

new *mutualism*

new *mutualism*
the third estate

David Rodgers

Foreword by
Hilary Armstrong MP

nuevo
neuf
neu
nuovo
novo
新

The Co-operative
Party

New Mutualism

The Third Estate by

David Rodgers

This pamphlet represents the author's interpretation of the subject, not the policies of the Co-operative Party. The pamphlet may not be reproduced without the express permission of the Co-operative Party, or the express permission of the author.

The Co-operative Party is the political wing of the Co-operative Movement. It promotes the application of Co-operative Principles through elected representatives at all political levels.

Published by The Co-operative Party
Victory House
Leicester Square
London WC2H 7QH

in conjunction with CDS Co-operatives.

Supported by Labour Housing Group

Tel: 0171 439 0123
Fax: 0171 439 3434

ISBN 0 85195 254 2

Printed by the Co-operative Press Ltd.

January 1999

Price: £5.00

Preface

It is with some trepidation that I confront the task of following Peter Kellner's erudite analysis of the case for New Mutualism. My expertise is very different to his. For the past twenty years I have been the executive director of an organisation which, during years of adverse government policies, has struggled to develop and service housing co-operatives. These are organisations that Kellner would recognise as embracing the New Mutualism which, he advocates, should be found in every public, private and commercial institution. Thankfully my task is narrower than his extensive overview. It is to show why mutualism in housing, particularly through the development and support of housing co-operatives in publicly subsidised housing, should be an essential part of the New Labour Government's agenda. In tackling this task, I take comfort in the fact that by publishing a series of papers on New Mutualism the Co-operative Party's intention is to stimulate the debate on the Third Way in politics that Kellner's paper initiates. I also recall the wise words of the late Will Watkins, the former Director of the International Co-operative Alliance, who, in the preface to his book 'Co-operative Principles Today and Tomorrow', stated that in order to say something, it is not necessary to say everything.

David Rodgers
January 1999

David Rodgers is Executive Director of CDS Co-operatives, the largest co-operative housing service agency in the south of England providing support services for 73 client co-operatives from its offices at 3 Marshalsea Road, London SE1. He has twenty-six years' experience of working with housing co-operatives. His involvement with them began while he was studying to qualify as a biology teacher. He has maintained his interest in science and biology and is a keen amateur astronomer and mycologist. He is the elected representative for housing co-operatives on the National Council of the National Housing Federation and serves as clerk to the All Party Parliamentary Group on Housing Co-operatives. He was the author of the Modular Management Agreement for the statutory Right to Manage and is the author of Co-operative Housing: realising the potential published by the UK Co-operative Council. He is a long-standing member of the Co-operative Party and Labour Party.

Section 1. The Origins of Mutualism

“New Mutualism asserts that we have both rights and responsibilities, and that social, political and economic institutions work best when all of their members respect each other. It seeks to rescue the virtues of co-operation, and the principles that gave birth to the Co-operative Movement, from the strangling embrace of ideological socialism”

Peter Kellner 1998

Kellner roots his arguments for New Mutualism in rational ethics and human evolution. The first, he says, is reasonably obvious; that most of us believe it to be ‘good’ to behave well towards our fellow citizens. The second, is less obvious: it is that mutualism “goes with the grain of human nature”; it is a characteristic of our genes driven by what is best for the survival of our species. He argues that: “Mutualism is a moral, genetic and practical imperative”, a conclusion based on the work of Richard Dawkins who explored the issue in his book ‘The Selfish Gene’. “According to this view”, says Kellner, “it is not God instructing us to be moral, but our chromosomes telling us: ‘be selfish: trust each other.’” Hence: “The central proposition of New Mutualism is that liberty, equality and fraternity can be achieved only if we develop a culture of mutual responsibility.”

The evolutionary basis of human society and the tendency of human individuals to act for mutual benefit, rather than exclusively for self interest, deserves more attention and analysis than Kellner, understandably, was able to give it in his introductory essay. Is our genetic heritage the foundation of mutualism in human society? If it is (and it is tempting for co-operators to embrace such a notion), it is important that we have a sound understanding of the scientific evidence on which such a view is based, especially if it is to influence social and ethical policy. Today, thanks to the writings of popular scientists such as Richard Dawkins and Steve Jones, it is easier to maintain an understanding of developments in the science of genetics. (Steve Jones' award winning book 'The Language of the Genes', based on his 1991 Reith Lectures for the BBC, is to be highly commended, if nothing else because it clearly shows that eugenics and racism, which have led to the worst human atrocities this century, have no biological basis).

Kellner's argument is that the moral basis of mutualism, that it is ‘good’ to behave well, follows the evolutionary one; that we generally behave well in human society because it increases the chance of our 'selfish' genes being replicated and passed on to the next generation. There is an apparent contradiction between selfishness at the level of our genes and the altruism of individuals we proclaim to be 'good' for the human society in which we live. A greater analysis of this apparent contradiction is needed for us to understand why it is the root of the social, economic and political dynamics of the New Mutualism which, Kellner argues, should be at the heart of Tony Blair's Third Way agenda.

In a chapter entitled ‘The Selfish Co-operator’ in his latest book, 'Unweaving the Rainbow' Dawkins reacts against the misunderstanding of the 'selfish gene' concept. He explains that, while exclusively at the level of the individual gene the driving evolutionary force is its own selfish replication, that is not the case at the level of the individual organism each gene helps to create. Dawkins says that it is now widely understood that altruism at the level of the individual can be a means by which the underlying genes maximise their self-interest. He explains that the genes, though in one way purely selfish at the level of their own replication, enter into co-operative cartels with each other. It is the genes of a species at large that co-operate, because they have met before, in making individuals of the same general type as the species. He also refers to the work of the American bacteriologist, Lynn Margulis, whose research has convinced the scientific world that mitochondria, the minute chemical factories that swarm in all our cells and carry out most of the

biochemistry in our bodies, were once free living bacteria that have given up independent reproduction. This is the pinnacle of genetic co-operation. (Interestingly, we only inherit mitochondria from the egg of our mother, so if there is a battle of the sexes it has, at this level at least, been won by women).

Does this mean that nature is co-operative? Not necessarily. Dawkins firmly rejects the debate about whether nature is fundamentally red in tooth and claw or whether nature is fundamentally co-operative, as a false one. There are, he points out, many examples of both 'nasty' and 'nice' (mutually beneficial) behaviour in nature. Cleaner fish feed by cleaning the parasites from the mouths and gills of larger predator fish without themselves becoming prey. It is nice, mutually beneficial, behaviour. By contrast, a cheetah is usually pretty nasty to a gazelle. Cheetahs are highly specialised killers. They have evolved as the fastest animal on earth to outrun a gazelle and can hardly be said to co-operate with it, except, perhaps, through competition being the driving force of co-evolution. Co-evolution occurs between cheetah and gazelle because natural selection, at the level of the individual not the gene, favours the faster gazelles who escape which, in turn, drives the evolution of the cheetah's ability to sprint to catch them.

In the field of social policy, the concept of co-evolution opens up an interesting debate about the role of competition in improving performance, a debate that is part of the development of the Best Value concept for improving public services. The quality of public services can improve through the co-evolution involved in competition or bench marking, but not unfair competition from monopoly providers. When monopoly occurs, co-evolutionary forces end. If the monopoly in service is a public one, co-evolutionary forces never get started.

How is it, then, that for humanity, altruism at the level of the individual can be the means by which the underlying genes maximise their self-interest? Why should our complex DNA, with its genetic alphabet of three thousand million letters, contain the blueprint for co-operation and ethical mutual behaviour?

In 'The Origins of Virtue' Matt Ridley undertakes a detailed analysis of the biological and evolutionary basis of the tendency of human beings to behave ethically towards each other and to co-operate. Ridley is a unique combination of zoologist, economist and journalist. His work is highly readable and entertaining. Unlike Dawkins, who, for rational scientific reasons, rejects, as a false continuum, 'the nature is nasty, nature is nice debate' Ridley analyses it in depth before drawing his conclusions, although he too ultimately rejects it as a false dichotomy. Ridley takes as his starting point the writings of Prince Kropotkin, the late 19th Century Russian evolutionary biologist and anarchist. In his seminal work 'Mutual Aid: a Factor in Evolution', Kropotkin showed the many examples of co-operative behaviour between species and individuals within species and that this could lead to evolutionary advantage. Kropotkin refused to accept that selfishness was an animal legacy and morality a civilised one; he saw co-operation as an ancient animal tradition with which man, like other animals, was endowed.

From the contrasting views of Kropotkin (who Ridley, like others, links to the philosophical tradition of Rousseau, who saw mankind as the noble savage, corrupted by human society) and of Darwin and T. H. Huxley (reflecting the tradition of Hobbes and Adam Smith for whom the natural state of man was constant conflict unless tamed by society and culture), Ridley analyses the biological and anthropological origins of human ethical behaviour. Ridley, like Kellner, points out that in 'The Selfish Gene' Dawkins uses the prisoner's dilemma to show how while individual 'cheats' may prosper, on the whole 'trusters' do better than cheats and are therefore more likely to pass on their genes to the next generation. Ridley extends Dawkins analysis to demonstrate how

through game theory, played on computers, mathematicians have shown that co-operative strategies produce greater benefits for the participants than selfish ones, providing the game was played more than once and defection from co-operation was punished. Ridley illustrates his analysis with numerous examples from nature and anthropology.

Case Study: Norway

The first housing co-operative in Norway was established in Oslo in 1929. Most development occurred after the Second World War. The Norwegian Federation of Co-operative Housing and Building Associations (NBBL) was founded in 1946. Today 103 organisations are members of NBBL. NBBL builds between 15-20% of Norway's total housing production, some of which is built for outright sale. 235,000+ dwellings, 14% of Norway's total housing stock, have been built and are owned by housing co-operatives. In Oslo in 1951 the local authority decided to convert 5,000 public sector homes to co-operatives, a process that was then repeated in other cities.

The Norwegian co-operative housing system, which is similar to that of other Scandinavian countries, was chosen to solve the problems of continuous building to ensuring an adequate supply of housing and management of finished housing. This is achieved by two-tier organisations of "mother" and "daughter" societies, governed by two co-operative housing acts, first enacted in 1960 and subsequently revised several times. Prospective tenants are brought together in the "mother association" (a "boligbyggelag" or BBL), which is a co-operative share company with fluctuating membership and capital. The purpose of the BBL is to build houses as long as there are members who want them.

For each new housing scheme or block of flats a "daughter society" (a "borettslag" or BRL) is organised, consisting of the prospective tenants who are selected from the members of the BBL on the basis of seniority of membership. The BRL takes over the ownership of the project built for it by the BBL and rents the dwellings to its members. A member occupies a co-operative home as neither tenant nor owner, but under a third form of co-operative housing tenure governed by Norway's co-operative housing legislation. It grants an inalienable right to live in the dwelling subject to the payment of occupation charges and compliance with bylaws of the co-operative BRL. These bylaws are decided by each BRL, within limits set down in the legislation.

Between 1946 and the 1980s the co-operative housing movement in Norway worked closely with central and municipal government to meet Norway's housing needs, in effect, administering public housing policy. Today the situation has changed because of changes to the economy and because the system succeeded in meeting housing need. Today, the central and municipal authorities no longer act as effective guarantors of new co-operative projects. Housing queues are non-existent and the co-operative movement has had to adjust to ensuring that new projects are viable within the local housing market, but is at a competitive advantage because of the national scale of its activity.

Source: The Role of the State and the Private Sector (Including Housing Co-operatives) Within the Housing Sector in Norway, Roy Berg Petersen, NBBL, Oslo, published in the World of Co-operative Enterprise, Plunkett Foundation 1997.

Ridley explains that the most effective game theory strategy to be devised is one called 'Firm but Fair', a program written by Marcus Frean of Cambridge University. 'Firm but Fair' co-operates with co-operators, is forgiving by returning to co-operation after defection by an opponent (rather

than indulging in repeated recrimination), destroys free riders (the hedonists who look only to their own self interest at the expense of others) and punishes suckers who do not retaliate when a defection from co-operation occurs. (The fact that part of this successful strategy was to punish but also forgive defection when it occurs, does not say much for policies of 'zero tolerance'). Given that human relationships mostly involve frequent and repeated interaction, co-operative strategies led to the greatest benefits for all. The more casual and opportunistic the encounters between individuals the less likely it is that co-operation will occur. This, says Ridley, explains the rudeness of people in large cities like London, New York and Paris where you can be rude to strangers without fear of recrimination. He shows that the more we co-operate, within strategies of reciprocal altruism that punish selfishness and suckers, the more society prospers. We are also very good at spotting potential co-operators and potential hedonists through communication with others. This is our genetic heritage, underpinned by our strong emotions that tend to lead us to co-operate and go to the aid of others even when the reward is not immediate, or where there may be a real risk to us. For Ridley, emotion encourages altruism and underpins it. Just as the computers 'evolved' games that 'understand' the benefits of co-operation so too did the human species through its evolution.

