CHAPTER II

Cooperation and Cooperative: An Overview
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COOPERATION AND COOPERATIVE: AN OVERVIEW

"Democracy and Socialism are means to end, not the end itself......If the individual is ignored and sacrificed for what is considered the goal of the society, is that the right objective to have?"

Jawaharlal Nehru

There has been a shift in the theories of development management, which is a part of the wider movement that has transformed the hitherto line of thinking. Decision making based on participation, rather than imposition from the above is now central to the development theories. Post-colonial development initiatives were usually implemented by the government departments based on traditional bureaucratic theory, which emphasized expertise, top-down hierarchy, and administrative upper hand. Now, the focus is on the people, as the changed scenario demands greater participation to create the democratic movements to empower the deprived and the excluded and enable them to challenge the exploitative elites. At the same time, the central theme of this trend is to enable the oppressed and marginalized to do their own analysis, to take command, to gain confidence and to take their own decisions related to their development.

Theoretical Foundation:

The role of association in shaping and promoting human wellbeing has been the central focus of many political thinkers from the Enlightenment period and before. This can be traced to the philosophy of Aristotle. In the book *The Politics* Aristotle argues that:
"...men have a desire for life together, even when they have no need to seek each other's help. Nevertheless, common interest too is a factor in bringing them together, in so far as it contributes to the good life of each. The good life is indeed their chief end, both communally and individually; but they form and continue to maintain a political association for the sake of life itself."¹

Aristotle argued that all associations are formed with a view to promoting some good purpose. Moving to another great political philosopher Jean Jacques Rousseau, who noted in his classic The Social Contract that, the welfare of citizen is closely bound up with the existence of structures that support and encourage a vibrant associational life. Rousseau notes:

“What is the purpose of political association? The security and prosperity of the associates...”²

Similarly, Alexis de Tocqueville maintains in his study of the foundations of democracy in America that, many public goods are achieved as the result of political association. He argues that, when citizens are allowed to meet freely for all purposes, people ultimately look upon public association as the agent that they can utilize to achieve the various goals they hold. He notes:

“Every new want, revolves around the notion of public action. The art of association then becomes the mother of all actions, studied and applied by all.”³

However, Tocqueville clarified that energies dedicated to political associations did not always lead to narrowing of social differences. Public well being is not necessarily a direct product of constitutional democracy, liberty and equality. It

affected different people in different ways and people differed markedly in their ability to take advantage of the opportunities that democratic functioning provides.

In political thought, this trend continued with the concept of formation of association in the writing of another political philosopher T.H.Green, which is also worth mentioning. For him, the achievement of public goods is closely associated with the form and actions of the State, which is an institution formed for promoting the common good. He argues that self-realization can be secured only through free action and association, and the State is necessary to protect the structures through which individuals can realize their goals through these means. J.S.Mill says in his argument that, participation in political activity serves an important educational and developmental function among the citizens. He says;

"A developmental democracy would promote the highest and the most harmonious development of individual capacities".

Participation by citizens in different activities ranging from political to economic, constitutes the foundation principle of enhanced welfare of the people. The emergence and performance of different institutions critically depend on the participation by the people. When the State embarks upon creating welfare asset groups, the participatory nature of the people crucially decides the nature and extent of the desired results. In this context, the discussion on the participation is essential as it will help outline the argument embedded in the study.

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Participation Paradigms:

In this section the basic explanatory logic of dominant paradigms of participation will be briefly discussed. The basis of cooperation is participation by the members for their welfare. These days a consensus has emerged in both academic and policy making circles about the desirability of participatory models of development.

The participatory model is basically divided into two categories: one which views participation as a means to achieve institutional efficiency; and the other, which views the participation as furthering the goals of empowerment, equity and democratic governance. So far the recent trend is concerned, the second category is much more acceptable to the academics and the policy makers. Participation, at the one end means just the nominal membership in a group, and at the other end it implies having an effective role in the process of decision making process. Both the ideas have varied and impressive theoretical antecedents.

In The Politics, Aristotle has defined a citizen as someone who is entitled to participate in an office involving deliberation or decision making for the ultimate aim of making the city self-sufficient. The ideal of active citizenry embodied in the ideas of Rousseau reflects the concept of participation as an end in itself. In contemporary political science literature, authors like Sidney Verba, Schlozman Brady and Nie talk of political participation as a mechanism through which, needs and preferences of

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citizens are communicated to the political decision makers and by which pressure is brought to bear on them to respond.8

In recent years, the most influential paradigm in studies of participation has been the social capital approach. Perhaps the most famous work that could be placed in the category of the participation for the efficiency approach is Robert Putnam’s seminal book *Making Democracy Work.*9 Putnam said, for good governance two things are important; one, active participation of the civic community in public affairs, and two, a civic culture in which the participants are bound together by horizontal relations of reciprocity and cooperation, not by vertical relation of authority and dependency, and whose norms and values instill in members’ habits of cooperation, solidarity and public spiritedness. This constitutes social capital which includes features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions.

