

Patrizia Battilani

Department of Economics

University of Bologna

The creation of new entities: stakeholders and shareholders in 19th century Italian cooperatives

As a result of strong links with the most important socio-cultural issues of the 19th century, both the definition and promotion of cooperatives are interwoven with the development of the socio-political movements of that age; they were never confined to purely academic circles, and for this reason, a great deal has been written about the relationship between cooperation and socialist/labour ideologies¹, and about the influence that the various forms of Christianity have had on the cooperative movement². The growth of cooperatives has been the subject of theoretical analyses by famous economists such as Walras and Mills, and has enjoyed support from a growing school of thought embodied in the creation of socialist-inspired institutions (ranging from the Trades Councils to the Resistance Leagues), and from one section of the Catholic world (parish priests and parish associations) that associated this new form of enterprise with a more ethical approach to society and the economy.

The numerous studies made of the persistence of the cooperative movement during the course of the 20th century, have often distinguished between economic efficiency and the ethical values (or ideologies) in question³, as if the two were separate phenomena moving in parallel directions. However, over the past fifteen years at least two different approaches have been adopted by economists investigating this question. This has led to an interweaving of the cultural aspects of cooperation with the question of economic efficiency. The first of the two approaches is that of Putnam's concept of social capital, while the second is that of property rights based on the work of Henry Hansmann.

¹See, for example, the studies that have been published of Belgian and English cooperation. E. Furlough and C. Strikwerda, *Consumers against capitalism*, Usa, Rowman and Littlefield publishers, inc., 1999.

² See the studies of the development of the Italian and the German cooperative movements.

³ If, for example, we limit our analysis of the history of cooperation to the Italian case, we note that up until the 1970s, studies were prevalently of the political variety; in the 1980s and 1990s, this type of study was gradually replaced by business histories, where the emphasis is on the competitive aspects of the cooperative enterprise.

In particular, the idea of social capital, understood as sustained group-level cooperative behaviour⁴, has been utilised to explain the non-homogeneous territorial distribution of cooperatives in Italy. This is true of two interesting studies, one by Galassi (2001) and the other by A. Hearn (2000).

In fact, during the second half of the 19th century cooperatives gained a substantial foothold in six Italian regions, all situated in the north of the country (with the exception of Tuscany in the centre): Piedmont, Liguria, Lombardy (the three richest Italian regions), Emilia-Romagna, the Veneto (with per-capita levels of income similar to those of southern Italy) and Tuscany. These six regions continued to boast the highest concentration of cooperatives for the entire course of the 20th century.

Taking into consideration unlimited liability rural cooperative banks (*casse rurali*), Galassi concluded that “it was objectively more difficult to set up a coop in Southern Italy, or at least in some Southern regions, than in the North. Southerners needed to trust a greater proportion of their neighbours to find that membership was worth the risk, because they lived in a riskier area, and thus not surprisingly started fewer co-ops, than their Northern colleagues”.

A.Hearn, on the other hand, taking the *Banche popolari* (the coop banks) into account, finds important differences in the strategy and performance of these banks in North and South during the 1890s and shows that “these differences cannot be attributed to differences in the local environment”. Neither specialization in Mediterranean export crops nor the population of poor agricultural, nor the small size of Southern cooperatives explain the poor performance of these banks in the South. On the contrary findings are consistent with the idea that the lack of trust undermined their viability. “We are left with two findings consistent with the idea that certain aspects of Southern culture and society undermined cooperation there. First although the data on membership and investment do not suggest a debilitating factionalism or lack of cooperation among local economic elites, the evidence does indicate diffidence on the part of southern savers towards the new cooperatives. The suggests an unwillingness to trust the local bourgeoisie whose involvement in the north has been seen as so important in winning the confidence of the lower classes. “

Both papers conclude by pointing out how the inefficiency of the southern cooperatives, and the impossibility of their remaining in the market, were the result of purely economic factors which, nevertheless, were deeply rooted in the cultural heritage and traditions of the Italian South. In associating myself with this approach, where efficiency is linked with “culture”, I wish to examine the cultural components of the Italian cooperative movement which, as we all know, emerged from three different socio-cultural traditions: liberalism, Catholicism and socialism. Despite their differences, all three seem to share what we refer to here as the “**ideal of mutual happiness**”. The

⁴ (Arrow 1972, Coleman 1990, Glaeser *et al* 1999, Dasgupta 1988, Putnam 1993)

indicator we wish to use to measure the popularity of this culture in the various Italian regions, would seem to be closely linked to cooperative expansion during the second half of the 19th century, and would thus appear to provide an explanation for the non-homogeneous geographical distribution of cooperatives.

We still need to identify what it is that links efficiency with the presence of the “**mutual happiness**” ideal. At this point, it would seem a good idea to refer to Hansmann’s analysis (1996), according to which the presence or otherwise of cooperatives in the various economic sectors (and thus in the various different Italian regions) is the result of the minimisation of transaction costs.

In particular, the efficient allocation of property rights stems from the minimisation of the total cost of transactions: the cost of contracting for stakeholders who establish a contractual relationship with the firm, and the cost of ownership for stakeholders who own property rights in the firm. The most significant costs associated with the exercise of ownership can conveniently be subdivided into three categories: monitoring costs, collective decision-making costs, and risk-bearing costs. In particular, the process of collective decision-making can involve high transaction costs in the presence of heterogeneous interests. For example, individuals are strongly motivated to form coalitions so as to shift benefits to their advantage. Consequently, substantial effort may be required to form and break such coalitions. On the other hand, even where patrons diverge considerably in interest, the costs associated with collective decision-making may be low if there is some simple and salient criterion for balancing their interests⁵.

The link between cultural/political movements and the cooperative movement not only increased the level of inter-personal trust through a series of membership mechanisms, but it also meant that the interests of members were less heterogeneous than they had previously been: as a result, the costs normally associated with collective decision-making were reduced. Summing up then, the ideological-cultural component proved to be a vital factor in the development of cooperatives, not only because it spread knowledge of such undertakings, but also because it contributed towards their economy efficiency.

1.1 The slow construction of a new type of enterprise: the emergence of cooperatives in economic and juridical debate in Italy.

In terms of the history of business enterprise, the 19th century saw the emergence of alternatives to the sole proprietorship: innovative forms of enterprise were being created in order to provide

⁵ HANSMANN, Cooperative Firms in Theory and Practice, LTA, 4/99, pp. 387–403

support to long-term economic growth. This was the century in which the industrialised nations' Commercial codes made it increasingly simpler to create limited liability companies⁶. As the French jurist, Ripert, wrote, these were the years in which capitalism created its laws⁷. However, 19th-century institutional innovations were not all designed to strengthen investor-owned business corporations, but also included the introduction of an entrepreneurial undertaking in which ownership was assigned to stakeholders who were not investors – the cooperative in other words.

The importance of this novel form of economic enterprise is emphasised by the fact that the greatest economists of that age – including Walras, Mill and Pareto – felt the need to write about that form of undertaking which we now call the cooperative, but which at that time was known under a variety of names: sociétés à capitale variables, associations populaires, equitable pioneers, industrial and provident societies.

Stuart Mill defined the cooperative as an association of workers with equal rights, each being a joint owner of capital stock, working under a management which the workers themselves choose and which the same workers possess the power to dismiss⁸. Walras defined the *associations populaires* as companies whose capital stock was not created by an immediate, definitive underwriting, as occurs in the case of ordinary commercial and manufacturing companies, but through a gradual process consisting of the regular payment of membership shares by the cooperative's members. The French economist defined cooperatives in terms of two basic characteristics: their purpose, that is, the creation of capital (a sales outlet, a factory or a bank) that belongs jointly to all members, and may be used in their interest; the means that are available to them, which basically consist in the regular, systematic withdrawal of a portion of wages and of company profits, that is, of the members' overall income, for the purpose of increasing capital stock:

“Ainsi, avènement des travailleurs à la propriété du capital par l'épargne, voilà en deux mots tout le système des associations populaires.⁹”

6 In France, the government authorisation for the foundation of corporations was finally abolished by the 1867 Code, which also saw the introduction of the *sociétés à capitale variable*, a format including the cooperatives. In England the Joint-Stock Companies Act (1844) made incorporation possible merely by registration, and between 1844 and 1862 the full joint-stock company with limited liability for all shareholders became widespread. That same year, the 1862, saw the passing of the Industrial and Provident Societies Acts (I&P Act), which for the first time gave cooperatives corporate status, with the provision of a proper legal framework for cooperatives. In Italy, cooperatives were legally recognised with the publication of the new commercial code in 1882, which at the same time abolished the need for governmental authorisation when creating a corporation.

⁷ RIPERT, Georges, *Aspects juridiques du capitalisme moderne*, Paris, L.G.D.J., 1951.