Ridley, quoting Adam Smith, argues that humanity's genetic capacity to co-operate has led us to gain the benefits of the division of labour and of trade, which is the foundation of economics. Ridley recognises the dangers of drawing political conclusions but nonetheless, takes the risk of doing so:

"We owe our success as a species to our social instincts; they have enabled us to reap undreamt benefits from the division of labour for our masters - the genes. Far from being the universal feature of animal life, as Kropotkin believed, this instinctive co-operativeness is the very hallmark of humanity... For St. Augustine the source of social order lay in the teachings of Christ. For Hobbes it lay in the sovereign. For Rousseau it lay in solitude. For Lenin it lay in the Party. They were all wrong. The roots of social order are in our heads, where we possess the instinctive capacities for creating not a perfectly harmonious and virtuous society, but a better one than we have at present. We must build our institutions in such a way that they draw out those instincts. Pre-eminently this means the encouragement of exchange between equals. Just as trade between countries is the best recipe for friendship between them, so exchange between enfranchised and empowered individuals is the best recipe for co-operation. We must encourage social and material exchange between equals for that is the raw material of trust, and trust is the foundation of virtue." [1]

For Ridley, trust is a social commodity that can be traded: I trust you because I trust him and he trusts you. Ridley's analysis does much to support Kellner's views. Are these the 'senses' which, as Kellner argues, need to be coaxed in the New Mutualist vision of society? Perhaps they are, but if so what was the main driving force in the evolution of this human capacity to co-operate?

For Ridley, it is the benefits that flow from co-operation itself; the fact that with co-operation, particularly through the economics of trade, we gain more than we invest through co-operative endeavour. He gives anthropological examples to show that trade is an ancient human activity. By co-operating, life becomes more than just a zero-sum game. By co-operation and the division of labour and trade it entails, human society as a whole gains more than simply the sum of what each individual contributes. To co-operate we need to keep count of who co-operates and who does not so that we can form alliances with co-operators and punish the selfish and the defectors. It is an ability, Ridley points out, we share with dolphins (who also have large brains for their body size and who are not naturally as 'nice' as popular culture would have us believe). Dolphins, like humans, have the capacity to communicate and form second order alliances to achieve desired

outcomes, which can sometimes be nasty for other individuals. To do this we need large brains. The demands and benefits of co-operation may account for the evolution of our mental capacities.

Dawkins postulates a different, but related driving force for the rapid evolution of the human brain. Dawkins turns to computers for the analogy to explain the evolution of human brain size (which took place over a relatively short evolutionary timescale). He shows how the rapid development of computers has been characterised by incremental enhancement followed by a blossoming and spiral of development. After incremental development, hardware suddenly passes a threshold that permits some entirely new software development, which in turn drives the development of yet greater hardware capacity and faster speeds that enhances the capacity to use the new software. It is a self-feeding evolutionary process. Dawkins sees the same self-feeding processes at work in the rapid evolutionary development of the human brain. A small increase in brain size took our ancestors over a threshold where, suddenly, new mental processes were possible.

What new mental 'software' was the evolutionary driver for the rapid development of the human brain? For Dawkins, the most likely candidate is language, with its open-ended semantics and syntax [2]. Dawkins' view that language is the most likely candidate is complemented by recent research evidence that human infants are born 'pre-programmed' to understand basic linguistic structures [3].

The ability to use language is fundamental to our ability to co-operate. It enables us to formulate desired outcomes of our actions, to explain these to others and agree or modify them in concert, and to adjust behaviour through communication during mutual endeavour. When communication breaks down, the first casualty is co-operation. The inability to communicate effectively with others goes hand in hand with an inability to co-operate.

Should we embrace these insights into human nature as the foundation of a renewed interest in mutualism? If we do so we should acknowledge the risks inherent in accepting what may be a genetically deterministic view of human nature and society. What place does religious belief or philosophical convictions have in such a view as the source of ethical conduct and co-operative endeavour? How does nurture interact with our co-operative nature? (The Nature/Nurture debate is one that has continued since Darwin's theory of evolution was first published. Steve Jones cautions that nature and nurture are so closely blended "that trying to separate them is more like trying to unbake a cake") [4]. In particular what role does education and learning play in bringing out our co-operative instincts? These are profound questions we must constantly address if New Mutualism is to be a key feature of the Third Way in politics and social policy that Kellner, in my view rightly, argues it should be.

But, before we embrace the genetic history of our species as the holy grail of New Mutualism it is worth noting the views of Steve Jones who, in the *Language of the Genes*, cautions:

"It is the essence of all scientific theories that they cannot resolve everything. Science cannot answer the questions that philosophers - and children - ask: why are we here, what is the point of being alive, how ought we to behave? Genetics has almost nothing to say about what makes people more than just machines driven by biology, about what makes us human. ... It says nothing about what we are. The dismal history of racial genetics strengthens this belief." [5]

Ridley acknowledges this in admitting, in his last chapter that he is rashly drawing political lessons from this scientific thesis. Not only does he quote Adam Smith, he also reflects conservative tradition by championing the rights and responsibilities of the individual and property rights, although the latter can be collective. In his chapter 'The Power of Property', he shows how

common ownership of property rights, policed by mutual consent, can be highly effective and sustainable. Does a tinge of conservatism matter? For those of us who came, painfully, from having personally invested in older socialist traditions to vote for the change to Clause Four, does it undermine the benefit of Ridley's analysis and insights? I think not. He does not support laissez-faire exploitation of resources. He sees co-operation between empowered individuals, behaving responsibly through individual or community ownership, as the most effective way of preventing ecological disasters; a means of sustaining productive ecosystems that is much more effective than state regulation and control. (During research for this paper, I was intrigued to read a report in the Guardian on the formation of a cocoa farmers' co-operative in Ghana which was launching its own chocolate bar, called Divine, onto the £3.6 billion a year UK chocolate market. The co-operative had been formed following the abolition of the state monopoly on the internal market for buying cocoa. The state agency purchased and marketed the produce from the farmers who ran smallholdings. It also supplied subsidised fertilisers and pesticides. The abolition of state control and subsidies had, of necessity, led to the adoption of sustainable organic production, the expertise for which was shared through the co-operative. The farmers' income had also risen because, through the co-operative, they were able to market their produce for its true market value. It is a classic demonstration of Ridley's thesis) [6].

Case Study: Denmark

Private co-operative housing, an alternative to rental housing and owner housing, is often called the third housing form . A co-operative housing unit is owned by an association whose sole purpose is to own property to provide housing for members; members do not own their homes but share in the assets of the co-operative. New co-operatives housing associations can be established in connection with an existing, privately owned rental building or by building new co-operative housing units. A total of about 5% of all Danish housing, about 125,000 units is co-operative housing. They are established under a co-operative housing act, which includes provisions for the establishment of charges for co-operative housing so that a broad share of the population can acquire a co-operative housing unit.

The owner of a rental building can at any time offer the tenants the option of taking over the building on a co-operative basis. This requires at least one third of the tenants to establish and join a co-operative housing association. Law requires that an owner must offer the tenants the option of taking over the building as a co-operative before it can be sold to another interested party. The owner's offer to the tenants must be on the same terms and conditions as it would be if sold on the market.

Anyone can start a new co-operative housing project. Most initiators are contractors or groups of people who want to move into new co-operative housing. The project usually consist of at least eight units. Special controls apply if the project initiator is a contractor, including the reservation by the contractor of 0.3% of the project cost for technical and legal advice to the new co-operative. New co-operative housing is financed by members depositing 20% of the building costs in a special bank account until 75% of the units are occupied and building accounts are approved by the local authority. The remaining 80% of the costs are financed by a private mortgage. Member's payments amount to about 2.8% of the adjusted principle, as an index linked loan must be taken if public subsidies are required for the project. This subsidy is a revenue subsidy that continues throughout the mortgage period. The local municipality contributes 10% of the interest as well as administration and reserve fund contributions for the mortgage. It also guarantees the portion of the index linked mortgage that lies between 65% and 80% of the building costs. The Danish Ministry of Housing has issued an advisory set of standard regulations for co-operatives.

Source: Danish Ministry of Housing information leaflet on co-operative housing.

It is here that Ridley and Kellner again find common ground. New Mutualism is not simply about a repositioning of politics to the left or right of the centre of the old left/right continuum. New Mutualism is a radical Third Way of looking at social and economic policy issues. It is founded on the valuable insights evolutionary biology has given us into the origins of human virtue and co-operation. It also permits us to enter into a new political debate, one that seeks to re-define the role of politics and government and to define, in a new way, the appropriate role for, and power of, the state as that which encourages mutual social and economic outcomes.

Kellner and Ridley both distrust the excessive power of the state and favour its dispersal. This is at the heart of the New Mutualism, Third Way debate; the power of the state and the role of government in regulating the freedom of markets, individuals and communities in such a way as to generate the optimum mutual outcomes within the social and economic context of our times. Politics was never an easy task. These insights into the genetic and evolutionary origins of mutualism and co-operation do not make it any easier. They do, however, increase the chance of adopting successful policies. To succeed in this Tony Blair's government needs the courage to be

and remain radical, but not in the old liberal sense of the word. It needs radical policies to promote mutualism and mutual outcomes, especially for those excluded from the mainstream benefits of modern Britain. The insights into the evolutionary origins of mutualism should encourage us to resist a retreat into traditional paternalistic socialism, however painful its recent abandonment may be for some of us, and resist a shift to liberalism. It provides for New Labour a rational basis for its own radical, mutualist and co-operative agenda.

Does this mean that we are natural born co-operators? No, we have all met far too many uncooperative, nasty people to take such a dangerously naïve view. Though our evolutionary origins create in us the capacity for co-operation, it is an art learned through experience and education. If a person seeks to co-operate and is excluded from doing so, or constantly meets failure because of the selfishness or groupishness of others, the desire to co-operate will be suppressed. Much like language development, where innate ability depends on the extent to which language development is stimulated at home and through formal education, co-operation has similarly to be stimulated and learned. Some never learn to be co-operative. Our innate co-operative tendencies do, however, justify general optimism in the capacity of human society to derive benefits from co-operative enterprise (even if individuals prove themselves on occasion to be selfish manipulators or to defect from agreed mutual outcomes). But the framework for it needs to be right, and that is the role of government.

Our innate ability to co-operate also does not remove from us the obligation to judge the morality of our individual or collective actions. The Nazis were highly effective at co-operating, within their own prejudiced group, at the extermination of Jews. The moral basis of their actions was simply wrong, as their own ultimate destruction by the rest of the civilised world was to prove. Nor does our innate co-operative ability guarantee that we will not defect from our mutual obligations. The failure of the international community to intervene and prevent the massacre of Muslims by the Bosnian Serbs is as shameful a defection from mutual obligation in our recent history as the recent bombing of Iraq is questionable co-operation. Our innate ability to co-operate is no guarantee of international or social harmony. Let us again heed Steve Jones when he says that science cannot tell us how to behave. Science does, however, tell us that we have the capacity to judge which actions and forms of institutions will generate mutual trust and co-operation and which will dissipate trust and lead to conflict rather than co-operation.

An understanding of our mutualist tendencies also helps us to see and understand the importance of democracy. The hard lessons of history are that, despite the imperfections of democracy, it is the only political system that has proven itself capable of underpinning the mutuality and co-operation essential for maximising the benefits the division of labour, economy and trade brings to human society. It is the democratic distribution of the power to make alliances, to sanction selfish free riders and defectors that enables mutuality to flourish. However imperfect our democratic institutions are, they guarantee that power will not be usurped or so concentrated that mutual endeavour becomes impossible save with the sanction of the central power of the state. The central concentration of power was the fundamental flaw of communist states. It is also a danger in democracy. Thatcher did it through her attacks on the powers of local councils. Our press is constantly pointing out the danger of New Labour doing it. If we value democracy we should seek to preserve it by ensuring that it is deeply rooted in all our social institutions. Setting up school councils so that pupils can experience and learn the benefits of democratic representation and participation from an early age, are as important as the literacy hour.

Our innate tendency to learn to co-operate and derive benefits from mutual enterprise also explains the success of the modern Co-operative Movement after its foundation by the Rochdale Pioneers in 1844. In less than fifty years co-operative enterprise had spread around the world [7]. The

Rochdale Pioneers stepped over a threshold of human understanding in crystallising the framework for the success of co-operative enterprise. Like the development of our brains, the development of co-operative enterprise was exponential. It is no accident that the Co-operative Principles of the Rochdale Pioneers encapsulate the concepts of non-discrimination on racial, religious or other grounds, embrace democracy, call for continuous education and demand the equitable distribution of the benefits of co-operative enterprise. The Co-operative Principles came into being not in the reading room of the British Library or an academic institution in Chicago. They came from the distillation of the hard realities of life and the necessity of improving the standards of living of ordinary men and women. Co-operation suits our nature.