Social capital theorists argue that, it is the relations between individual and in particular the degree of trust and willingness to engage in cooperative forms of behavior shapes the individual’s orientation to political life. As is true of any social science concept that gains rapid popularity, the idea of social capital has been put to many usages, and has, in the process, often been stretched well beyond its original analytical insight. Here, it is defined in social capital sense, which along “neo-


Durkheimian lines ... stress [es] the socialization of individuals into shared norms and cooperative societal action”. In Putnam’s treatment, higher levels of participation emerge as a result of the quality of associationalism in society, and in particular the presence of dense, voluntary and horizontal forms of social interaction. These attributes are stock variables in that they are explained with respect to deep, path-dependent histories of civicism. Putnam argues, to the extent people are civic minded and more likely to participate in public life depends on the extent and degree to which they have been normatively integrated into their communities and the corresponding extent to which they have internalized those norms. Here, the point of departure for rational choice theory is the utility maximizing behavior of individuals or households. In its most parsimonious form, rational choice theory is reductionist in that it extracts from social and institutional settings and construes individual decision-making as an autonomous process (i.e. “preferences” are treated as exogenous). As it has been developed by economic historians and many political scientists, an influential sub-set of rational choice theory has begun to treat institutions as endogenous, and a range of analysts have explored how institutions shape incentives and configure choice horizons. Though the definition of institutions can be extended almost infinitely to encompass all arenas of human action, the literature by and large has dealt mostly with formal institutions of governance, and has not, for the most part, taken social relations into account. It is however believed that, there is no a priori reason why rational choice insights cannot be extended to include social structures and relations of power in explaining individual’s choices. As it is used, the key insight of rational choice is to

recognize that participation in public affairs represents both a cost and an opportunity. Here, costs and opportunities would include the full range of direct and indirect costs of participation, which would include time, opportunity costs and material costs but would also recognize that formal institutions (the rules of the game) as well as social structures differentially impact the choice sets of individuals. The social-historical approach begins by acknowledging that democratization (which includes increasing the capacity of citizens to effectively engage the State, i.e. participate) takes place through conflict and struggle. Democracy has grown up historically out of century-long struggles among social groups and between state authorities and their subjects, so democratization is all about shifting the balance of power.\(^{11}\) The opportunity to participate is as such not given, but rather the result of continuous social conflicts. As Fox notes that the right to associational autonomy... is constructed gradually and unevenly through cycles of conflict that leave nascent democratic forces with political resources to draw on in successive rounds.\(^{12}\) This approach is very much historical as it recognizes not only the contingency of these outcomes, but also those possibilities in the present which are very much conditioned by the past. Social structure, as it has congealed historically, thus matters. The approach is social in that it recognizes that collective agency matters, and that in particular the propensity to participate can be critically impacted by mobilization initiatives. Thus movements can impact choice sets by changing the distribution of power in a community (thus reducing social barriers to

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participation), reducing information asymmetries and introducing non-instrumental incentives to participate (e.g. solidarity). Because the more parsimonious versions of rational choice tend to be so deeply invested in equating human behavior with individual rationality, they are under socialized and tend to underestimate or entirely ignore the degree to which social relations and social structure (whether in the negative form of domination, power etc or the positive form of networks) condition the range of choices that a given individual can make.

The other approach of participation as empowerment has two broad theoretical foundations. The first is the contemporary democratic theory, which articulates a preference for a deepening of the democratic process through inclusion. The second foundation borrows heavily from Amartya Sen's work on entitlements and capabilities. For Sen, the normative goal of empowerment, equity and human agency far outweigh the issues of efficiency as the main objectives of development. In Sen and Dreze's words,

"The life of a person can be seen as a sequence of things the person does, or states of being he or she achieves, and these constitute a collection of functioning-doings and beings the person achieves. Capability refers to the alternative combinations of functioning from which a person can choose... the range of options a person has in deciding what kind of life to lead ...".\(^\text{13}\)

The basic objective of development is expansion of these capacities. So, the development policies should not view people as the means of production but as an end in themselves.

