quality and innovation culture beyond the net worth augmentation. While it is true that some cooperatives were able to achieve paramount vertical growth according to the old ordinary market maxims, the multiple cases covered in the previous chapters show that cooperatives can leverage their socio-economic impact creatively through very unorthodox paths. Cooperatives can achieve their growth milestones by:

- Spawning spin-offs through a multi-localization policy under the coordination of a central mother company;
- Developing different types of complex adaptive systems, such as a multistakeholder network of autonomous single-stakeholder cooperatives;

610 K. A. Carson, *Organization Theory: A Libertarian Perspective,* 1-655 (North Charleston: BookSurge, 2008).
611 V. Buonocore, Diritto della cooperatzione (Bologna: Il Mulino, 1997)

- Expanding a horizontal policy-based cooperative movement through the combination of enabling legislation, consortiums, cooperative groups, and representative alliances nationwide;
- Welcoming mission-aligned investors into the membership structure;
- Outsourcing unorthodox investment through venture capital while creating internal mechanisms of cooperative safeguard;
- Accessing financial resources through cooperative banking;
- Deploying democratic ownership and control in the cyberspace through platform cooperatives to create a digital commonwealth;
- Joining the blockchain and its decentralized applications.

Instead of vertically scaling up, individually disputing the market, cooperatives can choose to scale horizontally, protecting its values and principles. By combining different stakeholder structures into a multifaceted cooperative ecosystem through formal and informal collaboration links, forms of polycentric governance[612] can guide a group of autonomous ventures towards their joint mission without agglutinating market power in a single narrow management frame while better distributing the risks and rewards. They can also directly strengthen the broad cooperative movement instead of only focusing on their isolated operations, understanding economic democracy as a holistic campaign.

After reframing the perception of growth and proposing new parameters of impact at scale, I conclude there is no rigid model regarding cooperative scalability. The institutional incongruences that might hinder their growth ironically open space to cooperatives to display their high dynamism and resilience. Cooperatives are - as they should be - a fluid ingenuity-based entity that invites entrepreneurs to build and embrace creative designs. As reflected by José María Arizmendiarrieta, founder of the first Mondragon cooperatives: 'It is those who are able to believe more, and keep greater hope in humanity's possibilities, who will be able to continue pushing humanity forward. Progress requires the collaboration of the many, but it begins with the creative and innovative impulse of the few. This collaboration must be revitalized through the assimilation and circulation of the innovative energy of the few who

[612] E. Ostrom, *Governing the commons: the evolution of institutions for collective action* (New York: Cambridge University Press, 1990).

are capable of seeing farther and of discovering and applying new formulas.'[613] Therefore, cooperatives are an ongoing mission for visionaries with a vast potential across multiple times, places, and industries.

As the world steps into the Fourth Industrial Revolution, a few platform companies have run the digital economy to the point where tech giants exacerbate the monopolistic trends already in place by a handful of powerful business groups, virtually or legally obstructing smaller players to compete in most industries. In a world of 'unicorns' and business models capable of disrupting the global market, scalability became a synonym of exponential growth beyond borders, smashing competition and concentrating the resulting wealth. The technological innovation created a disruptive process focused on the incremental value offered by network effects. Network effects boost the platform economy, which means that the greater the number of users, the greater the network effect and the value created, causing the network itself to grow. Most platforms are broader than single products; they are micro markets or a structure for exchanging products and services. In this digital context, cooperatives manage the urge of scalability closer to other platforms' standards—the question remains of whether cooperatives should target that sort of scale to compete with their counterparts.

The latest developments of blockchain protocols offer insightful answers about diffused governance and decentralized finance while also raising further questions regarding the pitfalls of cryptoeconomic approaches to management and control. It is not yet clear how cooperatives will benefit from blockchain, except by a few decentralized applications and avant-garde projects explicitly aimed at the financial sovereignty of emerging economies, such as the Cardano protocol. This nascent groundbreaking technology is not at the point of receiving verdicts and value judgments regarding its ability to erode democratic values or succeeded in decentralizing socio-economic power. In this instance, the literature has been cautious and observant, mapping possible drawbacks, identifying potential power disputes, and creating awareness on the economic logic molding cyberspace.