There is much to debate about the forms of institutions that will encourage co-operation, in its widest sense, to flourish. That it is to be found in all institutions is no surprise for it is in our nature to co-operate with each other. That it should be encapsulated in one form of democratic economic enterprise, which recognises a link with Rochdale in 1844 and which contributes directly to improve the standards of living of half the world's population, is remarkable [8].

Notes

1. Ridley, *The Origins of Virtue*, pages 249 and 264-265
2. Dawkins, 'Unweaving the Rainbow', chapter entitled 'The Balloon of the Mind' page 294
3. See 'Your baby is no dummy', *Observer* page 11, Sunday 3 January 1999.
4. Steve Jones, *ibid.*, page 227.
5. Steve Jones, *ibid.*, pages xi and 263.
6. See 'Future Choc' *The Guardian Society*, December 16 1998, pages 4-5
7. See Johnston Birchall's excellent book 'The International Co-operative Movement, Manchester University Press, 1997.
8. Source: a background paper for The United Nations World Summit on Social Development in Copenhagen in 1995 referred to in *The Co-operative Party, "The Co-operative Agenda for Labour"*, 1995.

Section 2. Housing, a state of feudal dependency

"... the most fatal combination that could possibly be formed would be to unite socialism to absolutism; to unite the aspirations of the people for material well being.. . with the dictatorship of concentration of all political and social power in the State... We must seek full economic and social justice only by way of freedom."

Michael Bakunin, 1868, mentor of Peter Kropotkin.

In the 20th century, while there have been general improvements in sanitation and health and rapid technological developments that have improved the quality of life, there has been far less improvement in the quantity, technical quality and relative cost of housing than there has been in other consumer goods. Much of our housing was built over one hundred years ago. Ten percent of all our housing is unfit. The worst conditions are to be found in the private rented sector where about one in every five dwellings is unfit for human habitation.¹ In general, our homes are of

poorer quality than those of our fellow Europeans in terms of their size, state of repair and energy consumption.

Why is it that, despite the endeavours of the 19th century philanthropists such as Peabody and Rowntree, enlightened local councils before and after the second World War and now voluntary housing associations, many people living in modern Britain remain poorly housed? Why is it that social housing provided by councils and non-profit registered social landlords² is, in a growing number of areas, seen as less desirable than higher cost home ownership or poorer quality private renting?

The reasons are complex, but four key factors are notable.

The first is straightforward: as a nation we do not invest enough in our housing. Consistently, since 1970, we have spent less of our gross domestic product (GDP) on housing than any of the other thirteen developed nations who are members of the Organisation for Economic Co-operation and Development. Our average spend between 1980-95 was 3.6% of GDP compared with 6.3% in Canada, the highest investor. Despite the Government's release of capital receipts from council house Right to Buy sales, which is to be welcomed, there continues to be an overall decline in resources for capital housing investment. In the year 1997/8 the Government's total capital investment in social housing through local councils and housing associations was £3.4 billion. This is well below the levels of investment achieved by both Labour and Conservative governments in the 1960s and 1970s.³ Compare this level of investment with the annual UK market for chocolate referred to in section 1. The chocolate market is £3.6 billion a year. At the risk of being facetious or too simplistic, if this is all we can afford to invest in social housing perhaps it is chocolate that our nation cannot afford.

There are, of course, other competing priorities for investment, not least the health service and education. But quality housing, good education and health improvements go together. This is recognised by the Government. Tessa Jowell, the Minister responsible for public health has made the connection between improving housing and improving health. Improving housing conditions will help to constrain health spending. Investment in housing also creates jobs. What is needed to modernise Britain's housing is a long-term comprehensive housing strategy, not just three year budgets, which seeks to invest in housing in (to return to a biological analogy) a self-feeding evolutionary way. Housing investment should and could be targeted to improve the conditions of those most likely to be a drain on health service budgets. It should be used, as it has been in some estate renewal programmes, to create jobs and training opportunities for the unemployed as part of the New Deal. It should be focussed on the poorest neighbourhoods where poor housing contributes to poor educational achievement. Such investment would reduce the costs of health care, education and social service costs and help to create a self-feeding capacity for more housing investment.

Case Study: Canada

The 1930's saw Canada's first building co-operatives constructing housing for individual ownership by members. The 1950s saw the first continuing (ie beyond the construction of units) equity co-operatives. In 1964 the first new build non-profit housing co-operative was built when a Winnipeg Group, ten individuals and six organisations including a co-operative life insurance company, the district labor council and federated co-operatives successfully battled the Canada Mortgage and Housing Corporation, the government agency set up in 1946 to administer the Federal housing programme, for funding for a complex of 200 townhouses.

In 1968 a National Labour Co-operative Committee was formed by the Canadian Labour Congress and the Co-operative Union of Canada to promote co-operative housing supported by the National Union of Students, churches and credit unions. This led to the formation of the Co-operative Housing Foundation of Canada in 1968 (now the Co-operative Housing Federation of Canada - CHF). In 1973 the National Housing Act was amended to provide the first formal programme for co-operative housing. Between 1973 and 1977 approximately 60 co-ops with over 5,000 units were developed.

In 1979 that programme was replaced. Under section 56.1 of the National Housing Act (now section 95), co-operatives developed under the federal housing programme were eligible for an annual grant paid by CMHC to the co-operative to bridge the gap between cost rents and the lower market rents for the area in which the co-operative operated. This programme led to the rapid expansion of the co-operative housing sector. By 1985, over 1,000 housing co-operatives had been developed providing over 35,000 co-operative homes and approximately 70 resource groups serviced development in every province of Canada.

Constrained public finance and a change to a conservative government led to the Federal funding programme being eliminated, along with all other federal housing programmes that provide continuing assistance.

Co-operative housing remains a major force in housing provision in Canada. There are now over 2,100 not for profit co-operatives providing over 90,000 homes in every province. They are organised in 23 regional federations and account for 15% of all social housing provision.

Source: Co-operative Housing Federation of Canada and Johnston Birchall, 'The International Co-operative Movement'.

The second factor is the way in which, as a nation, we view and finance housing. We have one of the highest percentages of homeowners in Europe; 67% and rising. In Europe, only Italy, Spain and Ireland have a higher percentage. In the UK home ownership is subsidised by the tax relief given on mortgage interest. This makes home ownership more attractive than renting and enables more people to buy (although, arguably, tax relief simply inflates house prices). There is no need to dwell on this issue because, for many years now, there has been a consensus among politicians of all parties, as well as housing practitioners, that mortgage tax relief should be gradually phased out. This is being allowed to happen by retaining the £30,000 loan limit beyond which tax relief is not given and by limiting tax relief to 10% of mortgage interest. There is a case to be made for making this tacit abolition explicit by the adoption of (say) a ten-year strategy for phasing out tax relief. This would give adequate time for the housing market to adjust and for homeowners to adjust their household budgets. The case for phased abolition is particularly strong at this stage in our economic cycle because of the reducing trend in medium to long term interest rates. This trend

makes tax relief less of a factor in house purchase and household budget decisions. In the 1998/9 tax year the value of tax relief to the average borrower will have reduced to £180 a year [4]. This financing system makes home ownership a sound investment, particularly as the long term trends for the capital value of this major asset to increase does not involve a liability to capital gains tax. Home ownership will, understandably, remain the preferred form of tenure for those able to meet the full cost of their own housing provision. It does, however, create a nation divided between those who can afford to buy their own home, and have total responsibility for and control of it, and those who, of necessity, live in rented housing and have little control of the management and maintenance of their home.

The third factor is closely linked to the second. It is the lack of access to acceptable alternatives to home ownership. Since the introduction of the Right to Buy by the Thatcher Government in 1980, 1.6 million formerly rented council homes have been sold. This trend is now slowing, probably because the most desirable council houses have been sold. Much of the remaining council housing stock is in need of substantial repair and improvement. There is also the legacy of the poor design and construction of large-scale municipal estates of the 1960s and 70s. The outstanding bill for repairing and modernising council housing is estimated to be in the order of £18 - £20 billion. This has been caused by acute under-investment during the Tory years, 1980 to 1997, a trend that has yet to be reversed. Although most of the housing let by housing associations is newer and in better repair and, generally, better managed and maintained than by councils that have been denied adequate resources, social rented housing from housing associations has become increasingly expensive. Housing association rents have doubled since 1989, with the consequence that a growing number of housing association tenants are dependent on housing benefit to pay their rent. In some new housing association schemes the number of housing association tenants in receipt of housing benefit is approaching 80%. The effect of these factors is to turn social housing into residual welfare housing and make it undesirable. It is characterised by concentrated ghettos of unemployment and benefit dependency. This process of residualisation of rented housing provided by councils and housing associations has been going on since the mid 1970s.

The fourth factor is land ownership and tenure. Our system of land ownership and property rights is rooted in medieval feudalism. We have never had the revolution (or the social upheaval that goes with it) which in France and elsewhere led to land ownership reform. Until the beginning of this century most freehold land was owned by the aristocracy. If you are a freeholder, you are freeholder of the Crown. If you have a long lease or tenancy (a tenancy is the commonly used term for a periodic lease for which a weekly or monthly rent is paid) you owe rent and other obligations to your superior landlord. As a result, land has always been a scarce resource, only available for housing when it has been in the interests of the landowner to sell it or to build housing for sale or rent. It has never been a resource available to meet the needs of the community. Even today, when the value of land is determined by the grant of planning permission by democratically elected local authorities, the benefit of the increased development land value goes to the landowner. Increasingly local councils effectively 'tax' the development value they create with planning permission by imposing agreements under section 106 of the Town and Country Planning Act 1990 requiring the landowner to provide community facilities or low cost housing. It is arguable that our nation will never be adequately housed without land reform or, at least, the re-introduction of some form of development land tax to ensure that communities have the resources, through the tax, to meet their community's housing needs.

Lords of the Manor still actively exercise their feudal property rights. Feudalism involved two way obligations. The tenant had a duty of fealty to his superior landlord and to pay dues according to the terms of his tenancy. The lord was obligated to protect the rights of the tenant to enjoy the

benefits of the tenancy. In modern Britain, feudal land rights are still exercised by aristocratic landlords. In a small village near Dover in Kent, the Lord of the Manor, who owns most of the houses in the village, lets them at rents well below market value to people who were born in or have another direct connection with the village. Very few houses have been sold and the village is well kept and thriving. It is a benevolent exercise of feudal land rights. By contrast, in another economically depressed south coast seaside town the absentee Lord of the Manor, whose family has held their aristocratic title for generations and originally owned much if not all of the land on which the town is built, imposed numerous restrictive covenants on land when it was sold by the manorial estate. Freehold property owners in the town affected by these restrictive covenants must pay to have them released if they wish to alter or extend their property. Even building a garden shed or garage can require consent, at a price. Redevelopment plans on sites that were originally part of the landlord's feudal estate must be submitted to the absentee Lord of the Manor's agents for approval, for which a fee is charged. Planning consent from the elected local planning authority is not sufficient. The release of restrictive covenants and fees for the feudal lord's approval generates a substantial income each year for the estate, much to the fury of many people in the town. Those who refuse to pay find a charge for the unpaid fees and costs entered at the Land Registry against their freehold title. The town is in effect being taxed by the feudal Lord of the Manor to the detriment of the local economy. There is much to modernise in UK land law.

The case for land reform is particularly acute in Scotland where absentee feu-dal landowners create immense social problems. It was encouraging to see the New Labour Government's determination to introduce land reform in Scotland, as announced by the Scottish Secretary of State, Donald Dewar, early in January this year.

The effect of these factors is to create a constant inadequacy of supply of decent affordable homes. Ask any local councillor what issues dominate his or her regular surgeries and casework. It isn't health, it isn't education, it isn't unemployment, it isn't crime: it's housing. What dominates is the lack of access to a decent home or the failure by impersonal remote landlords to properly manage and maintain it. Those who, of necessity, live in rented housing have little say, if any, in its management or maintenance. As a tenant, your responsibility stops at the wallpaper. The relationship of landlord and tenant has its legal and practical origins in medieval feudalism rather than the citizenship rights of participation and control a modern democratic society should offer. If you are a tenant it is your feudal landlord, rather than the man in Whitehall, who knows what is best for you; you have few rights to control or influence what your landlord does. Tenants live in a state of feudal dependency; dependent on their landlord for the quality of their home and for the quality of its management and maintenance. The relationship this feudal system creates between controlling landlord and dependent tenant is a long way from Kellner's mutualist vision of society in which freedom and mutual responsibility coexist. The relationship is, as Ridely would observe, one designed to reduce human selfishness rather than bring out human virtue. In public social housing, the imbalance of power between landlord and tenant is the closest we have come to creating the fatal combination Bakunin warned of. In doing so we have created social injustice and constrained freedom.