Moreover, community organizations work in close tandem with people, their resources and the institutions of political governance. So, these organizations enjoy

the advantage of maintaining and sustaining the resources with which the people are closely associated. In this context, the analysis put forward by noted institutional economist Douglass Charles North is also noteworthy. In his classic book *Institution, Institutional Changes and Economic Performances*, North argues that, institutions designed properly play a vital role in shaping the structures of the polity and society and performances of the economy in a better manner. He defines institution as the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interactions.\(^{14}\) In consequence, they structure incentives in human exchange, whether political, social or economic. Institutional change shapes the way societies evolve through time. North identifies two central questions which hold the key to the several problems regarding the emergence, sustainability and the performances of several institutions created and evolved over different point of time. Accordingly, North’s two central questions are:

1. How do Institutions evolve in response to individual incentives, strategies and choices?

2. How do Institutions affect the performance of political and economic systems?

3. Interactions among Institutions is defined as any constraint, humans devise to shape their interactions and organizations, created to take advantage of the opportunities presented by institutions in shaping the development of economies.

Institutions reduce the uncertainties by providing a structure to everyday life. They are a guide to human interactions like greeting to other and they differ from country to country. In economics jargon institutions define and limit the set of choices

of individuals. Institutions include any form of constraint that human beings devise to shape human interactions.\textsuperscript{15} Institutional constraints include both what individuals are prohibited from doing and, sometimes under what conditions some individuals are permitted to undertake certain activities. Therefore there is the framework within which human interactions take place. The essential part of the functioning of institutions is the costliness of ascertaining violations and the severity of punishments. Effectiveness of monitoring and severity of punishment is also quite important.\textsuperscript{16} Institutions and organizations both provide a structure to human interactions. Organizations are group of individuals bound by some common purpose to achieve their goals and objectives. Modeling organizations is analyzing governance structures and skills. How Institutions and organizations come into existence and how they evolve are fundamentally influenced by the institutional framework.

The central focus is on the problem of human cooperation that permits economies to capture the gains from trade that were the key to Adam Smith's \textit{Wealth of Nations}. The evolution of institutions that create a hospitable environment for cooperative solutions to complex exchange provides for economic growth. Douglass North takes his arguments ahead by saying that the endless struggle of human beings to solve the problems of cooperation involves the concerns of arranging peaceful, voluntary exchanges and building effective organizations. He emphasizes that the economic incentives are shaped by institutions created by political systems, which respond very imperfectly to the economic needs of society as a whole. In the most


\textsuperscript{16} Ibid, p.134.
efficient economies, many institutions create incentives for productive initiatives, though others create perverse incentives towards rent seeking, political manipulation, monopolization, corruption and other activities impeding economic growth. In contrast, political systems of societies mired in long term stagnation consistently offer incentives for non-productive enterprise.  

Institutional economics covers a large, somewhat ill defined, canvass. According to Pranab Bardhan, institutions are social rules, conventions, and other elements of the structural framework of social interactions. On the other hand, Bromley's famous definition treats institutions as working rules of going concerns; these rules indicate what individuals must not do (duty), what they may do without interference from other individuals (privilege), what they can do with the aid of the collective power (right), and what they can not expect the collective power to do in their behalf (incapacity or exposure). Social customs, shared beliefs, taboos, national ideologies and their operationalization through formal legal structures, bureaucratic and policy environment, market and non market exchange systems, structures of property rights and rules for changing them--- all these fall in the arena of institutions. The main purpose of institutional analysis is to understand why these exist in different forms in different societies, why they change and with what consequences to individuals and collectives in a given society.

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Political Scientists have useful definition of institutions: institutions are organizations or groups with sets of rules that cover expected behavior, sanctions for breaking the rules and rewards for behaving in a prescribed manner. Thus, three dimensions of institutions are found. They are formal rules, informal constraints and the effectiveness of their enforcement. Formal rules include political and judicial rules, economic rules and contracts. Property rights are developed over resources and assets as a simple cost-benefit calculus of the cost of devising and enforcing such rights, as compared to the alternatives under the status quo. By looking into history, it can be said that, in all societies, people impose constraints upon themselves to give structures to their relations with others. Informal constraints are rules that have never been consciously designed and that is in everybody's interest to keep.20

When there is the talk of alternative delivery systems, the idea of institutional change is implicit in it. Generally, the changes are incremental in nature, as it is a complicated process and the changes can be a consequence of change in rules, in informal constraints and in kinds and effectiveness of enforcements. Although formal rules may change all of a sudden as the result of political and judicial decisions, informal constraints embodied in customs, traditions and code of conduct are much more impervious to deliberate policies. Separating the analysis of underlying rules from the strategy of players is a necessary prerequisite is to understand any institutional changes. Since the civil society is represented by the non-governmental as well as grassroots organizations, it can be an effective agent of change and development in a far better way in comparison to its other organizational counterparts.