From well-established cases of joint articulation and networking to new disruptive technologies and methods, this work covered a variety of available resources, empirical strategies, and approaches to governance that has served to cooperative growth. By mapping

613 Father José María Arizmendiarrieta, *Reflections: Insights from the Founder of the Mondragon Cooperatives*, original text compiled by Joxe Azurmendi, translated by The Interpreters' Cooperative of Madison (Solidarity Hall, 2021) 13.

these various actions, the primary goal was not to deem their general ability to scale nor categorize each of them but rather to endorse that all roads lead to Rome and that there is no universal formula for cooperative scale. One growth strategy might suit one cooperative and not another. One resource might threaten cooperative core principles if not well implemented or strengthen the operations. Therefore, the plasticity brought by cooperatives allows them to pivot amongst several business models in different legal systems, inviting entrepreneurs and enthusiasts to develop their novel path towards scale.

However, the level of flexibility varies according to the legal tools available in each system. For instance, when exploring the possibility of investor membership, we noticed that not every US state incorporated the Uniform Limited Cooperative Association Act, raising doubts concerning whether investors with voting power could empty the democratic standard of cooperative governance among workers and users. In Italy, the presence of investors in the ownership and governance structure seems less problematic and conventionally present Italian cooperatives to facilitate capital access. Likewise, the multistakeholder network of single-stakeholder cooperatives in Colorado is based on a clever contractual framework among different businesses, which allows them to cooperate without losing their autonomy. Each cooperative embraces its own risks and rewards, maintaining specific contractual bonds with the others. When accessing finance or joining startup accelerators, the investment model reflects legal arrangements, either through debt, equity, or hybrid schemes like revenue share agreements. The accessibility to diversified and sophisticated legal instruments is decisive to cooperatives maneuver market pains and accommodating modern economic demands.

The potential shortcoming of such versatility is the obstacle of establishing straightforward comparative models between cooperatives and conventional for-profit corporations capable of informing prospective public policies or entrepreneurial projects. The equation becomes far more complex through abstract paradigms once the comparison cannot be made exclusively through financial metrics, since measuring or quantifying workplace happiness, sense of belonging, ownership mindset, non-monetary values do not fit into excel tables.

Furthermore, flexibility in excess can potentially risk the safeguard of crucial cooperative values dangerously approaching cooperative business to non-cooperative formations. Creativity does not mean an endless stretch of the cooperative framework. Innovative paths towards growth must renew and strengthen the tenets that guide economic democracy, looking upon the long-lasting lessons of cooperativism over millennia. These innovative cooperative strategies must combine economic growth with the fortification of cooperative structural beams to prevent future demutualization.

ANNEX I - LIST OF ABBREVIATIONS AND ACRONYMS

AGCI – Associazione Generale Cooperative Italiane

CAPAC – Consorzio Agricolo Piemontese per Agroforniture e Cereali

CECOP – European confederation of industrial and service cooperatives

CICOPA – International Organisation of Industrial and Service Cooperatives

DAO – Decentralized Autonomous Organizations

dApps – Decentralized applications

DeFi – Decentralized finance

DNA – Deoxyribonucleic acid

E2C – Exits to community

EC – European Commission

ESOP – Employee Stock Ownership Plan

EU – European Union

FSM – The Food Safety Market

GDP – Gross domestic product

ICA – International Cooperative Alliance

KUSCCO – Kenya Union of Savings Credit Co-operatives

LCA– Limited Co-operative Association

LGBTQIA+ – A range of sexual orientations and gender identities

NCBA CLUSA – National Cooperative Business Association

NCCUSL – National Conference of Commissioners on Uniform State Laws

NGEU – Next Generation European Union

O&M – Operations and Maintenance

PNRR – Piano Nazionale di Ripresa e Resilienza

PoS – Proof-of-stake protocol

PPCA – Powering Past Coal Alliance

REI – Recreational Equipment Inc.

SCE – European Cooperative Society

SE – European Company

FSM – The Food Safety Market

TNC - The Nature Conservancy

TUB – Testo Unico Bancario

UC – Universal Composability

UK – United Kingdom

ULCAA – Uniform Limited Cooperative Association Act

USA – United States of America

VC – Venture Capital

ANNEX II - LIST OF FIGURES

ANNEX III - REFERENCES

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