There is no easy way to reverse this process of residualisation of social housing that the state of feudal dependency has helped to create. Commentators are right to criticise approaches that focus only on one aspect of a multi-faceted problem.⁵ It would be foolish and naive to promote housing co-operatives and community ownership as magic bullets that will, on their own, solve the problem of residualisation and the social exclusion that goes with it. Co-operative and community ownership are a way of building a framework for social housing that is most likely to bring out the

mutualist tendencies of those who live in it. It is not a simple solution to a complex problem, but is an essential part of the solution [6].

The New Labour Government has recognised the reality of the process of residualisation of social housing and the social exclusion it causes. The days when Margaret Thatcher proclaimed, "There is no such thing as society, there are individual men and women and families" are thankfully long gone. The realisation that the interconnections within society are real and interdependent led Tony Blair to set up the Social Exclusion Unit in his Cabinet Office in Downing Street as one of his first acts as Prime Minister. The Social Exclusion Unit was given a specific brief to report on three issues, one of which was how to: "develop integrated and sustainable approaches to the problems of the worst housing estates, including crime, drugs, unemployment, community breakdown, and bad schools etc."

What is meant by the term 'social exclusion'. By far the best analysis of it is in a paper by the Director of Policy and Research at DEMOS, Perri 6, who says that: "The term 'social exclusion' concentrates attention on the ways in which significant minorities are excluded from participating in the mainstream life of society; from jobs, education, homes, leisure, civic organisation, and even voting, and on how this disconnection tends to co-incide with vulnerability to poverty, crime and family breakdown. It is a useful term in societies in which there is a growing geographical polarisation of access and opportunity so that often quite small areas - a housing estate, an inner or outer urban area — are effectively cut off from life around them." [7]

The Social Exclusion Unit's report on poor neighbourhoods, 'Bringing Britain Together: a National Strategy for Neighbourhood Renewal' was published in September 1998. Its analysis of the causes of social exclusion in the poorest parts of the UK is accurate and insightful. The insights the report contains are shown by a statement in Tony Blair's introduction, which recognises that too much has been spent on picking up the pieces, rather than preventing problems from arising in the first place. The report, rightly, promotes the adoption of comprehensive "joined up policies" to ensure that the New Deal for Communities, to be piloted in seventeen pathfinder districts, will work. The national strategy it establishes is based on five themes:

- investing in people, not just buildings
- involving communities, not parachuting in solutions
- developing integrated approaches with clear leadership
- ensuring mainstream policies really work for the poorest neighbourhoods
- making a long term commitment with sustained political priority

What the Social Exclusion Unit's report does not do explicitly is to see that a key ingredient in tackling social exclusion in poor neighbourhoods is to adopt policies which seek to transfer control of social housing and social housing budgets to the communities themselves. Involvement of communities will not be sustainable unless there is a radical shift of power the transfer of control to communities brings. Over the past thirty years, despite policies that have not supported their development, co-operatives have demonstrated their capacity to build sustainable communities. Case studies showing this capacity were published by the UK Co-operatives Council in its discussion paper "Co-operative Housing; realising the potential" published last year [8].

Co-operative and community ownership should not be a matter of compulsion, but driven by the adoption of policies which seek to build the capacity within communities to the point where they wish to take responsibility themselves. As Perri 6 says: "The most valuable form of capital today is arguably human capital - not just formal qualifications and skills, but also subtler ones; knowing how to behave at work, knowing how to please a customer, knowing how to work in a team and, most importantly, being able to spot an unexploited opportunity and find a way to make use of it. Policies to regenerate poor areas today would more sensibly start with learning rather than the state of the physical environment. Certainly this means improving the quality of schools, especially in the poorest areas. But it also means support for learning at home and in the wider community, where most learning is done" [9]. Add this insight to Ridley's: "Human beings have some instincts that foster the greater good and others that foster self-interested and anti-social behaviour. We must design a society that encourages the former and discourages the latter." [10]. It begins to become evident why positive policies to support and develop housing co-operatives are so important.

Seeking to build human and social capital so that communities have the capacity responsibly to take control themselves, is a radically different approach to the limited opportunities social landlords have offered to date for tenant participation. In most cases, this has not included any desire or commitment by social landlords for the transfer of power and control to consumers. Rather, tenant participation has been characterised by a retention of control by landlords and by the appointment or election of tenants' representatives to become part of established decision making structures. The notable exception to this was the introduction of the Right to Manage for council tenants in 1994, a move viewed with suspicion by many councils who saw it, not as a positive advance of tenants' citizenship rights, but a further attack on their role as housing providers. The Right to Manage, although successfully enabling one hundred and seventy thousand council tenants to control their homes, has also been hampered by an administrative regime that presumes that tenants will want to take control for negative reasons. It presumes the motive will be bad management by councils, rather than for the positive reasons of a desire by tenants to exercise greater control over their homes and their immediate environment because of the benefits this brings.

To advocate building the capacity for tenant control is also a radically different approach to the 'consumerist' stance that the Housing Corporation has recently advocated registered social landlords adopt as the central theme of their tenant participation strategies [11]. The presumption behind the Housing Corporation's position is that all tenants want is a quality service from their landlord and to be treated and respected as consumers. It is an approach that completely fails to see the benefits to be derived from empowerment and transfer of control, where that is what tenants wish. It also fails to recognise that a complete spectrum of tenant participation options are desirable; options that range from an individual consumer/provider relationship, through tenants' associations, delegated control by area committees, estate management agreements, joint management boards, management and ownership co-operatives. These options should be openly available to all tenants who should be encouraged to take as much responsibility as they are comfortable with and consider they have the capacity to handle. The more responsibility they are comfortable that they have the human and social capacity to take, the more mutual benefits they and their community will derive from it. To promote positively such an approach to the control of social housing is to promote the New Mutualism Kellner advocates, "a framework in which freedom and mutual responsibility can co-exist, and in which fairness, opportunity and social harmony can be pursued."

Case Study: USA

Co-op housing probably began in New York in 1916 when a Finnish Home Building Association built an apartment block; by 1926 there were at least 25 Finnish societies. Several co-ops drawing support from progressive and ethnic Jewish Groups and trade unions, also built apartment blocks. A law passed in 1926 provided for limited dividend companies, a model which could be adapted to the co-operative form. The Amalgamated Clothing Workers Union used it to set up an American Housing Corporation which built about 1,700 dwellings in 18 tenement blocks and then Amalgamated Dwellings built 236 units through a slum clearance scheme. Those which survived the depression of the 1930s formed the nucleus of the post-war movement. New York co-ops, housing nearly 600,000 of almost a million units of co-op housing, formed the United Housing Foundation to sponsor co-operative housing throughout the city. They were able to draw on federal government funding and used a limited equity model aimed at providing access to low and moderate income people. In 1965 they built Rochdale Village, an estate of 5,860 units, the second largest in the USA. The largest is Co-op City; sponsored by the Trade Unions, it opened in the Bronx in 1972 with over 15,860 units and 50,000 residents. It has its own schools, shopping centres, power plant, churches and police force. That was the high point for co-operative housing. UHF had produced nearly 50,000 co-op units, but government financing began to be withdrawn and UHF had to switch to a new model of co-operative housing for the elderly.

Recently some 400 limited equity co-ops were created in New York as a result of landlord abandonment of buildings and resident co-op take-overs. These have often been backed by the City Council which uses the non payment of property taxes to take ownership of an abandoned building and transfer it to the co-operative. As in Britain, public sector landlords have also encouraged tenant management co-ops to take over difficult to let public housing estates. California also saw the famous battle by migrant Latin American farm workers to set up the San Jerardo Housing Co-operative on the site of an old migrant workers camp in the rich farmlands just outside Salinas, California. This project led to the establishment of the California Mutual Housing Association which now supports the development of co-operative and community controlled housing throughout the state.

American co-op promoters have also invented the market-value co-op, in which the members own the value of their own apartments but are members of a co-op which oversees the common parts and provides services. A specialist agency, Co-operative Services Inc., has provided 4,500 apartments in 35 co-ops for the elderly. The USA also has 165 housing co-ops providing accommodation for around 10,000 university students.

Source: freely taken, with additions, from 'The International Co-operative Movement', by Dr. Johnston Birchall, with thanks for his kind permission.

Co-operatives are not the only option through which communities may exercise control or participate in the control of housing. But in many countries they have been the preferred choice of those seeking control of their homes because they provide an effective democratic framework for exercising control. This is evidenced by the international case studies in this paper. Housing consumers should have the right to choose the degree of control they wish to have over their homes and the type of organisation they wish to form to enable them to do this. This should include the right to form a co-operative and accept full responsibility through mutual ownership.

Why is it that what can be generically described as 'vested social housing interests' - those who presently control the social housing sector, tend to resist tenant control? The answer is simple. It is not in their self-interest to promote it, for to do so would require a diametrically opposite set of values, rules and regulations than they have devised to maintain the status quo. Ridley's insights are useful to understand this tendency. He observes that: "In human beings, too, there is always conflict between the selfish individual and the greater good. Indeed, so pervasive is this tendency that a whole theory of political science has been based on it. Public choice theory, devised by James Buchanan and Gordon Tullock in the 1960's, holds that politicians and bureaucrats are not exempt from self interest. Although they may be charged with pursuing public duty rather than their own advancements and rewards, they come inevitably and always to pursue what is best for themselves and their agency rather than for its clients or the taxpayers who fund it. This may seem unduly cynical, but the opposing view — that bureaucrats are selfless servants of the public good ('economic eunuchs', as Buchanan put it) is unduly naïve" [12]. This is the basis of Ridley's distrust of government and preference for self-regulatory systems. Again, this echoes Kellner's view that New Mutualism is "wary of excessive state power".

To say this about vested interests is to understand the difficulties we face in achieving change, rather than to criticise or condemn those who exhibit this trait. But it is a different matter if those with vested interests permit such self-interest to create blind prejudice, for that is culpable resistance to progress and change (although the history of co-operatives is littered with such self-interested opposition). It also does not mean that the same conflict between the selfish individual and the greater good will not be found in housing co-operatives themselves. It is found in every human institution, co-operatives included. There are at least seven deadly sins that must be guarded against in co-operatives. The little Hitler syndrome (getting elected to usurp power and rule others), the 'us and them' oligarchy, corruption, favouritism, lack of accountability, secretiveness, failure to declare conflicts of interest and apathy are risks that immediately come to mind.

That these risks exist does not mean that the benefits of housing co-operatives are any less real. In the same way, the inherent resistance of current housing bureaucracies to embrace tenant control through co-operatives does not mean that all central regulation by government should be abolished. While self-regulation and the open accountability that goes with it is to be preferred over the heavy hand of centralised control, a regulator, such as the Housing Corporation, with ultimate powers of intervention will remain necessary to protect public funds invested in social rented housing. Rather than try to prevent any risk of failure, which the Housing Corporation sees as one of its most important tasks in relation to traditional social landlords, what is necessary is to accept that the benefits of tenant control justify the risks. The approach that can then be adopted is a positive one of developing a supportive self-regulatory framework that reduces risk backed by strategies to deal with failure if and when it occurs (although co-operatives tend to be remarkably resilient, as the Price Waterhouse report, referred to below, showed). Here again there are echoes of Kellner's views: "New Mutualism is a philosophy for a fallible world. It accepts that people, enterprises and public institutions are liable to make mistakes. It therefore seeks to place only limited reliance on regulation (and even less on ministerial discretion), just as it is wary of expecting too much from market forces or perfect competition."

Given that our genetic capacity to gain the benefits of co-operation would tend towards an optimistic view that benefits will flow from policies to encourage tenant control, what evidence is there that participation in the control and management of rented housing actually produces benefits for those living in social housing? This was precisely the issue the then Department of the

Environment asked management consultants Price Waterhouse to investigate in the early 1990s. Their brief was to look at the costs and benefits that arise from co-operatives and other forms of tenant control and whether the benefits were worth the investment. There was an assumption in the brief that, inevitably, co-operatives would cost more. Prior to Price Waterhouse the evidence of benefits from co-operatives and other forms of tenant control was anecdotal. Price Waterhouse selected 9 case study organisations. Three were tenant ownership co-operatives, three were tenant management co-operatives, the last three were joint landlord/tenant management organisations. They paired the tenant controlled organisations with comparable housing estates managed by the best and most efficient of mainstream social housing providers. The study was in-depth and measured comparable performance in 1992 and again in 1994 to see how performance had changed and whether it had improved or worsened. The Department of the Environment published the report in 1995 [13].