Cooperative in this Framework:

As it has already been outlined, development in true sense can be conceived as an integrated process of economic and social development, leading to desirable changes in economic, social, cultural and human factors of the society. In other words, development encompasses all-round positive and meaningful changes. To achieve the desirable developmental objectives in a fruitful manner, the involvement of people’s concern is essential. Highlighting this, the UNDP has commented that people’s participation is becoming central issue of our times.\textsuperscript{21}

The development process in a democratic country can achieve real meaning and depth if the people not only associate themselves in planning for their development but also participate consciously in plan implementation. Similarly, the building up of cooperatives was to strengthen people’s development in the management of their economic development. The development initiatives having ‘built-in-mechanism’ for complete involvement of people in decision-making and implementations lead to an innovative kind of development.

Over the last couple of years it has come to the forefront that, the conventional methods of development have failed to fulfill the expectation of the people. Again, the conventional methods of development which are in practice since long back are not able to yield the comprehensive development results. So, there is the need for some rethinking about alternatives to both State led and market-centric development. Specifically to achieve a desired positive development, a fresh look is cast to some alternative socio-economic institutions that link resources, people and government.

The other side of the story, which compels to think about alternative arrangement for development, is of the successful economies with high and sustained economic growth. The experiences indicate that in nations which have secured a high growth rate, the State and its institutions of economic development have done more than just orthodox planning. From these experiences, it is crystal clear that a proper reorientation of the relationship between the State and the institutions of economic development i.e. the legal framework, the market, the economic organization in the private, public, cooperative and informal sector is need of the hour.\textsuperscript{22}

Against the aforesaid backdrop, cooperative provides a silver lining as an alternative institution for achieving the much desired people oriented development objectives and a sustained economic growth. The cooperative sector is seen as the “third realm” i.e. an intermediary between the State and the profit oriented private sector. Cooperative fits into this framework as it ensures the active participation of the people concerned. It emerges as a valued economic organization in the development sector. Its value system stems from the fact that it is democratic in governance and does away with the intermediaries.

**Cooperation:**

Before delving into the study, it is necessary to clarify what is meant by a cooperative and thus make the context clear in which it is used by the social scientists. Author like Worsley brings out the distinction between cooperation and cooperative in a best possible way. For him:

"Cooperativism….is not just technical division of labor; it is mutual aid …. a positive orientation towards others in a society, and a particular identification with the ordinary, the humble and the least privileged, together with the collective orientation which implies the limitation of the self interest and the institutionalization of altruism".23

So a distinction can be made between cooperation and cooperative. The cooperation is a division of labor in the specialization of functions, while cooperative has the features of organization and association. The principle of cooperation is as old as the humanity. From the most primitive to the most sophisticated community, some or other forms of cooperation among the people living in a particular area or region; be it for some agricultural operations or for some social, economic or political activities in the entire world have been emerging. The prime objective behind the cooperation is the economic and social betterment of persons who so cooperate. In the word of Smith “Cooperation helps them (the people who cooperate) to gain the advantages of large-scale operation, while maintaining their independence”.24

Literally “Cooperation” is derived from the Latin word “Co-operari”. “Co” means with and “Operari” means to work. In other words, cooperation means working together with others for a common purpose. Especially, it means the system of people voluntarily associated and working together on terms of equality to eliminate their economic exploitation by middleman in respect of any economic need common to them. Cooperation can be viewed from, different point of view; from sociological point of view C.C.Taylor identifies two basic ideas involved in cooperation:

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1. That people crave for personal relationship rather than impersonal relationship involved in modern business dealings,

2. The other basic idea seems to be that people are motivated by a device to join with other in mutual effort to live in peace rather than to compete against each other.\(^\text{25}\)

The economic point of view on cooperation argues that with the arrival of Industrial Revolution, specialization became a more and more dominant characteristic. And with growth in factory system and trade, specialization also developed in mutual aid, self-help and cooperative arrangements. Cooperation as a community way of life began to give way to several specialized and differentiated type of organization for different purpose. The cooperative partnership and other forms were developed for business purposes.

The economic philosophy of cooperation falls roughly under two heading: (a) Reformist and Revolutionary Philosophy (b) Evolutionary Philosophies. Reformist ideas of cooperation are those that look upon it as a means of redistribution of income and wealth, elimination or harmonizing conflict of interests and consumers. Robert Owen and Webb who belong to this school, viewed that the aim of the cooperation showed be to transform capitalism and production for profit to control of productive resources by the workers.

The second philosophy of cooperation looks upon cooperative as an evolutionary development within capitalism. According to this view the cooperative is a type of business organization by means of which small units are enabled to gain

some of the advantages of grand action and at the same time regain a maximum of independence in their individual pursuits.

