

The Role of Cooperatives in Globalisation

Joseph Stiglitz, Columbia University, USA

*Working Paper No 9/2004, Luglio, Italy
Universita di Genova, Dipartimento di Scienze Economiche e Finanziarie*

Joseph Stiglitz is an influential economist and academic. He was Chief Economist at the World Bank until January 2000. Before that he was Chairman of President Clinton's Council of Economic Advisors. He is currently Professor of Finance and Economics at Columbia University. He won the Noble Prize for Economics in 2001. His most recent books [*Globalisation and Its Discontents*](#) and *The Roaring Nineties – Why we're paying the price for the greediest decade in History* are international best sellers.

This short paper was prepared for the [*Legacoop*](#) International Conference on *The Culture of Development, Globalisation and Cooperative Enterprise* held in Genoa, Italy, 2 to 3 July 2004.

The Role of Cooperatives in Globalisation

Joseph Stiglitz, Colombia University, USA

*Working Paper No 9/2004, Luglio, Italy
Universita di Genova, Dipartimento di Scienze Economiche e Finanziarie*

Globalisation provides both opportunities and challenges. Expanding markets and access to knowledge and technology produced throughout the world provides an opportunity for substantial increases in standards of living. But competition from abroad can provide significant challenges. The competition from abroad has become particularly keen in recent years, as those in developing countries have learned how to produce and market the kinds of goods that are demanded in the advanced industrial countries. Unless countries respond to that competition, jobs will be lost and living standards reduced.

Education and technology are the keys to a successful response to the challenges of globalisation. The only way to compete against the low wages in the developing countries is to improve skills and productive efficiency, and to respond more quickly and effectively to what consumers want.

The most successful of the advanced industrial countries have done just that; they have relied on improvements in technology and education to respond to the challenges posed by globalisation. Larger fractions of the population have gone on to college. There have been more investments in research and development. They have also shown flexibility in restructuring the economy. Part of that restructuring has entailed a strengthening of the service sector and a growing importance of small and medium size enterprises.

These, in particular, have been at the centre of job creation, even if they face a host of problems, which must be resolved if they are to compete effectively with large enterprises. They need access to finance, to modern technology, to global market places. Government inevitably will need to play an important role. At the centre of America's success in the 1990s was the Internet and biotechnology; basic research underlying each of these areas was financed by the Federal government.

Italy has been enormously successful in recent years. One of the reasons is that at the centre of Italy's economy are small and medium sized firms, which often can respond more effectively to the changing global landscape than large, bureaucratic firms. But another of the reasons for Italy's success in recent decades is that it has developed an almost unique institutional framework for addressing the common needs of the small and medium sized enterprises – the cooperative movement. Others in the developing world, such as Mexico, are studying Italy's example, to see what they can learn from it.

The cooperative movement has also long played an important role in the development of agriculture and agro-business. This is even true in America, long viewed as the bastion of the market economy. From cranberries to raisins to butter to orange juice, from marketing to credit, cooperatives have been at the centre of many of the most successful developments and have succeeded in bring together sound management and fiscal discipline with broader social perspectives. That helps explain why they have the potential to play such a key role in the development process. In many developing countries, NGOs (non-governmental organisations) which are effectively cooperatives are playing an increasingly important role. For instance in Bangladesh, these organisations touch the lives of millions, providing small loans for the development of new enterprises. As new needs were recognised, they began to address those too. The chicken farms that they helped establish needed better quality chicken feed and more reliable sources of baby chicks, and so they helped provide those ingredients. In other cases, they have helped with marketing.

To those in the developing world, globalisation offers both greater challenges and opportunities. The countries of the world which have been most successful, both in terms of growth and the reduction of poverty – the countries of East Asia – have availed themselves of the opportunities afforded by globalisation; they have sold their goods in the international marketplace, they have welcomed investments from around the world, and they have availed themselves of “global technology,” making great strides in closing the gap in knowledge that separates the more advanced industrial countries from the poorer countries.