The conclusions of the Price Waterhouse Report were stunning. Page after page showed the benefits of housing co-operatives and other forms of tenant control. It also showed, to the immense surprise of many, that co-operatives were as cost effective as the best mainstream social housing managers. In drawing these conclusions, Price Waterhouse pointed out that it should be born in mind that the co-operatives and other forms of Tenant Management Organisations (TMOs) had deliberately been compared with the very best of mainstream social housing providers. Price Waterhouse concluded: "The findings of this research demonstrate that there are significant and worthwhile benefits associated with TMOs - especially those which give tenants effective control (tenant management co-operatives) or autonomy (ownership co-operatives). These take the form of not only more cost-effective services, especially the speed and quality of repairs, but also in terms of wider social and community benefits, such as through the acquisition of new skills and experience which can be important to many residents in social rented housing. Some of these benefits are quantifiable in financial terms; some cannot be appropriately expressed in money terms and others are unquantifiable, but nevertheless real. The case study TMOs have, in general, delivered higher levels of resident satisfaction across a wide range of housing services. While resources are required in the short-term for setting-up TMOs, the benefits arising from this initial investment can be expected to produce longer term savings and benefits which more than outweighed the set-up costs" [14].

Had the findings of the Price Waterhouse report been taken seriously, there would by now be positive policies for encouraging the development of co-operative housing. Because the report had such enormous implications for the way social housing is provided and managed it suited the last Tory government and the Housing Corporation to ignore it. The response of vested social housing interests was to criticise the methodology adopted by Price Waterhouse, and hence raise doubts about the validity of their conclusions. The criticism continues. In a briefing note by consultants employed by the Housing Corporation to review its 'resident control' strategy, the benefits of housing co-operatives were graphically described as "alleged benefits". Such prejudice must be challenged. The findings of the Price Waterhouse report have, however, been confirmed by two other related studies.

The first was research into the community ownership of housing in Scotland, many examples of which are housing co-operatives. These have taken over ownership of council housing from Scottish local authorities. The study was carried out by researchers from three universities and was reported in the May 1998 issue of the Journal for Co-operative Studies. It concluded that: "although a major programme in Scotland, the approach has not been adopted in England and Wales. The continued success of community ownership argues strongly for the model to be adopted more widely." [15]

The second study was not directly related to housing or co-operatives but it showed why Price Waterhouse's study found that the personal and social benefits of housing co-operatives went beyond the simple provision and management of housing. The study was carried out by researchers at Nottingham University and published by NIACE, the National Organisation for Adult Learning.¹⁶ It looked at what people gained from participation in a whole range of voluntary organisations, as diverse as pigeon fancying clubs, tenants' associations and church choirs. It concluded that participation led to increased knowledge, skills and confidence and the ability to control one's own life. The study identified two types of benefits and learning. The first was premeditated and directly related to the organisation's purpose and function, (if you joined a choir, you tended to learn to be a better singer). The second type of learning was indirect, unpremeditated and unexpected and largely related to personal and social skills, such as working in a group, learning to organise and run meetings, learn-ing to listen and so forth.

The study also found that the later a person left formal education (the later their 'terminal education age') the more likely it was that they would participate in a voluntary organisation. This study re-enforces the view that, although co-operation is an innate human capability, the social and interpersonal skills necessary for successful co-operation need to be learned. Some get the chance to learn these skills others do not. For most tenants in the social housing sector, the state of dependency created by their relationship with their feudal landlord combined with an average early terminal education age and exclusion from main-stream adult educational opportunity means that they may never have the opportunity to learn to co-operate. For these tenants, the opportunity for such learning may only be created through the opportunity to control their homes as a member of a housing co-operative. Moving from a state of feudal dependency to one of active citizenship through the control of housing will, for many tenants, be the key to the learning that is essential if they are to build the capacity to tackle the social exclusion they face.

Notes

- 1 Source 1996 English House Condition Survey, Welsh Housing Conditions 1993 and Scottish Housing Conditions 1996 set out in tables 23a, 24a and 25 of the Joseph Rowntree Foundations Housing Finance Review 1998/9 edited by professor Steve Wilcox
- 2 'Registered social landlord' is the new legal definition given in the Housing Act 1996 to organisations that were previously called housing associations.
- 3 See UK Public Expenditure Plans, chapter 4, Joseph Rowntree Housing Finance Review 1998/9.
- 4 Source Joseph Rowntree Housing Finance Review 1998/9 table 101, page 192.
- 5 For such criticism see: Social exclusion and housing, Peter Lee and Alan Murie, Contemporary Issues, page 30 Joseph Rowntree Housing Finance Review 1998/9
- 6 A brief explanation for readers who are not familiar with the distinctions between the various types of housing co-operatives and community based housing associations. A housing co-operative is an organisation that bases its democratic constitution on the Seven Co-operative Principles agreed by the International Co-operative Alliance. The Co-operative Principles are printed in full on the last page of this pamphlet. There are three main types of housing co-operative: ownership co-operatives which own the homes their members rent from the co-operative, tenant management co-operatives that manage housing owned by another social landlord and short life housing co-operatives which manage temporary short life housing.

Their defining feature is that a majority of the tenants will be members of the co-operative and, in many co-operatives, all the tenants will be members. A co-operative must be tenant controlled. If tenants are required to be members the co-operative is called a 'fully mutual co-operative' and has a special legal status in law. Fully mutual co-operatives that own property are precluded by law from granting secure or assured tenancies. A community based housing association is one which has a democratic constitution that does not specifically embrace the Co-operative Principles. It encourages tenants to become members but also permits other persons in the community who are not users of its housing services to join. It may have a majority of members who are tenants and may have a majority of tenants on the controlling board or committee of the association

- 7 Social exclusion: time to be optimistic, by Perri 6, DEMOS Collection 12 1997
- 8 'Co-operative Housing: realising the potential' is available from the UKCC, c/o the Co-operative Bank, 1 Balloon Street, Manchester, price £6 (incl. p & p).
- 9 Op. cit.
- 10 Matt Ridley, *ibid.*, page 260.
- 11 See Housing Corporation 1998 Tenant Participation: the next five years.
- 12 Ridley, *ibid.* page 27.
- 13 Tenants in Control: an Evaluation of Tenant-led Housing Management Organisations, a report by management consultants Price Waterhouse, HMSO/Department of the Environment 1995
- 14 Price Waterhouse, *ibid.* page 122
- 15 Clapham, Kintrea & Kay, 3 University study 1998, first reported in the May 1998 issue of the Journal for Co-operative studies
- 16 16Voluntary Organisations: citizenship, learning and change; K. T. Elsdon with John Reynolds and Susan Stewart, published by NIACE, ISBN 1 872941 87 7.

Section 3. From feudal dependency to mutual control

“Too much has been imposed from above, when experience shows that success depends on communities themselves having the power and taking the responsibility to make things better.”
Prime Minister Tony Blair: introduction to the Social Exclusion Unit’s report ‘Bringing Britain Together: a national strategy for neighbourhood renewal’.

“No strategy for social exclusion will be credible that does not shift the balance of resources toward stimulating the supply of housing choices for the poorest households and reducing the price of housing. In practice this will almost certainly mean moving subsidy on to the supply side and steadily away from consumption.... this strategy will entail an increase, in the short term, in public spending.”

Perri 6, Director of Policy and Research, Demos

Tony Blair and Gordon Brown are right. The capacity to heal the divisions in our nation that arose during the years of what Gordon Brown describes as Conservative “absentee government” depends upon our economic success. It is paramount. In seeking economic success, we do so within an increasingly globalised economy. It is the context of the politics of today and tomorrow from which we cannot insulate ourselves.

For Blair and Brown, “The central thread that runs through our modernisation is national economic success achieved through the expansion of individual opportunity”¹. New Labour is committed to “shared rights and responsibilities”, which rejects old elitism in favour of individual worth². It is a search for tomorrow’s egalitarian politics that rejects, because it is disempowering and not sustainable, the old socialist idea that the state should be the sole provider of essential services. It is a search that is founded in the same morality and values that, in an earlier age, gave rise to socialism. Kellner would render this a search for policies of “equality of access”, a central theme of New Mutualism that demands “that the victims of inequality should be able to live in decent housing, buy healthy food, secure better education for their children, obtain good health care, use public transport and walk safely at night round their neighbourhood”.

There are dangers in rejecting old socialist solutions in favour of new ones, be they called new socialism or new mutualism. The first is the absence of alternative workable strategies that deliver the desired egalitarian outcomes. The second, which is already manifesting itself, is the danger that Labour Party activists who stayed loyal during the years of opposition and helped build New Labour’s success will perceive this search for new solutions as an abandonment of the principles that are the foundation of their political involvement. This would be damaging to the political life of the nation; it would weaken the Labour and Co-operative Parties by lowering the active participation that is the hard training ground for those willing to accept the responsibility of elective public office. It would take politics off the doorstep and abandon it to the media. Those of us who think the search for new solutions is necessary and right, must persuade valued ‘old socialists’ that the solutions needed to modernise Britain spring from their values, even though the means are driven by the needs of tomorrow rather than the solutions of the past.

In housing, there needs to be a search for new egalitarian solutions that enable us to meet our nation’s housing needs in the most cost effective way. In searching for new policies it would be wrong to conclude that council housing provision was a failure. Without it, a generation would have lived in squalor and our housing would not have recovered from the ravages of war. Equally it would be wrong to be critical of the work and values of the thousands of people who, in more recent years, have worked to provide good housing in the voluntary housing association sector.

During the years of Conservative Government the antipathy to local council housing provision was such that, without the voluntary housing sector, little public housing would have been built.

What is needed to modernise British housing? How should we ensure that the Tory legacy of £20 billion disrepair to council housing is remedied? How do we ensure that we build the 4 million new dwellings needed by the year 2016 to meet housing demand? How do we upgrade our housing to make it energy efficient and less damaging to the environment? How do we reverse the trends of residualisation of social housing that make it the tenure of last resort for many? How do we avoid the mistakes of the past that wasted resources by imposing solutions that did not work and communities did not want? What about mixing lower subsidy/higher rent units with higher subsidy/lower rent units in a housing co-operative to maximise human and social capital? How are we to avoid elderly owner-occupiers becoming socially isolated in homes they cannot afford to maintain? These are the questions we must ask and answer in our search for tomorrow's egalitarian solutions to our housing needs. As we seek answers we must be prepared to consider solutions that for old socialists might have been unthinkable: the sale of council housing to new landlords, the use of private capital, the primacy of the consumer not the provider, the promotion of residents rights to control above those of elected councillors.

Above all else, the modernisation of housing in Britain requires the acceptance, by politicians and the public, that direct or indirect state provision by paternalistic landlords who permit, at best, limited involvement by tenants should be a thing of the past. Paternalistic provision disempowers consumers and is, in part, the reason for the social exclusion of the poorest in our nation. It also neglects to utilise one of the greatest untapped social housing resources, namely the skills and abilities of those who live in social housing to contribute positively to its management and maintenance. What is needed to modernise housing is a radical shift of power from provider to consumer. This holds true in the owner occupied sector where much of what is built is of lower space and construction standards than is desirable. It is also true in social housing which, of necessity, is provided with subsidy from the taxpayer. In social housing, The Tenants' Compact recently launched by the Government is the start of this long process, which will take at least a generation to complete. It will not be complete until consumers are fully in control, able to choose the level of involvement and control that meets their and their community's aspirations. This means tenants having the right to manage their homes and, if they wish, to take ownership of them through establishing a democratically controlled community housing association or housing co-operative.

What is the role of the Government in developing this mutualist strategy for social housing? It is twofold. Firstly, to ensure that housing investment strategies are adopted that will achieve the adequacy of supply of affordable quality housing. Secondly to be the catalyst for change.

Ensuring adequacy of supply is a phenomenal challenge after years of under-investment. To ask the Government to accept this responsibility is not to expect it to waive a magic wand of instant solution, but as Perri 6 has observed, accepting it will almost certainly mean moving subsidy from benefit support of consumption into capital subsidy for supply which will, in the short-term, lead to an increase in public spending. There is an inevitability about this that, in public at least, Gordon Brown and the Treasury have yet to accept. Individual opportunity and equality of access to a decent home cannot be a citizen's right without adequacy of supply. The need for supply side subsidy means that only the Government can carry this responsibility.

Case Study: Sweden

Sweden's highly developed co-operative housing system is genuinely a third way between owning and renting. 650,000+ homes, one in six of all Swedish dwellings, are co-operatively owned. Swedish law does not permit owner-occupancy of multi-family housing (apartment blocks). Single family housing is dominated by home ownership, which is predominantly in the suburbs and smaller communities. In city and urban centres, multi-family housing predominates. 30% is co-operative housing, about the same share as private and public rental housing. Co-operative housing has been a distinct form of tenure in Sweden since legislation in 1930 created the concept of a tenant ownership co-operative (TOC) and restricted housing co-operatives to this particular form. The development of rental co-operatives was prohibited by law, other than in Stockholm where SKB (The Co-operative Housing Association of Stockholm) was permitted to continue rental co-operative development.