Evolution is often said to be about 'the struggle for life' and the 'survival of the fittest'. Yet, cooperation is common in biology as well as in economics. In his celebrated classic *The Evolution of Cooperation*, Axelrod has shown how cooperation can emerge through evolutionary selection processes, even among individuals who are not related to each other.\(^{26}\) Axelrod’s analysis starts from the famous Prisoner’s Dilemma. The Prisoner’s Dilemma is a celebrated problem in social science and particularly in economics. Illustrating clearly that what may be rational or optimal for a single agent may not be rational for a group of individuals considered together. Self-seeking behavior by an individual can be detrimental or destructive for the group. With his analysis Axelrod shows that cooperation can get started, evolve and stabilize in situations which otherwise appear extraordinarily unpromising. He explains that, under suitable conditions, cooperation based upon reciprocity can develop even between antagonists. Axelrod writes:

"The soldiers of these opposing small units actually violated orders from their own high commands in order to achieve tacit cooperation with each other... cooperation based upon reciprocity can develop even between antagonists."\(^{27}\)

In particular, the “live and let live” system demonstrates that friendship is hardly necessary for the development of cooperation. Axelrod further elaborates his point in the following words:

"The foundation of cooperation is not really trust, but the durability of the relationship. When the conditions are right, the players can come to cooperate


\(^{27}\) Ibid, p.35.
with each other through trial-and-error learning about possibilities for mutual rewards, through imitation of other successful players, or even through a blind process of selection of the more successful strategies with a weeding out of the less successful ones. Whether the players trust each other or not is less important in the long run than whether the conditions are ripe for them to build a stable pattern of cooperation with each other.\textsuperscript{\text{28}}

Delving deep into the theory of cooperation Axelrod proposes two important propositions, namely: The Value of Provocability and Self-Reinforcing Ratchet Effect. It is extremely important to quote Axelrod here on the twin propositions:\textsuperscript{\text{29}}

\textit{The Value of Provocability:} Cooperation theory has implications for individual choice as well as for the design of institutions. The success of simple reciprocity certainly illustrates the point that by responding right away, it gives the quickest possible feedback that a defection will not pay.

\textit{Self-Reinforcing Ratchet Effect:} Once the word gets out that reciprocity works among nations or among individuals, then it becomes the thing to do. If you expect others to reciprocate your defections as well as your cooperation, you will be wise to avoid starting any trouble. Moreover, you will be wise to respond appropriately after someone else defects, showing that you will not be exploited. Thus you too would be wise to use a strategy based upon reciprocity. So would everyone else. In this manner the appreciation of the value of reciprocity becomes self-reinforcing. Once it gets going, it gets stronger and stronger.

This is the essence of the ratchet effect: once cooperation based upon reciprocity gets established in a population, it cannot be overcome even by a cluster of individuals who try to exploit others. The establishment of stable cooperation can take

\textsuperscript{\text{29}} Ibid, pp.7-8.
a long time if it is based on blind forces of evolution or it can happen rather quickly if
its operation can be appreciated by intelligent players. As an economic concept,
cooperation underline institutional formations aimed at supporting and simultaneously
containing capitalism.\textsuperscript{30} In its pure form it provides the political, social and
philosophical climate conducive to a liberal but organized capitalism economy, a
scenario of individual producers acting voluntarily in their best individual interests by
cooperating with other individual producers in strategic alliances to mutually
strengthen their instrument of productions, consumers, markets or bargaining power
vis-à-vis other producers. Thus it embraces competition, voluntary association,
democratic management and self-reliance.

In underdeveloped economies the notion of cooperation has come to be
weighted with a set of protective and welfare overtones, edging it closer to the
socialist thought. The notion of cooperation in term of economic ideologies is a
socialist notion that effectively serves a capitalist economy.

Politically, cooperation is viewed as the ground for enhancing the power of
people vis-à-vis the State. It is also seen as the rehearsal ground for self-government in
civil society, just as the PanchayatiRaj institutions by the practice of regular elections,
mandatory representation of the weaker sections and the tasks of self-governments in
the country. The Indian Cooperative Union wrote in its News Letter in 1959:

"Cooperative provide for the growth of self-disciplined and self-reliant citizens
capable of practicing self-government at all levels or social existence. Politically cooperation strengthen the foundation of democracy, provides for

\textsuperscript{30} L.C Jain, and K. Coelho, (1996), \textit{In the Freedom India's Tryst with Co-operative}, New Delhi,
Concept, p131.
decentralization and serves as an effective safeguard against all forms of statism and concentration of power” 31

In terms of economic ideologies, cooperative is seen in the socialist domain. As a political concept, its affinity to anarchic thought has not prevented it from being a favorite development instrument of regimes ranging from colonial or fascist to the new self-governing republic. It appears that cooperation has no autonomous existence as an ideological construct, but is an ultimately instrumental notion, finding expression in a set of institutional forms, these in turn serving a variety of economic and political developmental ends.