⁸ Mill 1852

⁹ Walras 1865.

Italy was involved in this debate from the very beginning, when a group of intellectuals including the economists Ugo Rabbeno and Ulisse Gobbi, proposed their own definition of the cooperative enterprise as follows:

“we can safely say that the defining characteristic of any cooperative undertaking is the joint running of the undertaking in order to produce that function needed by, and exclusively for the benefit of, its members.”¹⁰.

Debate among 19th century economists, both in Italy and throughout the rest of Europe, focused exclusively on technical questions, such as the type of company liability (limited or unlimited), the nature of invested capital (variable or fixed), members’ aims (to obtain ownership of capital through work; to improve living standards by having access to cheaper goods, etc.), albeit within clearly defined cultural boundaries.

The development of the cooperative movement was set against a background of pauperism and the “social question”; indeed, the problem of pauperism was so great that Walras, the creator of the concept of general economic equilibrium, declared that “either society destroys pauperism or pauperism will destroy society”.

The above-mentioned economists saw the cooperative movement as something that would enable the poor (that is, those who were capital-less) to enter the world of production, through the creation of shops, banks and factories, and thus as something that would help increase national wealth.

The Italian case is of particular interest because the cooperative movement was created as, and forever remained, an amalgamation of diverse cultural areas that was to generate a wealth of debate and theoretical writings.

Cooperative ideals were first promoted in Italy by a cosmopolitan group of intellectuals from various fields: liberal-minded, lay thinkers such as Viganò, Rabbeno, Luzzatti and Wollemborg. They all perceived the cooperative as enterprises that conciliated capital with work, and as such, capable of guaranteeing the greater commitment of their workers. Rabbeno and Wollemborg’s writings clearly reveal their belief in the potential of the cooperative to create the premises for social peace and the moral improvement of the individual.

Smith’s school of thought is based on the totally mistaken idea that labour is a commodity just like any other ... The truth is, however, very different: the “labour commodity” is incorporated in the person of its seller, the worker; in other agreements, the seller may adapt supply to demand and thus influence price, whereas the worker cannot do this, because he cannot reduce himself; thus only the buyer establishes the sale price and terms.....

¹⁰ Rabbeno 1889.

However, the conflict (between capital and labour) can never be completely eliminated, unless enterprises are modified in such a way that there is no longer any separation between the functions of entrepreneur and worker.

Well, the manufacturing cooperative sets itself this “aim” ... to eliminate the said conflict .. so that there is no longer any such division between entrepreneurs and wage-earners, and so that labour is not seen as a mere “commodity”, as it is now, but is once again granted economic independence, and is paid for in just measure, thus re-establishing the balance in production which has been missing up until now...¹¹.

The re-awakening of the morality and self-belief of the inhabitants, who know that each individual, provided he is honest and capable of doing a useful job, may aspire to membership and to the benefits of credit. The following facts, among others, support this claim. Twenty-eight of the present members of the association learnt to write their names at the very least, so that they could sign the shareholders’ register. Several made a solemn pledge to change their depraved ways, and in fact managed to keep their promise. Finally, there were those who, having been rejected on the basis of their belonging to the local charity’s list of paupers, re-submitted their application after having applied to the religious charitable institute to be removed from its lists “due to the fact that they no longer required charity”, and were subsequently admitted to the association.”¹².

Numerous cooperatives were the result of the work of men like Wollemborg and Viganò, especially in the banking and retail sectors. Generally speaking, the memberships of such cooperatives included a substantial share of middle-class individuals, but failed to include very many from the poorer classes, as can be seen from the histories of the large 19th century consumers’ cooperatives and from the social background of the cooperative banks’ membership.

From the 1880s onwards, the worsening of the economic crisis and the increasingly difficult process of industrialisation, were accompanied by a flourishing of Catholic and Socialist associations. It is widely acknowledged that the greater social and economic involvement of the Catholics can be put down to the publication, in 1891, of the Encyclical *Rerum Novarum*, written by Pope Leon XIII, which was to shape the Catholic Church’s social doctrine. At the same time, there was a growth in socialist-inspired associations, with the creation of the Trades Councils and the Resistance Leagues. Hence the emergence of two important new theoretical and practical approaches to the creation of cooperative undertakings.

As far as concerns the founding fathers of the Catholic cooperative movement, mention must be made of Chiri, Sturzo, Guetti, Portaluppi and Rezzara, all of whom contributed towards the expansion of cooperatives, and in particular of the cooperative banks, throughout Italy’s rural areas. They defined the cooperatives’ principal tasks as the improvement of the living standards of the

¹¹ Rabbeno pp. 424-463

¹²Wollemborg 1884 in Marconato 1984.

poorer classes, and above all the creation of an economic order capable of overcoming the distinction between wage earners and capitalists.

Cooperation, regardless of its form, has to date managed to fulfil its initial purpose that of subtracting the poor and the weak from the unfair or excessive actions of the capitalist classes This task is of fundamental importance, but from now onwards cooperation has to raise the rural or industrial proletariat to the capitalist level, and to support small-scale enterprises in the face of competition from large companies The underlying aim is not so much that of raising the wages of rural or industrial workers by a penny or two, but of reducing the number of wage-earners by creating a strong, constantly expanding core of small and medium-sized businesses in which the workers themselves own the means of production Thus the great task ahead for the cooperative movement is that of wholesale reconstruction of a new social class ...¹³.

The founding fathers of the socialist cooperatives, on the other hand, included the likes of Costa, Baldini, Vergnanini and Prampolini, for whom the cooperative undertaking represented the first step towards the complete transformation of the economy and society; in other words, they saw the cooperative as a form of enterprise that re-established the dignity of labour and helped to create a fairer, more egalitarian society.

Cooperation, in the face of pure resistance, represents the passage from a unilateral phase of opposition to a positive phase of reconstruction. In fact, several of Italy's cooperatives emerged at a time when the workers' struggle proved impotent or insufficient, and when the workers found themselves faced with the task of fighting something more terrible than capitalist oppression, something hidden in the shadows: the lack of work

Thanks to the creation of worker, producer and consumer cooperatives, the working classes moved up into the middle-classes' territory, that of the harsh world of business. They attacked capitalism on its own patch, utilising the same devices and means it employed to nourish itself, creating new centres of commercial and industrial life, around which there was a gradual convergence of part of those forces constituting the clientele of private speculation. Labour, organised in a cooperative manner, had declared war on private speculation; not only in order to reduce its dependency, but also to undertake practical, direct action aimed at challenging the economic monopoly of society¹⁴.

This deep theoretical formulation, focusing both on the technical aspects and on the strengthening of the cultural-ideal aspect of the movement, took some fifty years to come together in the form of legislation. In fact, while the 1865 Civil Code avoided any reference to cooperatives, the 1882 Commercial Code introduced a highly generic definition of cooperative undertaking: indeed, the only distinguishing elements referred to by the said Code were the one-member-one-vote scheme and the non-transferability of membership shares. Reference has to be made to the tax legislation of the 1870s in order to find any reference to mutuality, defined in very restrictive terms nevertheless.

¹³Toniolo 1900.

¹⁴Vergnanini 1907.

In truth, the first full definition of the cooperative to take account of the interests of the various stakeholders only appeared at the beginning of the 20th century, on occasion of the laws governing public tenders. In particular, Royal Decree 278 of the 12th February 1911 established the basic characteristics of the cooperative:

1. a minimum number of members (9);
2. open access;
3. the sharing out of profits: profits were shared out among members only, although it was emphasised that those profits made from the labours of non-members had to be set aside into a reserve fund or used for insurance, mutuality, cooperation and education.
4. the dignity of labour: non-member workers were to be paid no less than the current wage;
5. strengthening of company size, thus making it possible to employ non-members.

In brief, Italian legislation slowly acknowledged a type of enterprise that was different from the investor-owned business corporation, one that was based on the principle of final control exercised by the enterprise's members: the said coop members exercised this control jointly (on the basis of the one-member-one-vote principle), while other stakeholders (first and foremost the non-member workers) were also granted a role; in fact, they were duly paid a fair wage, and their presence meant that a part of profits had to be utilised for the purposes of mutuality.

1.2 The many faces of Italian cooperation at the turn of the 20th century

As we have already mentioned, the earliest cooperatives appeared in various different sectors of the Italian economy during the 1850s. In keeping with standard practice, at this point we would like to provide a few significant figures for this initial period of cooperative development: the year 1854 saw the foundation of Italy's first ever consumer cooperative, Turin's *Magazzino di Previdenza della Società Generale degli Operai* (the Workers' General Society outlet); in 1856, a group of glaziers from the town of Altare (in the province of Savona) set up the first workers' cooperative; then in 1864, the first Italian Banca Popolare was set up in the town of Lodi; in 1883, at Loreggia (near Padua), the first Cassa rurale (rural bank) was founded; and in 1884, Nullo Baldini, together with a group of farm labourers, set up Italy's first agricultural cooperative in Ravenna. Thus in the thirty year period stretching from 1854 to 1884, virtually all the various forms of cooperative enterprise that had been tried out in other European countries during the previous decades, made

their appearance in Italy. On occasion they even boasted certain original features. In this present section, we are going to look at the substantial heterogeneity of Italy's cooperatives.

