

T: TEXTBOOKS

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Co-operatives have been an important part of the economic system for more than 150 years, especially in market-based economies. The study of co-operatives illustrates important issues in economics, and can teach valuable lessons about the viability of organizations that have broader social goals in market economies. Despite this, most post-WWII economics textbooks pay very little attention to co-operatives (Hill, 2000). Interestingly, this has not always been the case: many textbooks of the early 20th century gave considerable coverage to co-operatives and well-informed discussions.

I studied this issue by compiling a sample consisting of all introductory-level economics textbooks used at the University of Helsinki between 1905 and 2005, consisting of 24 textbooks (Kalmi, 2007). The textbooks from the early period (pre-WWII) were mostly from European countries (Finland, Scandinavia, Germany, Austria, France, UK), whereas the post-WWII were mostly from North America or Finland. There were striking differences among the coverage of co-operatives in the books originating from these two periods. The early textbooks typically had an extensive coverage of co-operatives, whereas more recent textbooks either did not discuss co-operatives at all or contained very brief discussions. Moreover, the quality of the discussions was typically much higher in early textbooks.

The two textbooks having the most extensive coverage were by two professors who had extensive first-hand knowledge of co-operatives: Charles Gide (1911) and Johannes Conrad (1910). The approach of these two professors was rather different. Gide believed that economics does not have universal laws. Instead, there were different stages of economic evolution, which called for different types of institutions. Gide perceived co-operatives to be the dominant organizational arrangement of the future. For instance, Gide believed that the wages system had outlived its usefulness and advocated the co-operatives should replace capitalist wage relations between employers and employees.

In contrast, Conrad, while being sympathetic towards co-operatives, perceived a more limited role for them than did Gide. According to Conrad, the role of co-operatives was to correct deficiencies in the existing system by providing work for the unemployed, offering economic and entrepreneurship education, and providing support to small entrepreneurs. Conrad



thought that co-operatives supported the market system also by providing an antidote to revolutionary socialism.

Alfred Marshall (1861-1920) also discussed co-operatives in his *Principles*. He argued that worker co-operatives improved work incentives and required fewer resources devoted to work supervision. He envisaged that in the future there might emerge a new managerial class with more 'social temper' and hoped for a more widespread familiarity with principles of co-operation, through increased general education.

Other topics widely discussed in the early textbooks included the impact of co-operatives in income distribution, the relationship between employees and managers, use of non-member work force, and the relationship between risk and the operation of co-operatives. In this way, the textbooks anticipated many themes that resurfaced in economics literature much later. There were also a significant number of pages devoted to co-operatives in the most common US textbooks of the early 20th century, though somewhat less extensively than in the leading European textbooks.

As noted earlier, the quantity and quality of discussions related to co-operatives declined drastically after the Second World War. Samuelson (1970), arguably the most important 20th century textbook in economics, provides a good illustration of this. Samuelson's book makes no mentions of co-operatives, even failing to list them among various business organizations. Nevertheless, it contains many institutional discussions where co-operatives could potentially have been mentioned. The neglect of co-operatives in Samuelson likely contributed to their omission from many successive (and less important) textbooks, even though it was not the first textbook to give such short shrift to co-operatives.

The interesting question is what contributed to this neglect. I argued in my article that the changing economic importance of co-operatives is unlikely to be an explanation. By most measures, such as membership rates and market shares, the economic importance of co-operatives increased, not declined, during the 20th century. Instead, I propose that the reason is internal to economics. The main plausible candidate appears to be the doctrinal shift from institutional economics to formal neoclassical economics.

Even there the relation is not straightforward. Unlike leading economics journals, economics textbooks up to this day (perhaps especially in the Anglo-Saxon tradition) have contained lengthy institutional discussions. Nor were early textbooks anti-theoretical. However, it can be argued that the formal revolution of economics has focused on the work of markets and governments in the form of economic engineering. Organizations somewhere in between markets and governments, such as co-operatives, have



been neglected. This has been evident in a number of subfields of economics: in development economics, which has focused on investment projects and development aid imposed from outside, instead of locally-tailored solutions; in health economics, studying mostly centralized provision by public agencies; in labour economics, where the focus at one time was on the provision of full employment by demand management. The monetarist revolution since the 1970s and onwards questioned many of these centralized policies, but it certainly did not bring co-operatives back into the limelight.

In the economics of the 1970s and 1980s, co-operatives were discussed in the research agenda on labour-managed firms (Vanek, 1970). Unfortunately, the empirical counterpart of this theory was taken to be self-managed socialism in Yugoslavia, an authoritarian country, where the actual workings of enterprises were far removed from the ideals of co-operation. The theory of labour-managed firms might have had some influence on textbooks, as some of them did discuss Yugoslav self-management, although never referring to the theory of labour-managed firms.

Is there hope for reintroducing co-operatives into economics textbooks? In my opinion, yes. First of all, introductory textbooks have retained the discussions on institutional aspects of economies – if anything, formal representations may have been reduced in the most recent textbooks. There are many cases of localized and decentralized solutions that belong neither to the realm of profit-maximizing companies nor governmental sector, innovations in the health sector and microfinance being two prominent examples. The challenge would be to make textbook authors more aware of these developments. More research on co-operatives, and on how to use co-operatives as examples in teaching economics, would surely be welcome.

References

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