Recently, the notion of cooperation has expanded to economic functions beyond production which means management of common resources, procurement of essential commodities and organizations of labor for better bargaining power etc., In this context, the theories of Cooperative or Collective Action is worth mentioning. It is crystal clear that the natural resources of land, forest, water and environment constitute the basic support systems of life on earth. Sustainable development is now universally accepted as the supreme goal of society which critically depends on such natural resources, particularly so on the environment. So, management of the natural resources of a nation is certainly an important factor affecting the level and pace of its development. There has been many alternative system of management of natural resources, especially common pool resources (CPR); namely privatization, rationalization or centralized public management and cooperative or collective management by local people themselves. The recent studies on these alternatives indicate towards the cooperative or collective management as the comparatively

advantageous one. Before delving into the rationale of cooperative management it is
worthwhile to mention the theories of cooperative or collective actions here.

By the term CPR, it is meant that a natural or man-made resource system that
is used in common by an identifiable group of people and that is sufficiently large so
as to make it costly to exclude potential users from obtaining benefits from its uses.\(^{32}\)
The other side of the non-excludability is interdependence. Simplifying this, it can be
said that, the CPR is held in common and is used in common. Again, it is not anyone’s
personal property or personal responsibility. So, given these conditions the total net
benefits for individuals acting independently with regard to CPR will be less than what
could have been achieved if they had organized themselves to take collective actions.
Here, the writing of E. Ostrom is the best representation for collective or cooperative
action. She says,

"At a minimum, returns they receive from their appropriation efforts will be
lower when decisions are made independently than they would have been
otherwise."\(^{33}\)

For Ostrom the problem of managing the CPR include one of organizing the
users of the resource and co-ordination of their activities, so that from a situation in
which they tend to act independently they would agree to adopt the co-coordinated
strategies which will ensure higher joint benefits or reduce their joint harm.\(^{34}\)

As an instrument of economic development, cooperation has ambiguous affiliations. In the
political sphere also, its ideological patrons have been varied enough to maintain

\(^{32}\) Katar Singh, and Biswaballabh, (1996), *Co-operative Management and Natural Resources*, New
Delhi, Sage, p.72.

\(^{33}\) Elinor Ostrom, (1990), *Governing the Commons: The Evolution of Institution for collective

\(^{34}\) Elinor Ostrom, (1990), *Governing the Commons, the Evolution of Institution for collective Action*
confusion as to its real character. It is perhaps to highlight what the Indian Cooperative Union refers to as, "the endless plasticity" of its ideological base.\textsuperscript{35}

Thus, in this context, cooperative became socialist type institutions, attempting to contain and regulate individualistic enhancement in favor of a broader based development.

**Cooperative – The Alternative:**

Earlier, an argument has been put forward that the State should not be the sole generator of development impulse. The decision-makers must take into consideration the powerful role-played by the alternative institutions as development players. The creation and substance of new economic organizations should be put into operations as the powerful engines of economic development.

In pursuing development objectives a fresh beginning should be made by taking into consideration the need of the people and their surroundings. Development planning must adopt a more pluralistic and institutional approach. A collection of essays on institutional analysis and development argues that the institutional choice should be presented not as a dichotomy of state and market but as pluralism of possible contractual relationships, both explicit and implicit. They argue:

"System of governance can be constituted by conceptually simple but socially complex configurations of explicit or implicit contractual relationships. There is no theoretical ground why there must be a single centre that has exclusive authority to formulate and enforce rules in a society."\textsuperscript{36}


The basic fact which should be understood is that, without any public sector investment, powerful development impulses can be generated. The development planning must recognize that people find their dependable institutions; that engines of economic development cannot be created merely by more "plan funds"; that institutions can be fountainhead of modernization and growth impulses.

During the heyday of development economics, spanning from the 1940s to the 1980s the emphasis was shifted from the State to the market and vice-versa in a way similar to the movement of a pendulum in a clock. There was a sense of disillusionment with the prevailing confusion in the development economics. So, in the beginning of the 1990s, development economics thus finds itself in a position of looking beyond the short-run solutions and it settled down in addressing the question of alternative development strategy and its implications for sustained economic development, the case for the civil organization in an important role in relation to the State and the market came up.37

Many civil organizations have emerged as substitutes for the State and the market. They can be termed as alternative institutions for development. Here, the theoretical aspect on Institutions can be given briefly. Institutions are complexes of norms, rules and behaviors that serve a collective purpose and organizations are a structure of roles. While many institutions are organizations like households, firms, cooperatives, many institutions are not organizations like money, the law. The distinctions between Institutions and Organizations are a matter of degree. A contract

or a grassroots organization may become institution if they are extensively practiced, standardized and recognized.\textsuperscript{38}

State, market and civil organizations can be contrasted by the type of incentive schemes and the type compliance or cooperation mechanism that each imply. The State enforces by regulation and coercive power, the market conveys price signal that give incentives to adjust, and civil organizations rely on agreements based on bargaining cooperation and persuasion.