We shall start with the consumers' cooperatives, which appeared for the first time in Italy in the Piedmont region in 1854. It is widely acknowledged that the prototype of this kind of enterprise was of British origin: in fact, in 1844 a group of weavers from the cotton town of Rochdale in north-west England, set up a store, open to members and non-members alike, selling goods at market prices and redistributing profits to the store's customers in the form of a refund calculated on the basis of the purchases they had previously made. In Italy, the first consumers' cooperatives derived from the transformation of pre-existing self-help societies, and of mutual aid societies in particular. The region where this kind of cooperative was most prevalent was Piedmont, although such cooperatives were also present in the Lombardy, Liguria, Veneto and Emilia regions. Generally speaking, these first coop stores, including the one set up in Turin in 1854, differed from their English counterparts in that they only sold goods to coop members, and at cost price, and were thus not in a position to accumulate wealth or pay out refunds. The members-only stores, which were fairly widespread during the 1870s and 1880s, constituted the first step in the process of transition from charity (the mutual aid societies being part of this sphere) to real cooperation; that is, to the model of a business enterprise based on the principle of mutuality. It is no coincidence that the first pioneers of consumers' cooperation, Francesco Viganò (from Lombardy) and Luigi Luzzati (from the Veneto), variously encouraged the transformation of such institutions into open cooperatives along the lines of the Rochdale model.

In 1874, Viganò wrote:

“It is a better idea if we convert our stores into true cooperatives, as without saving anything, with the exception of those small deposits that form almost of their own by setting aside the dividends, every three months the coop members reap the benefits of the savings made on the difference between cost price and sale price, a difference which grows by the hour and which rendered the Honest Pioneers of Rochdale wealthy and educated, while in our stores the said difference is eaten away, a priori; in this way the members will never be able to accumulate capital, but on the contrary will get accustomed to consuming more, and if the difference is whittled away or eliminated altogether, they shall suffer the worst possible disillusiones¹⁵”

During the last fifteen years of the 19th century, the closed associations – descended from the mutual aid societies – were flanked by white-collar consumers' cooperatives, particularly in the Lombardy region (but also present in other Italian regions such as Lazio). The members of these cooperatives were white-collar workers employed by banks, railway companies and the State, or in some cases army officers, and the cooperatives in question were situated, as one would have

¹⁵ Viganò and Schulze, 1874.

expected, in the nation's major towns and cities. Some of these cooperatives attained a noticeable size: coops such as Milan's Cooperative Union, founded in 1886 by Luigi Buffoli, and Rome's Military union, set up in 1889 by an army lieutenant, Tito Molinari. These cooperatives proved capable of forcing the consumers' cooperatives to come to terms with Italy's larger, more innovative retailing businesses. Suffice it to say that Milan's Cooperative Union was one of the first Italian commercial enterprises to introduce display and sales systems based on those used by the major Parisian department stores, while the Military Union became a commercial giant within the space of a few years, with stores in all of Italy's ten largest cities.

From the 1880s onwards, this type of enterprise also began to expand into Italy's smaller towns and urbanised countryside, with the emergence of a range of associations founded by artisans, farm workers, factory workers and a variety of other categories of workers. This phenomenon is clearly substantiated by official statistics, which indicate the presence of around one thousand such associations during the final decade of the 19th century. The success of the cooperative in smaller towns and rural areas can be partly explained by the growing commitment and involvement of the Catholic world, with its capillary network of parish committees, and partly by the growth of socialist associations and institutions, ranging from the Resistance Leagues to the Trades Councils. Thus it was that Italy witnessed the spread of consumers' cooperatives in the form of small stores selling a rather limited range of goods targeted at the poorer sections of the community. At the beginning of the 20th century, this prevalently working-class cooperation laid the foundations for the construction of several large-scale cooperative groups, such as the Alleanza cooperativa di Torino (Turin's Cooperative Alliance) and the Cooperative Operaie di Trieste (Workers' Cooperatives). This growth was to continue right up to the outbreak of the First World War, as shown by official figures from that period revealing the existence of more than 2,200 cooperatives in 1914¹⁶. Sixty years on from the foundation of the first Italian consumers' cooperative, this was a very positive result in terms of territorial coverage, although there were still certain weaknesses which one of the fathers of European cooperation, Gide, so ably highlighted in a study of European consumers' cooperatives: first of all a high degree of fragmentation (per company turnover was lower than that of other European countries) and secondly the absence of any central purchasing organisation¹⁷.

The second sector in which cooperative enterprises were to emerge was the banking sector. Once again, the Italian model was no mere photocopy of other European models; although based on the latter, it had been adapted to take account of the specific cultural and economic conditions of the

¹⁶ Zamagni, Battimani and Casali 2004.

¹⁷ Gide 1918.

country. The first form of cooperative credit institute to be seen was the “*banca popolare*” – a cooperative bank based on the model created by Hermann Schulze at Delitzsch. This kind of bank was specifically designed to serve the needs of the urban middle and working classes, and its principal aim was that of rationalising the credit granted to craftsmen and small businesses, thus encouraging economic growth while reducing dependence on usury. By setting up a cooperative, it was possible to gather the capital needed to start up a banking business reserved for the coop’s members, while at the end of the business year, part of profits were paid out to coop bank’s members. Unlike the German model, Italy’s coop banks began life as public limited companies, in keeping with the express wishes of Luigi Luzzatti. Luzzatti believed that had the coop banks been unlimited companies, this would have discouraged the urban middle classes from joining, which in turn would have hindered the *banca popolare*’ success. The underlying principle on which the Italian coop banks were based was that of spreading the idea and appeal of saving throughout the middle and working classes, and of creating easy access to credit for town dwellers who, with their limited assets, naturally found it difficult to gain the trust of the ordinary banks. After what proved to be a rather slow start, the coop banks proceeded to expand substantially in various areas of the country: indeed, by the 1880s their market share ranged from 11% to 13%. Their slow, yet constant, growth was briefly halted by the 1892 banking crisis, but they recouped marvellously in the years thereafter, and their market share rose to 18%. This was proof of the credibility that the coop banks managed to generate despite the country’s economic difficulties. Luzzatti’s recommendations to the banks to be prudent, which is reflected in the fairly constant, rather low loans/liabilities ratio, failed to prevent a significant rise in overdue bills during the crisis years, but it did enable them to preserve credibility with members and customers.

The writer of the present introduction has done everything possible to prevent the setting up of several banks in the same small town – often a consequence of family or party rivalries – where one bank would be more than sufficient; he has repeatedly warned (at times passing for impertinent) both vocally and in writing, that the *banca popolare* has to avoid resorting to agricultural lending, and ought only to aim at long-term agricultural operations using its own capital and long-term deposits Those coop banks in the South of Italy that have followed this line have managed to survive the harshest of crises

Our northern Italian coop banks, with very few exceptions that would confirm the rule, by refusing to encourage deposits with artificial reasons of interest, by granting loans and discounts without displaying any political or religious preferences, by spreading credit out rather than concentrating it in the hands of the privileged few, by considering overdue bills as losses, by calculating figures below cost price even when they grow and recording their reductions as losses, by creating ordinary and extraordinary cash reserves, by reducing net profits in order to steal them from within the

hidden meanders of the reserve funds, and by never losing sight of the ideals of moral and economic improvement, came out of the crisis stronger than before ...¹⁸.

In truth, the company histories of various coop banks reveal a more dynamic approach to that recommended by their founding father, Luigi Luzzatti, as shown by their tendency to get involved in medium/long-term operations, to adopt the principle of the spreading of risk, and to become implicated in high-risk industrial financing operations¹⁹.

The social make-up of the banche popolari's members and customers was accurately recorded by a series of frequent statistical surveys, revealing the considerable presence of craftsmen and small businessmen, farmers and professional persons. However, the same figures also indicate the relatively scarce presence of the urban or rural working class²⁰. Overall, the coop banks constituted one of the most successful sectors of Italian cooperation right up until the First World War, both in terms of their market share and their ability to positively affect local economic growth²¹.