Two national organisations, HSB and Riksbyggen have developed the majority of co-operative housing. HSB, the largest, is based on the consumer co-operative principle of individual membership. Riksbyggen holds special agreements with local savings banks. Both HSB and Riksbyggen provide technical development and management services on a regional basis to TOCs. They also, in the post-war years, acted as the development and management agents for many public rental housing developments and still manage over 115,000 public rental housing units for municipal authorities.

A tenant-owner co-operative is one where individual tenant-owners are members of the co-operative which owns the property. It is described as tenant-ownership because the tenant has a membership share which has a market value and is allowed to sell the share to an incoming occupier. Co-operatives are financed on preferential loans from municipal authorities, which are for 99% of the project cost and are at a subsidised rate of interest, providing they are subject to municipal audit. The interest subsidy is removed at the rate of 0.25% per annum until a market interest rate is charged. The members contribute the final 1% of the project cost by buying shares in the TOC, apportioned according to the size of their apartment. Until 1967, share prices were controlled and had to take place via HSB society or Riksbyggen; the transfer price being the value of the initial share plus the repayment of the mortgage principle during the period of the member's occupation. There is a free market in co-operative occupancy rights. Some commentators in Sweden and elsewhere question whether this accords with the not for profit principles of co-operation.

The rising price of occupancy rights in TOCs has led to a new interest in rental co-operatives and, in 1987 legislation was introduced to permit the formation of rental co-operatives on a trial basis.

Sources: Housing Co-operatives in Sweden, Bo Bengtsson, National Swedish Institute for Building Research and the Hidden History of Housing Co-operatives, Heskin and Leavitt, University of California.

To argue this is not to argue in favour of the old socialist solution of public or quasi-public housing provision. It involves looking at innovative ways of raising private finance to help meet the cost of new housing provision and the costs of repair and improvement of our existing council housing stock. It means unlocking asset values to secure loans so that as much of the expenditure as possible does not count against the Public Sector Borrowing Requirement (PSBR). It means looking at ways of drawing-in pension fund managers to invest in social housing so as to generate sound returns in comparison with stock market investments that would benefit both housing and

pension funds by taking surplus cash out from equity investments, which contributes to their overpricing. What better place could there be for investing our pension funds than in the provision of decent homes for our children and us? As the Canadian case study shows, this was precisely how Canadian housing co-operators designed their investment system in the 1980s. Drawing in such funds may involve legislating for tax breaks for pension funds and individuals to make ethical investment in affordable consumer controlled rental housing attractive.

Let us look, for the purpose of examples, at two of the previously unthinkable solutions: unlocking the open market asset value of social housing and rent deposits or guarantees.

To date, drawing in private finance to deal with the disrepair of council housing stock has required the transfer of ownership of housing from councils to existing or new social landlords, always with the support of a majority vote from the tenants affected by the transfer. The result has been new investment but often at the price of higher rents rising at a rate of two or more percentage points above the rate of inflation and the payment of higher salaries to senior staff of these new independent social landlords. Save in Scotland, such transfers have done little to change the dependent state of tenants. Despite lack of alternative sources for investment, some tenants have rejected these transfer proposals: better the devil you know than the one you don't. Equally, some councils, particularly traditional Labour controlled ones have resisted such transfers, fearful of loss of political control of an essential local housing resource to organisations that are not accountable to elected members and that could so easily be made profit making by any future Conservative government. The more enlightened councillors and housing practitioners argue for the adoption of Gross Government Financial Deficit, rather than PSBR, as the means of enabling quasi-trading corporations to draw in private investment while remaining under majority control of elected councillors, a change so far rejected, on economic grounds, by Treasury ministers. It is not surprising that, to date, the majority of such transfers have been from Conservative or Liberal Democrat controlled councils rather than Labour ones.

Does New Mutualism offer an alternative to provider led transfers? Could councils seek a new mutual relationship with their tenants in which the council leases housing in need of investment for repair and improvement to a tenants' co-operative or community landlord to enable it to fund repairs? The lease would be for a fixed term of years (say seventyfive) sufficient to create an interest that would enable the co-operative or community landlord to offer an investor security for loans. The lease would give the new mutual landlord managerial and financial independence. The lease could also ensure, firstly, that the new landlord could never change its status to a profit seeking one and, secondly, that it remained accountable for its performance as an efficient manager of a social housing resource to elected councillors representing the community it serves. It would be a radical alternative that empowers communities and helps build their social and human capital.

To date, other than in Scotland where there has been a programme of co-operative and community transfers that work well, the only examples of community transfers have been in association with large established housing associations or trusts. These partnerships have been necessary because the tenanted value of the stock transferred has been insufficient to secure the private finance needed to carry out repairs and improvements. An asset rich partner has been needed to secure loans, assets that could otherwise be put to work providing more housing. Asset rich partners come in the form of old housing trusts with charitable assets or large housing associations with housing stock funded at past higher social housing grant rates; assets which, with the current higher rents that were acceptable to the Conservative government, are generating surpluses. These riches will, however, run out well before the backlog of disrepair of council housing is rectified.

What about combining tenant controlled transfers with the radical option of using open market value, rather than tenanted rental value, to secure loans? In some areas, with low property values, it would add nothing, but in others it could be the key to securing private investment under locally accountable tenant control.

Many will question whether tenants will be prepared to risk the termination of their tenancy in the event of the co-operative or community landlord they control defaulting on its loan repayment obligations. But in our divided nation, ten million households buying their house with a mortgage take this risk individually. It is the way in which loans are secured in the owner-occupier sector to which most tenants would say they aspire. Tenants would be better protected from the default of a mutual landlord than an individual mortgage borrower because repayment is a common rather than individual obligation and housing benefit is available to those who need assistance with their rent. It is certainly not politically or morally acceptable to use open market value as security where tenants are not in control, where others could trigger default by mismanagement elsewhere within a larger business.

In practice in the event of mortgage default the actions of a lender will initially be the same, whether tenanted or open market value is used as security. The actions will not be influenced by whether it is a mutual or paternalistic landlord. Firstly, the lender would raise rents to increase income; secondly, it would evict rent defaulters; thirdly, it would sell void dwellings to reduce the loan debt and interest; fourthly it would seek to sell tenanted property to an alternative landlord. Only if these measures did not succeed in repaying the debt would possession be sought against those who were paying their rent so that open market vacant possession value could be obtained. Given the constraints on public investment, unlocking open market value may be a key to dealing with disrepair. In order to pioneer the unlocking of open market value of existing council housing what is needed is a group of tenants with courage and confidence in themselves, a council willing to support them and the Government willing to change the administrative rules on transfers to enable it to happen. It will come, slowly at first, but replicated when tenants see the joint benefits of co-operative control and investment for repairs.

This is just one example of the radical mutualist solutions that should be considered. What about rent arrears? Are we to continue to accept the inevitability of rent debt, where some tenants persistently and sometimes repeatedly fail to meet their rent obligations, ultimately at the expense of their neighbours? In a housing co-operative or small community housing association the impact of non-payment is a very real cost to other residents. What about rent deposits or guarantees being accepted as the responsible norm in mutually owned social housing? After all, if you take on a financial commitment such as buying a car or video, which many who live in social housing do, a deposit or guarantee is normally required. What about deposit saving and loan schemes for the next generation on the lines of that operated for co-operative housing by the HSB Bank in Sweden, but here run by credit unions? What about using loan stock (investments paid in by members) to act as security for rent payments and to finance part of the cost of provision of state subsidised co-operatively owned and managed housing? To raise this thorny issue is not to suggest that the poor should become even more socially excluded by such financial obligations; clearly, there needs to be exceptions and assistance for those in genuine need. Requiring such a financial commitment involves a new responsibility bargain between the citizen and the community, and the citizen and the state. It is, however, to return to Ridley and the Origins of Virtue, to seek to reciprocate co-operation and punish hedonistic free-riders, (which we do anyway through eviction but only after the defection from obligation has occurred). To explore such issues is to explore the reciprocal obligations at the heart of the New Mutualism debate. These hard questions reflect the Prime

Minister's views, quoted by Kellner, that "the 'Third Way' should be not a soft option, but a hard discipline".

Apart from accepting the necessary obligation of seeking to ensure the balance of supply and demand in housing what other role does government have in developing a system of mutual rights and responsibilities within socially funded housing? The Government's key role is to be the catalyst for change, to enable housing consumers to move, if they wish, from the status of dependent tenant to empowered control. The social housing system is such that primary responsibility rests with social housing providers, not consumers. In social housing the circuit of mutual rights and responsibilities that maximise mutually beneficial outcomes is incomplete. It is a prime cause of many anti-social ills in social housing. The role of government is to catalyse the development of a culture of mutual rights and responsibilities and discourage the continuation of the disempowering dependent landlord-tenant relationship. The actions that may be taken to start this process are set out in thirty two detailed proposals in the UK Co-operative Council's discussion paper 'Co-operative Housing: realising the potential' published last year. But what is needed is the political will and determination to set up a co-operative housing framework that can help meet our nation's housing needs.

In the case of co-operative and community controlled housing it is vital that government plays this catalytic role. The importance of this is emphasised in the conclusions drawn by Alan Heskin and Jacqueline Leavitt from the Center for Co-operatives at the University of California in their analysis of how public policy affects housing co-operatives in various countries³. They observe that: "The impact of lukewarm public policy is that any co-operative may hold a 'niche' position in a locality and represent a mere fraction of the total housing stock. Alternatively, policy can establish financial and legal institutions which endorse co-operatives and facilitate their growth throughout a municipality or country"⁴. In Britain housing co-operatives have such a niche position and will not become a mainstream radical 'Third Way' alternative without government playing its key enabling catalytic role. It is the responsibility of government to establish the financial and legal institutions that endorse co-operatives and facilitate their growth. If this does not happen, the inequalities of feudalism inherent in the landlord/tenant relationship will extend into the third millennium.

Housing co-operatives are not unique in needing the Government to act as catalyst to their revival. Helen Seymour, European Projects Co-ordinator of ICOM, the Industrial Common Ownership Movement, identifies precisely the same need for worker co-operatives and the need for their unique identity to be recognised in law⁵. In his essay 'Tomorrow's Politics: The Third Way and Beyond' Ian Hargreaves cogently puts the case for the rival of the Third Sector, the whole range of non-profit organisations that have the potential to contribute to the modernisation of Britain of which co-operatives are a distinctive part. Hargreaves pointedly warns New Labour of the risk of failure to recognise the importance of this: "The current government has open access to the knowledge of a sympathetic third sector. It can boldly go where no modern predecessor has dared. At present the signs are that it has sensed the potential, but lacks the will and clarity of thought to drive forward the radical legislative agenda, without which its instincts will come to nothing much. Given that the third sector tradition has its roots as much in Burke and Mill as in Paine and the Rochdale Pioneers, it is worth bearing in mind that if Blair's Third Way cannot accommodate the third sector in tomorrow's politics, then perhaps someone else's will. Don't tell that to Sid. Tell it to William." [6]

Hargreaves also quotes the Co-operative Party Cabinet Minister, Alun Michael MP who in a speech in 1997 said: “A people among whom there is no habit of spontaneous action for a collective interest – who look habitually to their government to command or prompt them in all matters of joint concern – who expect to have everything done for them – have their faculties only half developed... It is of supreme importance that all classes of the community should have much to do for themselves; that as great a demand should be made upon their intelligence and virtue as it is in any respect equal to; that the Government should encourage them to manage as many as possible of their joint concerns by voluntary co-operation”⁷. Yet again, echoes of insights from Matt Ridley.

But what in practice does being a catalyst require government to do? It requires government to:

- Ensure that the development of the human and social capacity of communities to control and manage their housing through co-operatives is seen as a positive investment that is adequately resourced as an integral part of social housing investment.
- Facilitate the development of a national education and training programme designed to enable tenants and those in social housing need to develop the skills and competence needed to control their homes.
- Change the social housing grant regime to enable co-operative and community based landlords to provide housing at rents that are affordable and more easily use open market value as security for loans.
- Facilitate, through formal training opportunities with higher education institutions and practical training, an increase in the pool of educators and housing managers skilled in developing and serving consumer control of social housing.
- Encourage the development of a national network of co-operative housing service agencies able to promote and support housing co-operatives.ⁿ Change the social housing regulatory regime so that it positively encourages and supports democratic consumer control.
- Create a new appropriate legal status for housing co-operatives.