The civil organizations in the form of grassroots organizations and non-governmental organizations are seen as channels for promoting economic and social development and also contributing to democratization of the economy, society and polity. In this context, the concept of civil society comes into the picture. The concept of civil society defines a certain area, which is dominated by the interaction of certain kind between the individuals and the State. The area in question is the public space between the State and the individual citizen. Civil society is further distinguished by the fact that, the activities contained therein take an organized and collective form. The organization of civil society exists, outside the realm of the State and on free and independent basis. The civil society involves coordinated activities. Such a coordination is done on level above the sphere of family bonds. It is the organization of more secondary and constructed.\textsuperscript{39}

Civil society is defined in opposition to the State and is identified with voluntary associations and community bodies through which individuals govern

\textsuperscript{38} Norman Uphoff, (1993), Grassroots Organisations and NGOs in Rural Development: Opportunities with Diminishing State and Expanding Markets", \textit{World Development}, Vol.21, no.4, p.607-622.

themselves. The non-government, non-party associations of civil society is seen as forums of direct participation. The civil society is best represented by the spectrum of non-governmental and grassroots organizations. These organizations may in some cases consist of little more than a set of collective rules regulating actions in a community.

Social capital refers to the quality of human relations within some well-defined social group that enables members of this group to act in cooperation with one another for achieving mutual benefits. More formally, it is defined as “features of social organization such as networks, norms and social trust that facilitate cooperation and coordination for mutual benefit”.

The civil society is also known as the ‘third sector’ which operates between the public and the private spaces. It fills the intermediary spaces available in between the institution of state and the society. The main distinguishing feature between the public, the private and the third sector is the incentives the users get from cooperation or compliance. The public sector relies on bureaucratic mechanisms and seeks enforced compliance with government decisions. The private sector uses market mechanisms to promote desired behavior. The third sector depends more on voluntary mechanisms involving the process of bargaining, discussion, accommodation and persuasion.

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These three sectors and their approaches are represented summarily in the following table:\(^{41}\);

Table No 2.1

**Actors and Approaches**

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<tr>
<th>PRINCIPLE MECHANISM</th>
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Decisions are taken with reference both to groups and individuals interests. The greatest advantage of the voluntary associations is their mode of operation. Since it is a bottom-up approach, it decentralizes the authority and decision-making. The

members have the same power in the process of decision-making as the leaders. The decision-making power made available to the members is the most important criteria of participatory development. This advantage is denied to the common people in both bureaucratic as well as in market organizations. The other important thing in the voluntary sector is the institution of sanction in the form of social pressure. It works as the necessary checks against any deviant decisions and behavior by any member. In other words, the voluntary associations take into consideration, the needs, the attitudes and the way of life of people in a better way than its counterpart.

**Literature Review:**

There have been a lot of literatures on the concept of cooperation and cooperative across the different streams of social sciences. Even Biology provides an explanation on the concepts. So, naturally the discussion on cooperation and cooperative draws from different subjects, ranging from economics, political science, sociology, management and international relations.

In this direction the basics of cooperation and cooperative is provided by the noted author Robert Axelrod. His classic *The Evolution of Cooperation* 42 is a milestone in the study of cooperation and cooperative. Axelrod’s another recent publication on cooperative is *The Complexities of Cooperation* 43 where he picks up the thread from his last book and takes ahead the discussion on the complexities that emerge after the cooperation among a group of people concerned about their collective interests.

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Robert Axelrod’s article "How to Promote Cooperation"\textsuperscript{44} is a statement of the origins, development and effect of Axelrod’s work on cooperation and acts as a navigator in the field of cooperation. His interests in game theory and a concern with international politics led to the development of computer tournament for the Prisoner’s Dilemma. He believes that the work fits into a widespread desire to prove a "hardheaded" rationale for cooperation, because it is easy to understand, and because it is general enough to be applicable to a wide range of disciplines like political science, economics etc.

Robert Axelrod and Douglas Dion’s seminal article "The Further Evolution of Cooperation"\textsuperscript{45} talks about the evolution and prevalence of cooperation. Axelrod’s model of the evolution of cooperation was based on the iterated Prisoner’s Dilemma. Empirical work following this approach has helped establish the prevalence of cooperation based on reciprocity. Theoretical work has led to a deeper understanding of the role of other factors in the evolution of cooperation, the number of players, the range of possible choices, and variations in the pay-off structure.