A very different role was played by the casse rurali – the second form of banking cooperative to emerge in Italy. They were inspired by the ideas of Raiffeisen, a protestant preacher from Prussia who invented a form of banking that enabled peasant farmers to access the small loans they needed in order to buy animals and machinery for their farms. This kind of cooperative was specifically designed for a social class that normally had no cash reserves, but owned a limited amount of property in the form of fields, tools and livestock. The basic idea of the casse rurali was to utilise this capital as a basis for generating credit, through the setting up of rural banks requiring a symbolic membership fee, where all members were jointly liable for the obligations incurred by the cooperative. In fact, it was the limited individual capital of the members that gave the casse rurali – a bank that was founded almost without any capital of its own (given the insubstantial nature of capital shares) - its credibility. This basic idea, which naturally implied a series of others - first and foremost that of considerable mutual trust and knowledge, and as a consequence their belonging to

¹⁸ Luzzati 1895.

¹⁹ Gonfalonieri 1961 e 1982

²⁰ The following social composition of membership of the coop banks has been calculated on the basis of the coop bank statistics published in 1911 by the Ministry of Agriculture, Industry and Trade:

| | | |
|--------------------------------------------|------|------|
| Member's job | 1880 | 1908 |
| Large-scale farmer | 7% | 6% |
| Small farmer | 19% | 22% |
| Agricultural day labourer | 3% | 5% |
| Large-scale industrialist or trader | 5% | 3% |
| Small-scale industrialist or trader | 29% | 23% |
| Factory worker | 8% | 8% |
| White-collar worker or professional person | 15% | 17% |
| Person with no given job or property | 13% | 9% |
| Miscellaneous | 0% | 7% |

²¹ With regard to the coop banks, mention should also be made of the works by R. De Bonis, B. Manzone and S. Trento (1994), O'Hearn (2000) and Galasso (2001).

a specific local area and possibly their shared cultural or religious values - underlay the foundation of the first ever Italian *cassa rurale*. It was set up in Loreggia, and was inspired by the ideas of a lay lawyer, Leone Wollemborg.

Thus the members do not have to contribute any shareholdings or capital shares. The members of the class in question do not generally possess any cash as such; besides, the peasant farmer's best, most natural Savings Bank is the land he owns and farms. Even the smallest of contributions would constitute a burden, and would conflict with the underlying reason that encouraged him to become a member. How can we inject sufficient capital into a rural village to provide an adequate base for the new association? The answer is that its life-source will be the personal solidarity of its members.²²

This was a faithful copy of the German model, including the restricted geographical area covered by the bank's services – more or less the local parish – without, however, the religious faith uniting the association's members. Initially, this kind of small, rural bank grew very slowly, as can be seen from table 1; in fact, development only began to accelerate during the 1890s, when the Catholic world began to promote it. In that period, parish committees and numerous parish priests pledged their support to the setting up of such banks of a Catholic orientation in Italy's rural areas. The foundation of new cooperatives, which by 1910 exceeded the 1,700 mark, was nevertheless not enough to make them economically visible: their market share continued to be very small (around 1%), although their concentration in just a few regions - the Veneto, Trentino, Lombardy, Emilia and Sicily – meant that their impact on the local economy was somewhat greater than this. Their difficulties also emerge from the loans/liabilities ratio, which up until 1915 remained incredibly high; so much so that they were dependent on inter-bank loans (generally granted by Catholic banks, savings banks or *banche popolari*) for the achievement of their corporate purpose. This economic fragility, and the need for support from larger banks, was always very clear to the founding fathers, who also worked towards the creation of provincial or regional-level cooperatives that could provide the individual *casse rurali* with greater room for manoeuvre. This plan saw the setting up of the *Cassa centrale per le Casse rurali cattoliche d'Italia* (Central Bank for the Catholic *Casse rurali* of Italy) in Parma in 1896. However, if the market-share figures are read bearing in mind the rural areas in which the banks operated, then it is clear that they played an important role in channelling credit towards geographical areas, economic sectors and families that would never have had access to credit otherwise. During this initial phase in their history, their role would seem to have been more that of distributors of trust than of credit as such, given that at the end of the day, the funds for the said loans came from other banking institutions. In fact, it was this extreme need

²² Wollemborg 1921.

for trust that led Pietro Cafaro, when writing on the history of these cooperatives, to offer economic justification for their policy of selecting members on religious grounds²³.

Table 1 Cooperation and credit, 1870-1915

| Year | Banche popolari | | | | Casse rurali | | | |
|------|-----------------|---------------|--------------------|-----------------|--------------|---------------|-----------------|--------------------|
| | number | Market share* | loans/ liabilities | % overdue bills | number | Market share* | % overdue bills | Loans/ liabilities |
| 1870 | 50 | | | | 0 | | | |
| 1880 | 140 | | 0.61 | 0.28 | 0 | | | |
| 1882 | 206 | | 0.62 | 0.27 | 0 | | | |
| 1883 | 250 | 12.3 | | | 1 | | | |
| 1885 | 407 | | | 0.22 | 14 | | | |
| 1886 | 516 | | 0.67 | 0.23 | 24 | | | |
| 1887 | 608 | 13.0 | | | 35 | | | |
| 1889 | 672 | | | | 42 | 0.02 | | 2.61 |
| 1890 | 694 | | | | 44 | | | |
| 1893 | 730 | 11.1 | 0.62 | 1.55 | 129 | | | |
| 1894 | 720 | 18.8 | | | 224 | | | |
| 1895 | 714 | 18.8 | | 4.5 | 370 | | | |
| 1896 | 710 | | | | 628 | | | 2.22 |
| 1898 | 696 | | 0.66 | 3.04 | 895 | | | |
| 1902 | 736 | | | | 1099 | | | |
| 1905 | | | | | 1386 | | 0.28 | 1.22 |
| 1908 | 736 | 17.0 | 0.78 | 0.99 | | 1.00 | | |
| 1910 | | | | | 1763 | | | |
| 1915 | | | | | 2594 | | | 0.68 |

Observations:

* Market shares have been measured as a % of deposits gathered by all types of bank.

Source: our elaboration of data from Maic 1895; Maic 1911; Gheza Fabbri 1995.

Workers' cooperatives, on the other hand, were based on the French model of the *Ateliers Nationaux* – genuine state-controlled workshops created according to the socialist principles of Louis Blanc – which took on unemployed city dwellers to provide services of benefit to the community, and which had appeared for the first time during the 1830s. Their launch in Italy was initially rather laboured, and in 1887 Ugo Rabbino, in an essay on Cooperation in Italy, counted only 52 such cooperatives. A report drawn up by Luigi Bodio, General Director of Statistics at the Ministry of Industry, recorded 109 manufacturing coops, 43 construction coops, and 69 cooperatives building housing for workers, in the year 1890. The most important of these cooperatives were that of the artistic glass workers of Altare, in Liguria, set up in 1856, and the Tile Manufacturing Workers' Cooperative of Imola, set up in 1874 when around thirty workers bought an existing factory, paid for in instalments. This latter cooperative had some 93 workers in 1886.

²³ Cafaro 2002.

²⁵ Rabbino 1889.

Then there were cooperatives of bricklayers, tailors, blacksmiths, tanners and glovers, composed of members who had specific professional skills and who generally came from the urban artisan class. The articles of association of these cooperatives were all rather similar as far as regarded the remuneration of member and non-member workers. For example, while Altare's cooperative of glassmakers only distributed profits to members, who were chosen from those families from the local borough who in the past had been glassmakers, the Imola cooperative not only allowed all workers to join, but also distributed a share of profits to temporary and casual workers. The articles of association of Cesena's *società anonima delle arti costruttrici* (anonymous company of bricklayers) differed once again, in that they provided for two categories of shareholders: those members working in the building industry and similar, on the one hand, and all other members on the other, who were paid interest of no more than 5%. The presence of capitalist members – that is, of members who provided only capital and not labour, was a common trait of such cooperative undertakings during the entire 19th century: cooperatives such as the Sampierdarena, with its 60 worker members out of a total of 650 shareholders, or the Milan enterprise Abramo Lincoln, which had 40 worker members out of a total of 250 shareholders.

Rabbeno's evaluation of these early manufacturing cooperatives, and in particular of those including capitalist members among their ranks, was not an entirely positive one. In particular, the Milanese economist pointed to the more serious limitation represented by the absence among the articles of association of measures concentrating capital in the hands of the worker-shareholders, and capable of getting them to make an extraordinary effort to save. In fact, a survey of 15 such cooperatives conducted by the same Rabbeno clearly revealed the predominance of shareholders over working members, and the limited degree to which profits were set aside, to the point where the capitalisation of such cooperatives usually involved the issue of new shares²⁵.

During the 1880s, the workers' cooperatives sector received a boost from the foundation of a number of farm labourers' cooperatives: the first of these was set up in Ravenna in 1883, under the name of the General Association of Farm Labourers of Ravenna. As well as winning contracts for public works, in 1884 the said cooperative took over the management of a vast estate, hence the fact that it is generally considered the earliest Italian agricultural cooperative. We would now like to give an account of the origins and development of these further two forms of cooperation: the agricultural cooperative and the farm labourers' cooperative.