The creation of a new legal status for housing co-operatives and, perhaps, other constitutional forms of organisation that enable majority democratic control by residents, will be the defining moment in the development of New Mutualism in social housing. In a housing co-operative a member has a dual relationship with the co-operative, firstly as member with rights to participate in the democratic control of the co-operative’s affairs, secondly as a tenant of the landlord co-operative. The two relationships are, legally, entirely separate. In tenancy law the co-operative is as feudal a landlord as any other. Rights to occupy a co-operative home under a tenancy do not bring with them mutual obligations to participate in the effective running of the co-operative. Equally, a co-operative tenancy does not protect a member from the potential tyranny of an unreasonable majority acting as their landlord. Co-operatives will not be truly established as a distinct alternative within British housing until they have their own legal identity and until the unique mutual relationship they create within a housing community is established in law.

The two feudal estates of landlord and tenant in UK property law are an inadequate and inappropriate framework within which to define this new mutual co-operative relationship. What is needed is the creation of a Third Estate, where mutual rights and responsibilities arise from membership of a housing co-operative. With the creation the Third Estate co-operatives will come of age as mainstream providers of homes fit for a mature democratic, mutual and egalitarian nation.

Notes

- 1 See Gordon Brown's Edinburgh speech, Monday 11 January 1999.
- 2 Gordon Brown, *ibid.*
- 3 *The Hidden History of Housing Co-operatives*, Center for Co-operatives, University of California 1995, edited by Alan Heskin and Jacqueline Leavitt.
- 4 Heskin and Leavitt, *ibid.*, page 47
- 5 See the text of Helen Seymour's speech to the UK Co-operative Council's Annual Forum, 20 November 1998.
- 6 Ian Hargreaves, essay 'A Step Beyond Morris Dancing: The Third Sector Revival', in *Tomorrow's Politics, The Third Way and Beyond*, published by DEMOS 1998.
- 7 Alun Michael MP, *New Statesman* 20 February 1998, quoted by Ian Hargreaves, *ibid* page 77.

CO-OPERATIVE PRINCIPLES

Co-operative Principles as defined by resolution of the Centennial Congress of the International Co-operative Alliance on 23 September 1995.

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

- 1 **Voluntary and Open Membership:** Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
- 2 **Democratic Member Control:** Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Women and men serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights [one member, one vote] and co-operatives at other levels are also organised in a democratic manner.
- 3 **Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibility by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.
- 4 **Autonomy and Independence:** Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensures democratic control by their members and maintain their co-operative autonomy.
- 5 **Education, Training and Information:** Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.
- 6 **Co-operation among Co-operatives:** Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.
- 7 **Concern for Community:** Co-operatives work for the sustainable development of their communities through policies approved by their members.

Acknowledgements

The Co-operative Party and the author gratefully acknowledge the support of the Board of Management of CDS Co-operatives, without which this pamphlet could not have been produced. CDS Co-operatives is the largest secondary housing co-operative in the south east. Further information can be obtained from:

CDS Co-operatives

Registered Office:

3 Marshalsea Road

London SE1 1EP

Tel: 0171 397 5700

Fax: 0171 407 4697

Chair: Mrs Maureen Stables

Executive Director: Mr David Rodgers

The support of the Labour Housing Group is also gratefully acknowledged. Further information on membership may be obtained from:

Leonie Cooper

Flat One

London SW11 3RA

Chair: Jon Passmore

The author would like to thank Mr Geoff Simpson for editorial comments and corrections.

New Mutualism

The Third Estate by

David Rodgers

This pamphlet represents the author's interpretation of the subject, not the policies of the Co-operative Party. The pamphlet may not be reproduced without the express permission of the Co-operative Party, or the express permission of the author.

The Co-operative Party is the political wing of the Co-operative Movement. It promotes the application of Co-operative Principles through elected representatives at all political levels.

Published by The Co-operative Party
Victory House
Leicester Square
London WC2H 7QH

in conjunction with CDS Co-operatives.

Supported by Labour Housing Group

Tel: 0171 439 0123
Fax: 0171 439 3434

ISBN 0 85195 254 2

Printed by the Co-operative Press Ltd.

January 1999

Price: £5.00

Preface

It is with some trepidation that I confront the task of following Peter Kellner's erudite analysis of the case for New Mutualism. My expertise is very different to his. For the past twenty years I have been the executive director of an organisation which, during years of adverse government policies, has struggled to develop and service housing co-operatives. These are organisations that Kellner would recognise as embracing the New Mutualism which, he advocates, should be found in every public, private and commercial institution. Thankfully my task is narrower than his extensive overview. It is to show why mutualism in housing, particularly through the development and support of housing co-operatives in publicly subsidised housing, should be an essential part of the New Labour Government's agenda. In tackling this task, I take comfort in the fact that by publishing a series of papers on New Mutualism the Co-operative Party's intention is to stimulate the debate on the Third Way in politics that Kellner's paper initiates. I also recall the wise words of the late Will Watkins, the former Director of the International Co-operative Alliance, who, in the preface to his book 'Co-operative Principles Today and Tomorrow', stated that in order to say something, it is not necessary to say everything.

David Rodgers
January 1999

David Rodgers is Executive Director of CDS Co-operatives, the largest co-operative housing service agency in the south of England providing support services for 73 client co-operatives from its offices at 3 Marshalsea Road, London SE1. He has twenty-six years' experience of working with housing co-operatives. His involvement with them began while he was studying to qualify as a biology teacher. He has maintained his interest in science and biology and is a keen amateur astronomer and mycologist. He is the elected representative for housing co-operatives on the National Council of the National Housing Federation and serves as clerk to the All Party Parliamentary Group on Housing Co-operatives. He was the author of the Modular Management Agreement for the statutory Right to Manage and is the author of Co-operative Housing: realising the potential published by the UK Co-operative Council. He is a long-standing member of the Co-operative Party and Labour Party.

Section 1. The Origins of Mutualism

“New Mutualism asserts that we have both rights and responsibilities, and that social, political and economic institutions work best when all of their members respect each other. It seeks to rescue the virtues of co-operation, and the principles that gave birth to the Co-operative Movement, from the strangling embrace of ideological socialism”

Peter Kellner 1998

Kellner roots his arguments for New Mutualism in rational ethics and human evolution. The first, he says, is reasonably obvious; that most of us believe it to be ‘good’ to behave well towards our fellow citizens. The second, is less obvious: it is that mutualism “goes with the grain of human nature”; it is a characteristic of our genes driven by what is best for the survival of our species. He argues that: “Mutualism is a moral, genetic and practical imperative”, a conclusion based on the work of Richard Dawkins who explored the issue in his book ‘The Selfish Gene’. “According to this view”, says Kellner, “it is not God instructing us to be moral, but our chromosomes telling us: ‘be selfish: trust each other.’” Hence: “The central proposition of New Mutualism is that liberty, equality and fraternity can be achieved only if we develop a culture of mutual responsibility.”

The evolutionary basis of human society and the tendency of human individuals to act for mutual benefit, rather than exclusively for self interest, deserves more attention and analysis than Kellner, understandably, was able to give it in his introductory essay. Is our genetic heritage the foundation of mutualism in human society? If it is (and it is tempting for co-operators to embrace such a notion), it is important that we have a sound understanding of the scientific evidence on which such a view is based, especially if it is to influence social and ethical policy. Today, thanks to the writings of popular scientists such as Richard Dawkins and Steve Jones, it is easier to maintain an understanding of developments in the science of genetics. (Steve Jones' award winning book 'The Language of the Genes', based on his 1991 Reith Lectures for the BBC, is to be highly commended, if nothing else because it clearly shows that eugenics and racism, which have led to the worst human atrocities this century, have no biological basis).

Kellner's argument is that the moral basis of mutualism, that it is ‘good’ to behave well, follows the evolutionary one; that we generally behave well in human society because it increases the chance of our 'selfish' genes being replicated and passed on to the next generation. There is an apparent contradiction between selfishness at the level of our genes and the altruism of individuals we proclaim to be 'good' for the human society in which we live. A greater analysis of this apparent contradiction is needed for us to understand why it is the root of the social, economic and political dynamics of the New Mutualism which, Kellner argues, should be at the heart of Tony Blair's Third Way agenda.

In a chapter entitled ‘The Selfish Co-operator’ in his latest book, 'Unweaving the Rainbow' Dawkins reacts against the misunderstanding of the 'selfish gene' concept. He explains that, while exclusively at the level of the individual gene the driving evolutionary force is its own selfish replication, that is not the case at the level of the individual organism each gene helps to create. Dawkins says that it is now widely understood that altruism at the level of the individual can be a means by which the underlying genes maximise their self-interest. He explains that the genes, though in one way purely selfish at the level of their own replication, enter into co-operative cartels with each other. It is the genes of a species at large that co-operate, because they have met before, in making individuals of the same general type as the species. He also refers to the work of the American bacteriologist, Lynn Margulis, whose research has convinced the scientific world that mitochondria, the minute chemical factories that swarm in all our cells and carry out most of the

biochemistry in our bodies, were once free living bacteria that have given up independent reproduction. This is the pinnacle of genetic co-operation. (Interestingly, we only inherit mitochondria from the egg of our mother, so if there is a battle of the sexes it has, at this level at least, been won by women).

Does this mean that nature is co-operative? Not necessarily. Dawkins firmly rejects the debate about whether nature is fundamentally red in tooth and claw or whether nature is fundamentally co-operative, as a false one. There are, he points out, many examples of both 'nasty' and 'nice' (mutually beneficial) behaviour in nature. Cleaner fish feed by cleaning the parasites from the mouths and gills of larger predator fish without themselves becoming prey. It is nice, mutually beneficial, behaviour. By contrast, a cheetah is usually pretty nasty to a gazelle. Cheetahs are highly specialised killers. They have evolved as the fastest animal on earth to outrun a gazelle and can hardly be said to co-operate with it, except, perhaps, through competition being the driving force of co-evolution. Co-evolution occurs between cheetah and gazelle because natural selection, at the level of the individual not the gene, favours the faster gazelles who escape which, in turn, drives the evolution of the cheetah's ability to sprint to catch them.

In the field of social policy, the concept of co-evolution opens up an interesting debate about the role of competition in improving performance, a debate that is part of the development of the Best Value concept for improving public services. The quality of public services can improve through the co-evolution involved in competition or bench marking, but not unfair competition from monopoly providers. When monopoly occurs, co-evolutionary forces end. If the monopoly in service is a public one, co-evolutionary forces never get started.

How is it, then, that for humanity, altruism at the level of the individual can be the means by which the underlying genes maximise their self-interest? Why should our complex DNA, with its genetic alphabet of three thousand million letters, contain the blueprint for co-operation and ethical mutual behaviour?

In 'The Origins of Virtue' Matt Ridley undertakes a detailed analysis of the biological and evolutionary basis of the tendency of human beings to behave ethically towards each other and to co-operate. Ridley is a unique combination of zoologist, economist and journalist. His work is highly readable and entertaining. Unlike Dawkins, who, for rational scientific reasons, rejects, as a false continuum, 'the nature is nasty, nature is nice debate' Ridley analyses it in depth before drawing his conclusions, although he too ultimately rejects it as a false dichotomy. Ridley takes as his starting point the writings of Prince Kropotkin, the late 19th Century Russian evolutionary biologist and anarchist. In his seminal work 'Mutual Aid: a Factor in Evolution', Kropotkin showed the many examples of co-operative behaviour between species and individuals within species and that this could lead to evolutionary advantage. Kropotkin refused to accept that selfishness was an animal legacy and morality a civilised one; he saw co-operation as an ancient animal tradition with which man, like other animals, was endowed.

From the contrasting views of Kropotkin (who Ridley, like others, links to the philosophical tradition of Rousseau, who saw mankind as the noble savage, corrupted by human society) and of Darwin and T. H. Huxley (reflecting the tradition of Hobbes and Adam Smith for whom the natural state of man was constant conflict unless tamed by society and culture), Ridley analyses the biological and anthropological origins of human ethical behaviour. Ridley, like Kellner, points out that in 'The Selfish Gene' Dawkins uses the prisoner's dilemma to show how while individual 'cheats' may prosper, on the whole 'trusters' do better than cheats and are therefore more likely to pass on their genes to the next generation. Ridley extends Dawkins analysis to demonstrate how

through game theory, played on computers, mathematicians have shown that co-operative strategies produce greater benefits for the participants than selfish ones, providing the game was played more than once and defection from co-operation was punished. Ridley illustrates his analysis with numerous examples from nature and anthropology.

Case Study: Norway

The first housing co-operative in Norway was established in Oslo in 1929. Most development occurred after the Second World War. The Norwegian Federation of Co-operative Housing and Building Associations (NBBL) was founded in 1946. Today 103 organisations are members of NBBL. NBBL builds between 15-20% of Norway's total housing production, some of which is built for outright sale. 235,000+ dwellings, 14% of Norway's total housing stock, have been built and are owned by housing co-operatives. In Oslo in 1951 the local authority decided to convert 5,000 public sector homes to co-operatives, a process that was then repeated in other cities.