But elsewhere, countries have often found it difficult to respond to the challenges of globalisation. They have found it difficult to compete with goods produced by modern technology abroad; they have found it difficult to acquire the technology which would allow them to compete; and even when they succeed in producing competitive goods, they have found it difficult to market their commodities abroad. They have found it difficult to obtain access to requisite capital. As a flood of foreign imports destroys jobs, they have not been able to create new jobs, and they have found it difficult to maintain political and social stability. Protectionism in the North and unfair trade agreements (such as the Uruguay Round agreement that was completed in 1994) make what would, in any case, be a hard task all the more difficult.

Foreign financial assistance is absolutely essential if we are to make inroads in the massive poverty in the developing world. We have learned how to spend this money well. Health has been improved, education strengthened, incomes increased. But many of the gains that have been made are undone by our unfair trade agreements. The damage to Sub-Saharan cotton farmers as a result of the huge American cotton subsidies which depress global cotton prices in some countries exceeds the foreign assistance they receive.

Increasingly, we are realizing also the important role that people-to-people programmes – at a level below the government – can play, not only in promoting development, but also international understanding. This was, of course, the idea behind President Kennedy’s Peace Corp. One of America’s most successful cooperatives, [Land O’Lakes](#), which began under the name of the Minnesota Cooperative Creameries Association, has become extremely active in promoting

development around the world, from Albania to Bangladesh, to Columbia, Guatemala, Honduras, and Tanzania. They have naturally focused their assistance on their areas of specialisation, the dairy industry. In several countries, such as Bulgaria, Guatemala and Tanzania, they have provided assistance in helping establish cooperatives. In others, such as Indonesia, Pakistan, Vietnam and the Philippines, they have helped create school nutrition programmes. Working together with the [United Nations Public – Private Alliance for Rural Development](#), they are helping to prepare a rural development master plan for Madagascar.

It is only through global efforts like this that we will be able to transform globalisation – to make it the positive force that it can be, for improving the well being of all the people of the world.

Further information

Universita di Genova, Dipartimento di Scienze Economiche e Finanziarie

16124 Genova, Largo Zecca 8/14

Fax: +39 010 209 5233

LEGACOOOP

Lega Nazionale delle Cooperative e Mutue

Tel: +39 06 844 391

Fax: +39 06 844 39406

E-mail: segr.presidenza@legacoop.it

Web: <http://www.legacoop.it>

Other related papers on the Caledonia website

Cooperatives in Social Development – UN policy (2001)

www.caledonia.org.uk/UN-res-56-114.htm

Guidelines aimed at creating a supportive environment for the development of Cooperatives – UN Economic and Social Council (2001)

www.caledonia.org.uk/coop-support.htm

Promotion of Cooperative Recommendation (2002) – ILO guidance to UN Member States

www.caledonia.org.uk/ilo-01.htm

Statement of Cooperative Identity (1995) – International Cooperative Alliance

<http://www.caledonia.org.uk/coop-identity.htm>

Revival of Cooperative Idea

www.caledonia.org.uk/ilo-02.htm

Poverty Reduction through Self-help

www.caledonia.org.uk/birchall.htm

Development Cooperation – A survey of major cooperative development agencies (2003)

www.caledonia.org.uk/pollet1.htm

Cooperatives and Development – Actions speak louder than words

www.caledonia.org.uk/pollet.htm

The Mission, Beliefs and Operating Principles of Credit Unions

http://www.caledonia.org.uk/cu_prins.htm

The Role of Cooperatives in Enterprise Development

www.caledonia.org.uk/nexus-27.htm

Fair Trade – A Cooperative Revolution

www.caledonia.org.uk/fair-trade.htm

Its a Fair Coop

www.caledonia.org.uk/fair-coop.htm

Cooperative Centenary in India

www.caledonia.org.uk/verma.htm