Renato Zangheri, in a work published in 1986, considered the farm labourers' cooperative as one of the most original forms of Italian cooperation, one that was largely unknown in other countries; in

doing so, he echoed the views expressed by Luigi Einaudi in 1890²⁶. The first of these cooperatives was the above-mentioned Ravenna cooperative; this was quickly followed by others set up throughout the Emilia-Romagna region and in the various provinces of Lombardy. This was now a phenomenon affecting the poorest rural class, the uneducated masses, some of whom were borderline social deviants; their numbers had grown enormously during the final twenty years of the 19th century, as a result both of changes within the sector and in the contracts governing farm management, and of the farming crisis in general. These cooperatives specialised in public works, ranging from land reclamation to the construction of bridges and roads; as such, they encountered all of the problems blighting a sector of a strongly cyclical, unstable character. The work was subdivided among the members of the cooperative, although work was often given to non-members, especially when the coop won contracts for public works situated at a significant distance from the headquarters. The farm labourers' cooperatives expanded substantially up until the outbreak of the First World War: indeed, this cooperative sector was the one with the highest rate of growth, in terms of the creation of new cooperatives, for a variety of different reasons. The first of these was the overpopulation of farm labourers in Romagna and the Po Valley, resulting from the farm crisis and the reduction in maintenance work on farms, in a socio-cultural context in which emigration was not considered a solution to the problem; then there was the beginning of the great land reclamation projects throughout Italy following the passing of the Baccarini Law in 1882; changes were also made to the laws governing tenders, whereby the threshold for those works that could be contracted out to each individual cooperative was gradually raised, while the granting of legal status to the consortia of cooperatives facilitated their being assigned public works²⁷. One of the consequences of the said regulations was the proliferation of second-level organisations – i.e. consortia – set up to perform various functions, ranging from the provision of accounting services to the technical management of those contracts won following public tenders. The greatest obstacles to the management of the said cooperatives were: the irregular economic trends resulting from the dynamics of the said tenders; the proven difficulty of managing contracts won in provinces far from the home province of the company in question; the difficulties encountered in finding funds; and the absence of technical experts who could be entrusted with works management. These difficulties characterised the subsequent development of the same General Association of Farm Labourers of

²⁶ Zangheri, Galasso and Castronovo 1987, pp. 97 & 106.

²⁷ The most important laws were: Law no. 6216 of the 11th July 1889, which for the first time allowed the cooperatives to bid for those public works contracts worth up to 100,000 lire; Law no. 178 of the 12th May 1904, which raised the aforementioned threshold to 400,000 lire; and above all, Law no. 422 of the 25th June 1909 and the respective Regulations (no. 278) passed on the 12th February 1911, allowing cooperatives to bid for contracts worth up to 2 million lire.

Ravenna, which after having reached a total of almost 2300 members, and having made profits of more than 5 million lire in 1898, then went into rapid decline leading almost to bankruptcy.

Agricultural cooperation included a vast range of different business activities, from the running of dairies and wine cooperatives (*latterie e cantine sociali*) to communal leaseholdings (*affittanze collettive*): indeed, the picture was so complex that even today it is rather difficult to give a clear idea of the way in which this sector evolved. The first cheese-making cooperatives were founded at the beginning of the 19th century, initially as communal dairies (*latterie turnarie*), and then, in the 1880s, as cooperative dairies (*latterie sociali*), which because of their organisational structure had a greater propensity towards a more industrial type of growth. In the former case, the members of the cooperative delivered their milk to a communal dairy, where in turn each of them would process their own milk and that of the others; usually, the member in question would then be granted all of the product obtained during his shift, against which a debt was calculated and this would be paid back by his delivering milk to the dairy for a certain number of days. This form of cooperation thus meant that the producers only shared their milk, whereas the risks involved in the working and sale of dairy products was the responsibility of the individual members. In the second case, that of the true cooperative dairies, the members also shared the working and sale of the products of the dairy. In 1890, Luigi Bodio's report indicated the presence of 45 authorised cooperative dairies, together with a further 163 non-authorised dairies; they were initially restricted to the eastern Italian Alps, but at the turn of the century, the cooperative cheese factories began to expand into the Po Valley areas of northern Italy as well, often for the purpose of producing *Grana Padana* cheese²⁸.

Communal leaseholdings, on the other hand, involved the management of a farm, often rented but sometimes run along sharecropping lines or on a perpetual lease, by an association of farm labourers. Such farms could be run on a joint basis (*a conduzione unita*), when presented as an undertaking with a single administration and a sole financial statement, even if it managed several different farms; or they could be run on a separate basis (*a conduzione divisa*), with a sole contract for the use of the farm property. However, for all subsequent actions, the same number of companies as there were farms (into which the property had been split up) would be set up; the running of each of the said farms was permanently entrusted to a farm worker and his family²⁹. The first of these two models of farm management was generally the one chosen by the more socialist-orientated cooperatives, whereas the second model was the one that the Catholic cooperatives chose to adopt; this was not only for cultural reasons, but also reflected the diverse economic and agronomic characteristics of the countryside in which the two types of cooperative had taken root. The very

²⁸ Battilani & Bigazzi 2002.

²⁹ Raineri 1906.

first forms of farms run on a collective basis were set up in Ravenna in 1883 and in Cavenzano (Lombardy) in 1887. The Emilia-Romagna and Lombardy regions continued to represent the two poles of attraction for the cooperative model in the years that followed; their example was subsequently followed by Sicily, where similar agricultural cooperatives were set up thanks to the proselytism of a very dynamic priest, Don Sturzo. Some of these agricultural enterprises, which were counted in a census for the first time in 1906, grew to a considerable size. The development of this model of cooperative was encouraged by a series of factors which Giovanni Ranieri had clearly pointed out at the beginning of the 20th century.

Collective leasehold arrangements were designed with the same intentions and for the same reasons, in various Italian regions. In Emilia and Romagna, it was the concept of resistance, together with the idea of having found an effective means with which to combat unemployment, which led organised farm workers to create such organisations. The same was also true on the Novara area of Piedmont, and in certain parts of Lombardy (such as the countryside around the towns of Brescia and Cremona). However, in the rest of Lombardy and in Sicily, the emergence of these collective leasehold arrangements was almost exclusively the result of the landless farm labourers' wish to eliminate the figure of the large-scale tenant farmer, and to establish direct relations with landowners in order to improve their own economic standing³⁰.

We are now going to interrupt our account of the beginnings and the growth of cooperation in various sectors of the Italian economy, in the knowledge that the range of cooperative undertakings was even greater than that which emerges from our present account. Indeed, we only need mention the 9 wholesale cooperatives counted in the 1890 census, the 13 educational cooperatives recorded in 1902, or the 107 insurance cooperatives in business in 1914, of which we know virtually nothing to this day. This variety clearly shows how the cooperatives had taken on the characteristics of a general company, adaptable to various different economic contexts – ranging from the rich province of Milan to the extremely poor province of Ravenna - and capable of choosing **mutual happiness**, rather than individual utility, as its target in all economic sectors.

To summarise, then, we can comfortably say that the period from the mid-19th century to the outbreak of the First World War saw the emergence and consolidation of the Italian cooperative movement: after a rather troubled start, the movement grew substantially during the 1890s, both in number and in the size of certain cooperative undertakings, which were to constitute a kind of leading group within the movement itself. In general, however, the multiplication of cooperative enterprises was not accompanied by any real consolidation of the entrepreneurial culture, as can be seen from the difficulties encountered by numerous early cooperatives. To tell the truth, this was a

³⁰ Idem.

generalised problem throughout Italy at that time; in fact, the country was very late in its attempt to close the gap on the richer European nations.

1.3 Cooperatives and the maximisation of members' satisfaction.

We would like to begin this section with the words of Maffei, pronounced in 1907, advocating the creation of an Inspectorate with the power to supervise and control the cooperatives, obviously managed by the cooperative movement itself.

If you, dear Sirs, were in my position, as Secretary of the National League of Cooperatives, and were to receive each day letters from the poor factory workers and farm labourers – letters full of mistakes, devoid of all syntax and grammar – but letters that document the incredible efforts and self-denial of the masses of poor folk, you would be moved by the miracles that cooperation manages to perform: our three thousand cooperatives are three thousand schools, three thousand humble colleges that instruct the most poorly educated workers to administer the interests of others; schools that prepare the masses to manage public affairs, and train them to take responsibility for public works³¹.

