Editorial: Are collectives the key to change?

The United Nations General Assembly declared 2012 the International Year of Cooperatives. The intent was to recognize the contribution that cooperatives make to social and economic development worldwide. The UN objective was to encourage the growth and establishment of more cooperatives, and to promote their value to stakeholders globally.

Last year, the editorial board of *Enterprise Development & Microfinance* decided to publish an issue on collectives – not just cooperatives, but all forms of economic group action, from self-help and savings groups to agricultural cooperatives. The papers in this issue represent a diverse range of case studies from Ukraine, Tajikistan, Honduras, Nicaragua, India, and Nepal that cover topics of relevance to market development and finance.

Ledgerwood and Wilson demonstrate that community-based organizations have contributed and continue to contribute to a dynamic and comprehensive financial system in Tajikistan; the Turner, Ramsing, Wright, and Antonovskaya case from Ukraine illustrates that, if introduced using a culturally sensitive approach, collective action can result in important benefits for small farmers despite initial negative attitudes to the same; Chidambaranathan, Premchander, and Raj M argue that member-owned institutions give the best financial returns to members from microfinance operations, besides giving decision-making power, and improving the positioning of women-owned organizations vis-à-vis formal financial institutions; Garming, Bantle, Castellon, Staver, and Zander report from their experiences in Honduras and Nicaragua that social capital, a commonly used predictor for the success of group marketing, is not sufficient and additional indicators are needed – such as access to assets and start-up skills of members; and our final theme paper from Simkhada describes how, after the promulgation of the Cooperative Act 1992 in Nepal, the sector has taken off with over 25,000 cooperatives providing numerous benefits in savings and credit, insurance, and non-financial services. The issue wraps up with a non-theme paper in which Castello and Boike demonstrate how remittances are critical to small African economies, have greater impact than in the more prosperous countries, and could lead to even better outcomes with improved distribution channels.

Our debaters in this issue's *Crossfire* – Ghore and Labh – discuss whether or not collective action is a prerequisite for deep and sustainable development. Arguments are compelling on both sides. Labh raises the point that visionary leaders are often at the forefront of successful collective movements, while many groups serve the needs of some members and not others. On the other hand, Ghore persuasively

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doi: http://dx.doi.org/10.3362/1755-1986.2013.008, ISSN: 1755-1978 (print) 1755-1986 (online)

argues that 'when the state and the market become dysfunctional or exclusionary, collective action becomes necessary rather than desirable'. The debate leads us to conclude that collective action and individual action are not an either or choice, but a dynamic interplay that can evolve in different directions.

Human beings are social animals, and have therefore always behaved collectively – for the benefit of the group and the individuals who make up that group. Even cave paintings from 15,000 years ago depict groups of hunters working together to bring down a large animal. Fast forward and we witness collective farms in Babylon, merchant associations during the Ming dynasty in China, the guilds in medieval Europe, and the communal rights of many new world First Nations. It is not until the mid-19th century, however, that we see the formalization of cooperatives and credit unions in the Western world – a reaction to the industrial revolution and the changing economic structures. Then, as now, there were groups that flourished while others failed, groups that improved lives while others were ineffective in achieving their goals, and groups that achieved an acceptable level of equality while others were hijacked by elite members, or charismatic and misguided leaders.

Society is indeed complex, and as usual there is no single right or wrong answer. As the papers in this issue illustrate, it is the 'how?' rather than the 'what?' of collectives that is fundamental to success. In setting up cooperatives and other collectives, the group members need to be clear on a range of issues: governance structures, transparent processes, value proposition and shared benefits, desired social and economic outcomes, sustainability, and so on. This does not mean that leadership is not important. In the case of leadership, the question 'why?' is paramount – is it leadership for the self, or the common good; is it leadership driven by shared values or concerns for power? A collective model that functions well for the benefit of members in a given context, is led by a dynamic value-driven leader, and has a clear path to sustainability may be the most successful of all. The examples given by Ghore and Labh in their debate – Ela Bhatt and SEWA; Dr Kurien and AMUL – are cases that illustrate the huge potential of collective action.

Perhaps we should reverse the question and ask if we can imagine a world without collective action? We can imagine it – but I do not think it would be a nice place. Even with growing levels of education, more democratic governments, and strengthening legal institutions worldwide, we see that a small percentage of individuals can take control and wreak havoc on the lives of others. From bankers who were self-incentivized to let economic systems crash, to resource plundering at the expense of indigenous communities, and land grabs creating yet another wave of colonialism in some parts of Africa – we see that greed is as integral to many people's makeup as is the need to be a social animal and act collectively. It has always been the group, and only the group, that can put in place the necessary controls to ensure some level of transparency, equality, and benefit on a sustainable basis. Collectives may therefore not be sufficient to realize change, but they are definitely necessary.

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