

Title: *The growing social content of cooperative firms: an evolutionary interpretation*

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Abstract

Research concerning cooperative enterprises seems to have forgotten the very historical and social roots of this kind of firms, and the limited attention dedicated grants only a limited and some times pejorative role in market economies. This negative view is mainly justified by alleged perverse effects to market stimuli (Ward, 1958) and by the inability to efficiently accumulate capital resources (Furubotn and Pejovich, 1970). Cooperative firms are portrayed to reduce supply while this theoretical conclusion has never found support in empirical tests. On the other hand, less clear results, at times favorable to cooperative firms, are obtained when productive x-efficiency is considered. Furthermore, to date research and is focused almost completely on worker cooperatives, which to date represent a minority of the total number of cooperatives. New institutionalism (Hansmann, 1996) portray cooperatives to emerge only in the presence of market failures that are so severe to generate marginality, given their inability to grow in the absence of public support. The comparisons with investor-owned firms are conducted exclusively on economic ground, taking into consideration purely self-interested, atomistic actors, usually abstracted from all the specificities of social relations and interaction in different ownership and organizational forms.

At the same time many strand in modern research, ranging from sociology, to experimental, behavioral and evolutionary economics have highlighted the advantages of

cooperation, deepening scientific knowledge in the difficult realm of the preconditions and limitations of cooperative behavior (Fehr and Schmidt, 2001), but little spill-overs have been generated for the theory of cooperative firms. Furthermore, cooperatives received renewed attention by empirical research since they spread in some sectors of operation, often with a vocational character, such as social services, and in more traditional ones like agriculture. At the same time non-profit organizations, that share many relevant features with cooperative firms - mainly the exclusion of the profit as return on capital investments and its maximization, and the exclusion of control by capital investors - gained an important economic weight in many advanced economies (Weisbrod, 1998).

Traditional approaches are not able to explain satisfactorily this renewed attention and diffusion, which can inform instead a new and more up-to-date research agenda. This contribution proposes a new approach whose starting point is not the analysis of cooperative firms on the basis of traditional economic assumptions, but the analysis of the institutional factors and organizational routines informing their working and evolution as productive organizations (Nelson and Winter, 1982). More generally, social relations, their nature and their change, instead of cost minimization or profit maximization in either the new-institutionalist or neoclassical milieu, represent the crucial unit of analysis. This new research agenda has the potential to shed new light on the social and economic potential of cooperative firms.

Key words: cooperative firm, organizational routines, evolution, social surplus, non-profit constraint.

JEL classification: L21, L23, P13

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