This passage, which in just a few lines describes the epic aspect of the emergence of cooperation, clearly illustrates what is meant by the economic and cultural promotion of coop members. In fact, one of the characteristics common to all three cultural routes taken by Italian cooperation, is the idea that this is the only form of enterprise capable of associating monetary remuneration with the human and cultural growth of workers, of consumers and of coop members in general. For example, the initial lines of the articles of association of all agricultural credit institutions indicated the purpose of cooperation as being “the improvement of the moral and material conditions of members, providing them with money”³². The same principle is cited in the majority of the agricultural cooperatives' articles of association, such as the statute of the *Società anonima cooperativa di miglioramento fra lavoratori della terra di Fabbrico*, drawn up in 1901, which was to provide the inspiration for many others thereafter:

The purpose [of the cooperative] is the gradual improvement of the economic and moral conditions of the rural working classes, by providing them with work and encouraging them to be prudent. In order to achieve this purpose, the cooperative intends: to manage rural land, the cultivation of which

³¹ Quote taken from Basevi 1947.

³² Gheza Fabbri 1995.

shall be performed collectively by the members of the cooperative and their families; to sell those agricultural products needed by farmers (fertilisers, sulphur, sulphates, tools, machinery, etc.); to run public works enterprises that are in some way related to the improvement of the land (land reclamation, river and canal banks, embankments, tilling the soil, etc.); to provide members with an education in farming practices; to set up a welfare fund for coop members for when they get ill or are in absolute poverty. [Giovanni Ranieri, Italian Federation of Agricultural Consortia, Piacenza, *Le affitanze collettive in Italy*].

Another example is given by the sector of the manufacturing cooperatives, such as the Construction Cooperative set up in Milan in 1887. This cooperative of bricklayers was founded following a strike, and it aimed to prove that it was possible to compete in the market while paying workers a proper rate of pay and ensuring they worked no more than 10 hours a day. This cooperative pursued the well-being of its members through a variety of measures: in set up a pension fund for retired workers and for thus no longer able to work; in 1888 it opened a technical school in the Municipal buildings (jointly financed by numerous public bodies, banks and the King of Italy himself).³³ Likewise, the famous Altare glassmakers' cooperative – the very first workers' cooperative in Italy – was also committed to workers' welfare, as shown by its setting up of a pension fund and a mutual aid society.

Consumers' cooperatives also tried to distinguish themselves from private companies in their better "material" and "ethical" treatment of their workers. For example, the Milan Cooperative Union, headed by Buffoli – the largest consumers' cooperative in the whole of Italy and the most innovative business undertaking in Italy's retailing sector – has implemented a series of measures for the benefit of its workers. In fact, it set up a Pension Fund (financed by 11% of its profits), introduced a day of rest for its workers, and set up a library offering workers free book loans; it also offered prizes to those workers who successfully attended evening and holiday classes, and in 1906 it set up its very own school (initially for 80 young workers) offering free courses to personnel during working hours³⁴. Generally speaking, consumers' cooperatives, both large and small, often provided a further service in addition to their normal sales activities, namely the running of recreational clubs designed to promote the socialisation and education of members. In Lombardy, there were frequent cases of "conglomerated" consumers' cooperatives, consisting of a number of different coops and associations that were capable of seeing to the needs of their members. These included social insurance, consumption, the provision of recreational facilities, and even housing.

Overall, the cooperatives utilised three main channels in their attempts to look after their members' well-being: the price mechanism (higher wages paid by manufacturing coops, or lower interest rates applied by the coop banks); the introduction of some form of social security (in the case of

³³ Zangheri, Galasso and Castronovo 1987, pp.60-62.

³⁴ Buffoni 1895.

accidents, illnesses or old-age) designed to fill the gap left by the absence of state benefits; the promotion of activities designed to increase human capital (the creation of libraries or recreational clubs, where members could read, among other things, the local newspapers, and the organisational of professional training courses). The development of such additional services, aimed at promoting the cultural interests of coop members, was in perfect keeping with the mutual aid associations which lay at the roots of an important part of the cooperative movement, as we have already seen. The founding father shared the belief that such additional activities, designed to improve the education and culture of coop members, should not be mistaken for charity however. Indeed, these activities were designed to create the prerequisites for what we today would call “social mobility”. The quote from Maffei introducing the present section makes this very clear.

While there is no way of measuring the cooperatives’ efforts in favour of the social and cultural promotion of workers, and we have had to limit ourselves to the analysis of the articles of associations, a more detailed study can be made regarding wages because data are available that enable us to compare the daily wages paid by cooperatives operating in the public works sector with those paid by private companies operating in the same sector.

In fact, in 1891, two years after the law had come into force allowing cooperatives to enter bids for public works contracts, the Minister of Public Works, Branca, submitted a detailed report on the contracts he was responsible for: among other things, this report gave figures for the wages paid to the various different categories of worker by both the cooperatives and the private companies in question. In the case of manufacturing and workers’ cooperatives, we can thus draw up a comparison with private companies for the year 1889.

An analysis of the figures to hand reveals substantial differences between Italian provinces in terms of the wages paid to the same category of workers, while it is not possible to trace any relationship between wage levels and productivity or degree of economic development. This wide variation characterised both the cooperatives and those private companies working in the same sectors. Secondly, the wage differentials between different categories of worker, which to tell the truth were also substantial, did not vary significantly from the cooperatives to private companies. Thus there would not appear to have been any greater degree of wage equality within the cooperative movement than in those private companies operating in the same sectors.

However, what does seem clear is that workers in the cooperatives were paid more than their counterparts in private industry, as can be seen from Figures 1 and 2.

Fig 1 average daily wages differential in favour of coop workers in the year 1889