Coming on to the cooperative, the writings are generally limited to the management aspects. However, recently there have been some interests in this area in the social sciences. Many studies on cooperatives have been done in different universities, research institutions and by individuals of which only a small percentage has been published. The interest in cooperatives has been only of recent origin in India. It is not that cooperatives were recently introduced in India; the organization in


its modern form came into existence in 1904, with the promulgation of the Cooperative Credit Society Act. Several studies on cooperatives were done at the Vaikunth Mehta National Institute of Cooperative Management. These studies highlighted the violation of the cooperative principles and concept by the vested interests to avail the government assistances to the cooperatives.

Geeta Devi investigated the problems confronting the handloom industry. The study investigates the differences in the nature of ownerships, size of the units, and the socio-economic characteristics of the weavers. The study also reveals the low level of employment and the standard of living of handloom workers. The study of Sarangdharan focuses on the role of weavers cooperatives in promoting the handloom industry and ascertains the impact of cooperativization on the economic conditions of the members. The study makes a survey of 250 weaver households from the 100 weavers' cooperatives. It looks into the functioning of cooperatives and ascertains their effectiveness. The study argues that though there are cooperative structures, hardly there are any significant economic and social achievements on the part of weavers. The study notes that weaver cooperatives had only a marginal effect on

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weavers’ economic wellbeing and weavers in other production units generally had higher incomes as compared to cooperative weavers.48

The study of Rajagopal analyses the structural differences in handloom industry. This study notes that the growth of cooperative structure was relatively slow in the handloom sector.49 Kutty Krishnan in his study of the handloom industry notes weak financial position of the cooperatives mainly because of the high level of inventories. The study identifies political rivalries as one of the factors effecting cooperative functioning.50 Varkey makes a detailed investigation into the working of the coir cooperatives. This study makes a primary survey of forty-six coir cooperatives and highlights the inadequacies in the working of the cooperatives.51 Rajaram presents a detailed sociological analysis of the relationships between cooperatives and social structures. In this seminal work, Rajaram looks into the milk cooperatives in Gujarat providing a sociological analysis on the existence, performances and functioning of the cooperatives.52

In the study of cooperatives, the Indian Institute of Rural Management (IRMA)’s contribution is noteworthy. Though the studies revolve around the focus on management aspects of cooperative, still IRMA’s various case studies and occasional papers over the years provide a significant amount of contributions to this field. The


interesting part of many studies is that they have tried to look into several aspects of the cooperatives from a multidisciplinary angle. Works done by Tushaar Shah over the years on the functioning of cooperatives in different fields has strengthened the basics of understanding the cooperative from social sciences angle.\textsuperscript{53}

Significant contributions on Indian cooperatives come from L.C.Jain and Karen Coelho’s work where the authors cast light on the history of evolution of the concept of cooperatives in India. This book is one of the rare sources on the evolution of cooperatives in India.\textsuperscript{54} This book traces the emergence of cooperatives in India since the colonial period and argues that how the cooperative structure have remained under the State influences since the day of its inception. The authors provide detail account of the interplay of cooperative structures and the Indian State over the years. The book mainly focuses on the growth of cooperatives in post-independence era and argues that cooperative structures have been the victim of the indifference attitude of the State in terms of genuine support. Rather, the cooperatives remained confined to the rhetorical promises of the Government in different policy documents.

Apart from these studies there have been numerous cases of traditional forms of cooperatives of which only some have been analyzed. In India, there have been many forms of cooperativism in different parts of India from north to south. To cite only a few is worth mentioning. They are as follows:


\textsuperscript{54} L.C. Jain, and K. Coelho, (1996), \textit{In the Freedom India's Tryst with Co-operative}, New Delhi, Sage.
Lana in Punjab by Darling,55 Nidhi in Madras Presidency by Hough56; Aya, Kankhe and Ulipi in Karnataka by Ishwaran57; Srivastava talks about Kula, Grama, Sreni and Jati;58 Oomen refers to Hodel, Shaja, Sirkathin in Rajasthan.59.

The collection of different articles and speeches of Vergese Kurien60 captures the complexities and the delicate nature of ushering cooperation in multi-cultural Indian society. His analysis candidly brings out the roles of different players, i.e. cooperative leaders, socio-political environment and the importance of the members in management and successful performances of the cooperatives. The author argues that the cooperative structures must be made to suit the local socio-economic conditions of the area concerned where the cooperatives are going to be started.

All these studies focus on the functioning of different cooperatives in fostering development. However, there is less amount of work on the nature of participation and the functioning of democratic governance in Indian cooperatives with social science approach. This study tries to fill the gap in this direction.

55 M. Darling, (1930), Rusucus Loquitur or the Old Light and the New in the Punjab Village, Bombay, Laxminarayan Publishers, pp.116-141.