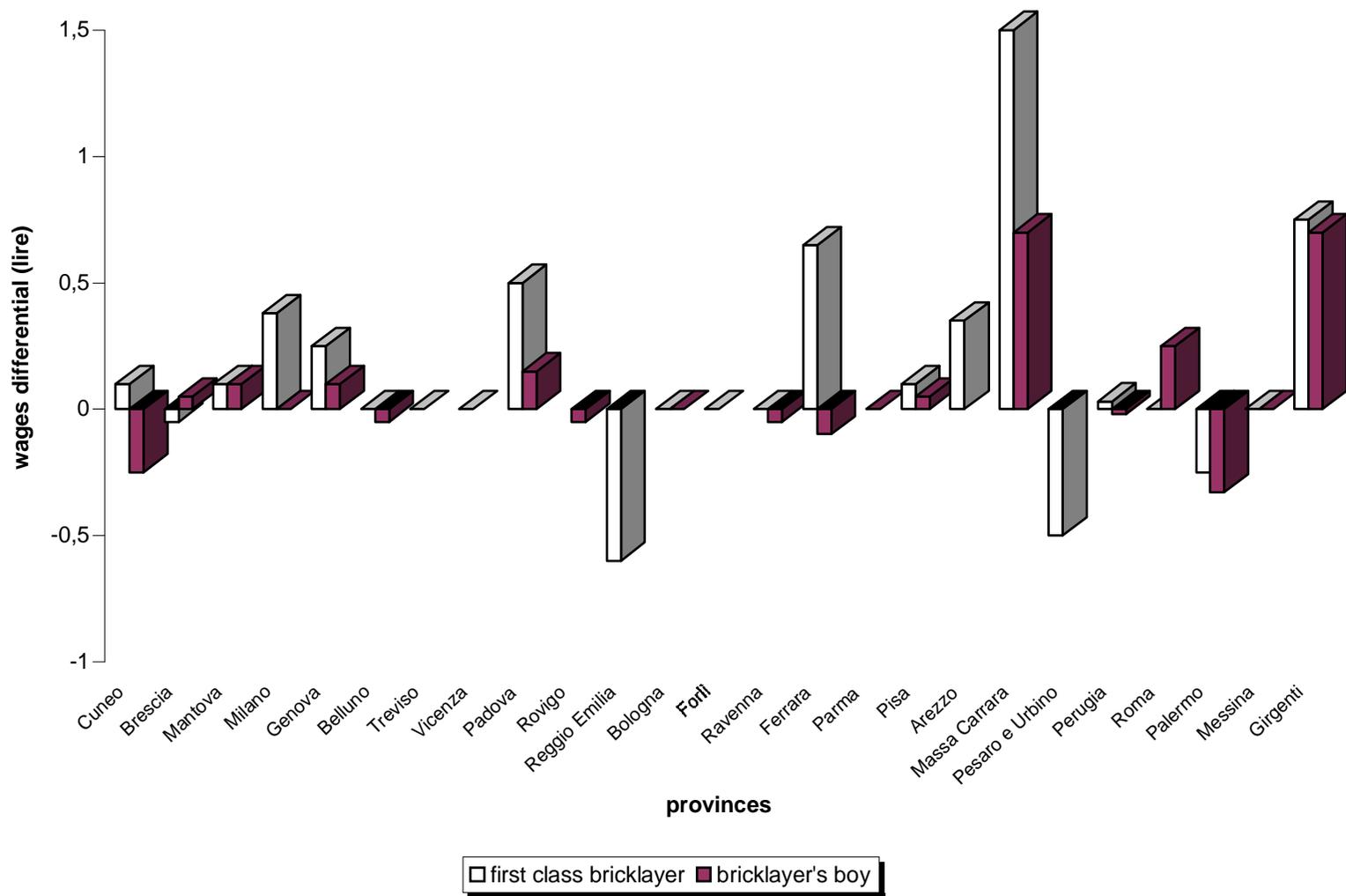
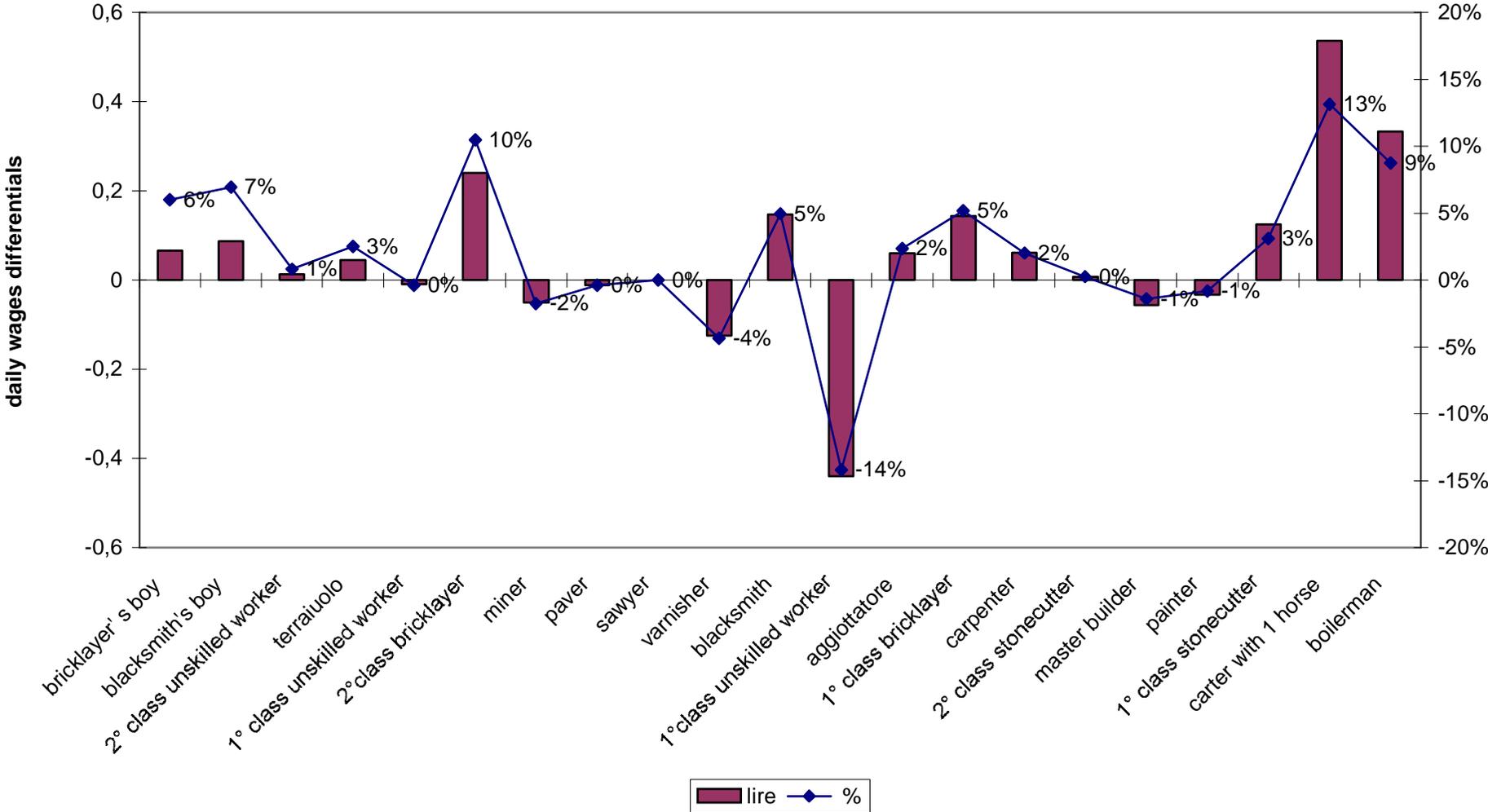


Fig 2 average daily wages differential in favour of coop workers, in the year 1889



In particular, Fig. 2 shows that, with the exception of very few categories, the average wage differential in favour of the coop workers ranged from 1% in the case of second-level labourers, to 13% in the case of cart builders. If we limit our analysis to the most numerous categories of workers, such as those of builders or of shop/errand boys, then the difference between cooperatives and private companies is evident in nearly all the Italian provinces.

Overall, one can therefore say that the manufacturing cooperatives offered their workers better conditions than those offered by private companies, in terms both of pay and welfare benefits, and of the opportunity for cultural improvement.

1.4 The idea of mutual happiness underlying entrepreneurial success: the reasons for the territorial concentration of the cooperatives.

As we have already mentioned, the cooperatives' expansion and market penetration was largely confined to central and northern Italy, and in particular to the regions of Piedmont, Liguria, Lombardy, Emilia-Romagna, Veneto and Tuscany. These regions were where the theoretical models of cooperatives were formulated, and were also the focal points for the experimentation and expansion of the earliest cooperative enterprises. It proved much more difficult, on the other hand, for cooperatives to gain a foothold in southern Italy, with the exception of certain successful *banche popolari* and communal leaseholds in Sicily, thanks to the commitment of Don Sturzo, and of a number of *banche popolari* and white-collar consumers' coops in the Lazio region. This "map" of the early development of the cooperative movement in Italy does not, however, mirror the economic development of the said regions compare with that of others: in fact, the regions with the greatest penetration of cooperative enterprises include both the country's wealthiest regions (Piedmont, Lombardy and Liguria) and others where the level of economic development was comparable with that of the South (namely Emilia-Romagna and the Veneto).

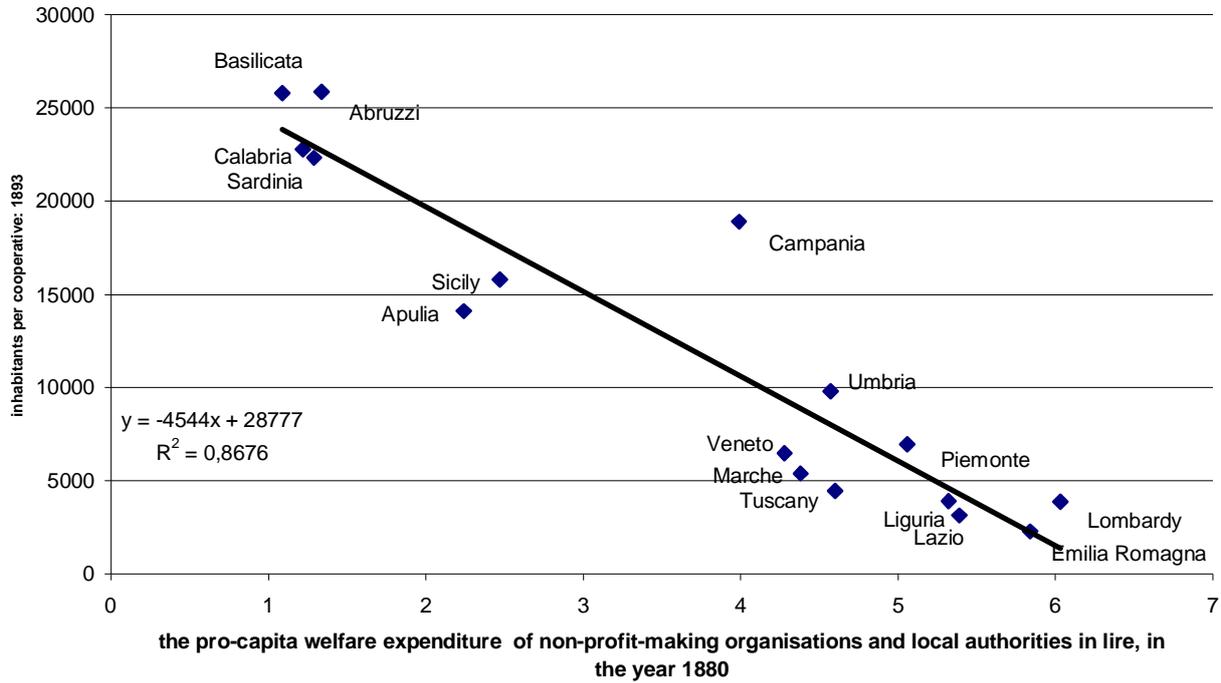
A great many explanations have been proffered for this non-homogeneous distribution of cooperatives in Italy. Some scholars have tried to explain the phenomenon in terms of the presence of communal traditions related to woodland management (e.g. in Trentino or the Veneto) or to the management of waterways (in Emilia-Romagna); others have focused on the presence of socialist or Catholic associations which aided the growth and promotion of the cooperatives; some have argued that it was the advent of industrialisation and the disruption to the existing economic equilibrium that triggered the creation of new forms of enterprise such as the cooperatives. Personally, we

believe that an explanation may be found in the relationship between cultural factors and economic efficiency, as we shall try and show now.

Our starting point is the idea that in order for cooperation to prosper, it needs a strong social fabric which it, in turn, helps to reinforce. In fact, the expansion of an enterprise based on the principles of solidarity and the promotion of the well-being of its members, required a cultural framework in which solidarity was a recognised value, and in which the principle of mutual happiness countered the mere pursuit of individual gain or utility. In order to lend some weight to this hypothesis, we suggest that pro-capita welfare expenditure in the various Italian regions in the first fifty years after Unification be taken as an indicator of the presence of an institutional fabric and of a deep-rooted culture of mutual happiness. In particular, we are going to take the years 1880 and 1904 as our benchmarks, as they are the years for which a considerable amount of data is available. Welfare expenditure is deemed to be everything that is spent in the form of subsidies and other measures, by the mutual aid societies, by charities and by local authorities (in particular by borough councils), in response to situations of need (illness, unemployment, old age, etc.). The reasons why this variable represents a good indicator of a culture of mutual happiness, and why we have included local government expenditure as part thereof, are as follows. Firstly, the historical period in question was one in which citizens' rights did not include welfare measures for the less well-off sections of the population: the state did not provide this kind of safety net, and any welfare provisions there were can be put down to the work of mutual-aid societies or charitable institutions; as such, they depended on the organisational capacities and energies of individuals. As far as regards the social policies of local councils and provincial administrations, it should be said that during this period, local authorities received no funds at all from central government, but were forced to tax residents in order to finance their own spending. In a situation in which the right to vote was strictly linked to wealth, the decision to increase welfare expenditure could only be explained in cultural terms.

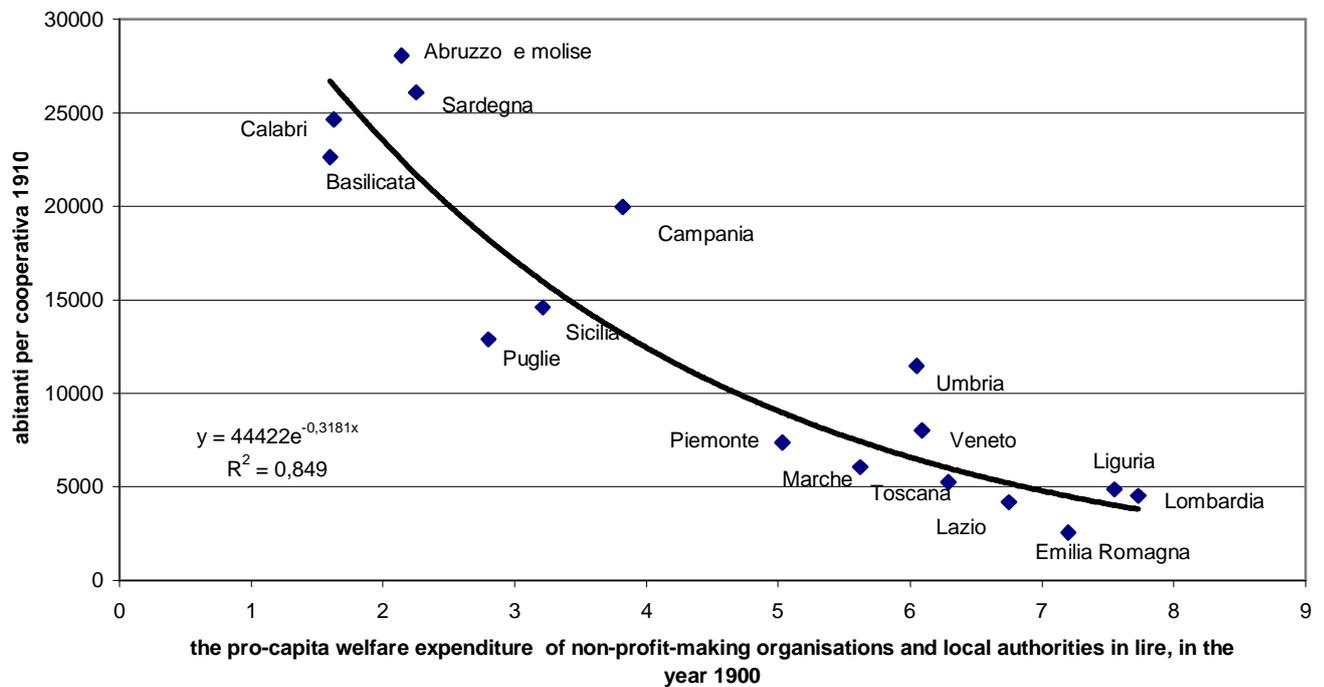
As figures 3 and 4 show, there is a direct relationship between the presence of a strong institutional fabric based upon the idea of mutual happiness, and the expansion of cooperative enterprises.

Fig. 3 Relationship between institutional fabric and the expansion of cooperatives: 1880-1894



Source: with regard to per-capita welfare expenditure , Battilani 2000; with regard to the expansion of cooperatives, see table 2

Fig. 4 relationship between institutional fabric and the expansion of the cooperatives: 1900-1910



The cooperative movement developed in those regional contexts with a stronger institutional fabric which, through non-profit-making associations and local council policies, spread the concept of mutual happiness and encouraged the adoption of a cooperative to remedy situations of need. This confirms what historians have traditionally affirmed, and that is that charities and self-help associations played an important part in the initial development of the cooperative movement. In fact, it is no coincidence that in those cases where the penetration of such societies proved difficult, encountering insurmountable economic problems, cooperation also came up against a great many obstacles³⁶.

The interrelationship between institutional fabric, local culture and the growth of the cooperatives also helps us to understand the reasons for the evident regional differences, which we shall now briefly describe. Our obvious starting point is the Emilia-Romagna region, which in the 20th century was to become the capital of the cooperative movement. During the decades prior to the First World War, this Italian region saw the cooperative ideals incarnated above all in farm labourers' cooperatives (there were already 185 such coops in 1894), and in workers' cooperatives, although cooperative credit also had a role to play, with the foundation of several coop banks and agricultural credit institutions. Despite widespread poverty, which was only slightly alleviated by the existence of a close-knit urban network, the region still managed to function as the theoretical powerhouse of the cooperative movement. The strong institutional fabric created by the emergent socialist movement, which at times flanked, and at others ran counter to, the existing Catholic movement (marked by the significant presence of religious charitable institutions), proved particularly well-suited not only to the creation of cooperative enterprises, but also to the gradual introduction of a managerial culture within the said cooperatives.

The other region that owes its growth to the expansion of cooperation is the Veneto. This northern Italian region has been rightly called the land of *casse rurali*, as a result of their considerable presence in the countryside, and of the role they played in aiding rural cooperation. Here it was the Catholic associations that mainly helped create that institutional fabric within which the cooperatives were created and gradually transformed.

However, Lombardy remained the leading Italian region in terms of cooperation right up until the First World War. This region not only boasted numerous consumers' coops, building coops and *banche popolari*, but was also a step ahead of the others in terms of the size of its cooperatives: in fact, the cooperatives with the highest turnover and with the greatest interest in technological and organisational innovation were nearly all situated in Lombardy, thus confirming the region's economic leadership and the greater presence of an entrepreneurial attitude. Furthermore, it was

³⁶ See the numerous essays on the failure of the mutual aid societies to establish themselves in the South of Italy.

also the most important “think tank” for the elaboration of theoretical models of cooperation: a meeting place for academics, liberal politicians and the founding fathers of the cooperative movement. While the Milan area was characterised by the strong presence of liberal/lay cooperatives, supported in the main by the urban middle classes, the region’s other provinces were to quickly witness the establishment of Catholic cooperation as well.

The Piedmont region was the home of the consumers’ coops and the cooperative insurance companies (which we have not really mentioned due to the lack of specific studies of this area of cooperation), which were rooted in the strong pre-existing culture of lay-socialist mutual aid. Piedmont’s rural provinces also saw the emergence of agricultural cooperatives, especially in the wine-producing areas. Finally, Tuscany witnessed the development of consumers’ cooperatives on the basis of the pre-existing social fabric created by mutual aid, and in response to the beginnings of industrialisation in the region.

Summing up then, it appears clear that the growth of cooperation was closely tied to the local institutional fabric; the cooperatives were only able to get a foothold where this institutional resource was present.