The Norwegian co-operative housing system, which is similar to that of other Scandinavian countries, was chosen to solve the problems of continuous building to ensuring an adequate supply of housing and management of finished housing. This is achieved by two-tier organisations of "mother" and "daughter" societies, governed by two co-operative housing acts, first enacted in 1960 and subsequently revised several times. Prospective tenants are brought together in the "mother association" (a "boligbyggelag" or BBL), which is a co-operative share company with fluctuating membership and capital. The purpose of the BBL is to build houses as long as there are members who want them.

For each new housing scheme or block of flats a "daughter society" (a "borettslag" or BRL) is organised, consisting of the prospective tenants who are selected from the members of the BBL on the basis of seniority of membership. The BRL takes over the ownership of the project built for it by the BBL and rents the dwellings to its members. A member occupies a co-operative home as neither tenant nor owner, but under a third form of co-operative housing tenure governed by Norway's co-operative housing legislation. It grants an inalienable right to live in the dwelling subject to the payment of occupation charges and compliance with bylaws of the co-operative BRL. These bylaws are decided by each BRL, within limits set down in the legislation.

Between 1946 and the 1980s the co-operative housing movement in Norway worked closely with central and municipal government to meet Norway's housing needs, in effect, administering public housing policy. Today the situation has changed because of changes to the economy and because the system succeeded in meeting housing need. Today, the central and municipal authorities no longer act as effective guarantors of new co-operative projects. Housing queues are non-existent and the co-operative movement has had to adjust to ensuring that new projects are viable within the local housing market, but is at a competitive advantage because of the national scale of its activity.

Source: The Role of the State and the Private Sector (Including Housing Co-operatives) Within the Housing Sector in Norway, Roy Berg Petersen, NBBL, Oslo, published in the World of Co-operative Enterprise, Plunkett Foundation 1997.

Ridley explains that the most effective game theory strategy to be devised is one called 'Firm but Fair', a program written by Marcus Frean of Cambridge University. 'Firm but Fair' co-operates with co-operators, is forgiving by returning to co-operation after defection by an opponent (rather

than indulging in repeated recrimination), destroys free riders (the hedonists who look only to their own self interest at the expense of others) and punishes suckers who do not retaliate when a defection from co-operation occurs. (The fact that part of this successful strategy was to punish but also forgive defection when it occurs, does not say much for policies of 'zero tolerance'). Given that human relationships mostly involve frequent and repeated interaction, co-operative strategies led to the greatest benefits for all. The more casual and opportunistic the encounters between individuals the less likely it is that co-operation will occur. This, says Ridley, explains the rudeness of people in large cities like London, New York and Paris where you can be rude to strangers without fear of recrimination. He shows that the more we co-operate, within strategies of reciprocal altruism that punish selfishness and suckers, the more society prospers. We are also very good at spotting potential co-operators and potential hedonists through communication with others. This is our genetic heritage, underpinned by our strong emotions that tend to lead us to co-operate and go to the aid of others even when the reward is not immediate, or where there may be a real risk to us. For Ridley, emotion encourages altruism and underpins it. Just as the computers 'evolved' games that 'understand' the benefits of co-operation so too did the human species through its evolution.

Ridley, quoting Adam Smith, argues that humanity's genetic capacity to co-operate has led us to gain the benefits of the division of labour and of trade, which is the foundation of economics. Ridley recognises the dangers of drawing political conclusions but nonetheless, takes the risk of doing so:

"We owe our success as a species to our social instincts; they have enabled us to reap undreamt benefits from the division of labour for our masters - the genes. Far from being the universal feature of animal life, as Kropotkin believed, this instinctive co-operativeness is the very hallmark of humanity... For St. Augustine the source of social order lay in the teachings of Christ. For Hobbes it lay in the sovereign. For Rousseau it lay in solitude. For Lenin it lay in the Party. They were all wrong. The roots of social order are in our heads, where we possess the instinctive capacities for creating not a perfectly harmonious and virtuous society, but a better one than we have at present. We must build our institutions in such a way that they draw out those instincts. Pre-eminently this means the encouragement of exchange between equals. Just as trade between countries is the best recipe for friendship between them, so exchange between enfranchised and empowered individuals is the best recipe for co-operation. We must encourage social and material exchange between equals for that is the raw material of trust, and trust is the foundation of virtue." [1]

For Ridley, trust is a social commodity that can be traded: I trust you because I trust him and he trusts you. Ridley's analysis does much to support Kellner's views. Are these the 'senses' which, as Kellner argues, need to be coaxed in the New Mutualist vision of society? Perhaps they are, but if so what was the main driving force in the evolution of this human capacity to co-operate?

For Ridley, it is the benefits that flow from co-operation itself; the fact that with co-operation, particularly through the economics of trade, we gain more than we invest through co-operative endeavour. He gives anthropological examples to show that trade is an ancient human activity. By co-operating, life becomes more than just a zero-sum game. By co-operation and the division of labour and trade it entails, human society as a whole gains more than simply the sum of what each individual contributes. To co-operate we need to keep count of who co-operates and who does not so that we can form alliances with co-operators and punish the selfish and the defectors. It is an ability, Ridley points out, we share with dolphins (who also have large brains for their body size and who are not naturally as 'nice' as popular culture would have us believe). Dolphins, like humans, have the capacity to communicate and form second order alliances to achieve desired

outcomes, which can sometimes be nasty for other individuals. To do this we need large brains. The demands and benefits of co-operation may account for the evolution of our mental capacities.

Dawkins postulates a different, but related driving force for the rapid evolution of the human brain. Dawkins turns to computers for the analogy to explain the evolution of human brain size (which took place over a relatively short evolutionary timescale). He shows how the rapid development of computers has been characterised by incremental enhancement followed by a blossoming and spiral of development. After incremental development, hardware suddenly passes a threshold that permits some entirely new software development, which in turn drives the development of yet greater hardware capacity and faster speeds that enhances the capacity to use the new software. It is a self-feeding evolutionary process. Dawkins sees the same self-feeding processes at work in the rapid evolutionary development of the human brain. A small increase in brain size took our ancestors over a threshold where, suddenly, new mental processes were possible.

What new mental 'software' was the evolutionary driver for the rapid development of the human brain? For Dawkins, the most likely candidate is language, with its open-ended semantics and syntax [2]. Dawkins' view that language is the most likely candidate is complemented by recent research evidence that human infants are born 'pre-programmed' to understand basic linguistic structures [3].

The ability to use language is fundamental to our ability to co-operate. It enables us to formulate desired outcomes of our actions, to explain these to others and agree or modify them in concert, and to adjust behaviour through communication during mutual endeavour. When communication breaks down, the first casualty is co-operation. The inability to communicate effectively with others goes hand in hand with an inability to co-operate.

Should we embrace these insights into human nature as the foundation of a renewed interest in mutualism? If we do so we should acknowledge the risks inherent in accepting what may be a genetically deterministic view of human nature and society. What place does religious belief or philosophical convictions have in such a view as the source of ethical conduct and co-operative endeavour? How does nurture interact with our co-operative nature? (The Nature/Nurture debate is one that has continued since Darwin's theory of evolution was first published. Steve Jones cautions that nature and nurture are so closely blended "that trying to separate them is more like trying to unbake a cake") [4]. In particular what role does education and learning play in bringing out our co-operative instincts? These are profound questions we must constantly address if New Mutualism is to be a key feature of the Third Way in politics and social policy that Kellner, in my view rightly, argues it should be.

But, before we embrace the genetic history of our species as the holy grail of New Mutualism it is worth noting the views of Steve Jones who, in the *Language of the Genes*, cautions:

"It is the essence of all scientific theories that they cannot resolve everything. Science cannot answer the questions that philosophers - and children - ask: why are we here, what is the point of being alive, how ought we to behave? Genetics has almost nothing to say about what makes people more than just machines driven by biology, about what makes us human. ... It says nothing about what we are. The dismal history of racial genetics strengthens this belief." [5]

Ridley acknowledges this in admitting, in his last chapter that he is rashly drawing political lessons from this scientific thesis. Not only does he quote Adam Smith, he also reflects conservative tradition by championing the rights and responsibilities of the individual and property rights, although the latter can be collective. In his chapter 'The Power of Property', he shows how

common ownership of property rights, policed by mutual consent, can be highly effective and sustainable. Does a tinge of conservatism matter? For those of us who came, painfully, from having personally invested in older socialist traditions to vote for the change to Clause Four, does it undermine the benefit of Ridley's analysis and insights? I think not. He does not support laissez-faire exploitation of resources. He sees co-operation between empowered individuals, behaving responsibly through individual or community ownership, as the most effective way of preventing ecological disasters; a means of sustaining productive ecosystems that is much more effective than state regulation and control. (During research for this paper, I was intrigued to read a report in the Guardian on the formation of a cocoa farmers' co-operative in Ghana which was launching its own chocolate bar, called Divine, onto the £3.6 billion a year UK chocolate market. The co-operative had been formed following the abolition of the state monopoly on the internal market for buying cocoa. The state agency purchased and marketed the produce from the farmers who ran smallholdings. It also supplied subsidised fertilisers and pesticides. The abolition of state control and subsidies had, of necessity, led to the adoption of sustainable organic production, the expertise for which was shared through the co-operative. The farmers' income had also risen because, through the co-operative, they were able to market their produce for its true market value. It is a classic demonstration of Ridley's thesis) [6].

Case Study: Denmark

Private co-operative housing, an alternative to rental housing and owner housing, is often called the third housing form . A co-operative housing unit is owned by an association whose sole purpose is to own property to provide housing for members; members do not own their homes but share in the assets of the co-operative. New co-operatives housing associations can be established in connection with an existing, privately owned rental building or by building new co-operative housing units. A total of about 5% of all Danish housing, about 125,000 units is co-operative housing. They are established under a co-operative housing act, which includes provisions for the establishment of charges for co-operative housing so that a broad share of the population can acquire a co-operative housing unit.

The owner of a rental building can at any time offer the tenants the option of taking over the building on a co-operative basis. This requires at least one third of the tenants to establish and join a co-operative housing association. Law requires that an owner must offer the tenants the option of taking over the building as a co-operative before it can be sold to another interested party. The owner's offer to the tenants must be on the same terms and conditions as it would be if sold on the market.

Anyone can start a new co-operative housing project. Most initiators are contractors or groups of people who want to move into new co-operative housing. The project usually consist of at least eight units. Special controls apply if the project initiator is a contractor, including the reservation by the contractor of 0.3% of the project cost for technical and legal advice to the new co-operative. New co-operative housing is financed by members depositing 20% of the building costs in a special bank account until 75% of the units are occupied and building accounts are approved by the local authority. The remaining 80% of the costs are financed by a private mortgage. Member's payments amount to about 2.8% of the adjusted principle, as an index linked loan must be taken if public subsidies are required for the project. This subsidy is a revenue subsidy that continues throughout the mortgage period. The local municipality contributes 10% of the interest as well as administration and reserve fund contributions for the mortgage. It also guarantees the portion of the index linked mortgage that lies between 65% and 80% of the building costs. The Danish Ministry of Housing has issued an advisory set of standard regulations for co-operatives.

Source: Danish Ministry of Housing information leaflet on co-operative housing.

It is here that Ridley and Kellner again find common ground. New Mutualism is not simply about a repositioning of politics to the left or right of the centre of the old left/right continuum. New Mutualism is a radical Third Way of looking at social and economic policy issues. It is founded on the valuable insights evolutionary biology has given us into the origins of human virtue and co-operation. It also permits us to enter into a new political debate, one that seeks to re-define the role of politics and government and to define, in a new way, the appropriate role for, and power of, the state as that which encourages mutual social and economic outcomes.

Kellner and Ridley both distrust the excessive power of the state and favour its dispersal. This is at the heart of the New Mutualism, Third Way debate; the power of the state and the role of government in regulating the freedom of markets, individuals and communities in such a way as to generate the optimum mutual outcomes within the social and economic context of our times. Politics was never an easy task. These insights into the genetic and evolutionary origins of mutualism and co-operation do not make it any easier. They do, however, increase the chance of adopting successful policies. To succeed in this Tony Blair's government needs the courage to be

and remain radical, but not in the old liberal sense of the word. It needs radical policies to promote mutualism and mutual outcomes, especially for those excluded from the mainstream benefits of modern Britain. The insights into the evolutionary origins of mutualism should encourage us to resist a retreat into traditional paternalistic socialism, however painful its recent abandonment may be for some of us, and resist a shift to liberalism. It provides for New Labour a rational basis for its own radical, mutualist and co-operative agenda.

Does this mean that we are natural born co-operators? No, we have all met far too many uncooperative, nasty people to take such a dangerously naïve view. Though our evolutionary origins create in us the capacity for co-operation, it is an art learned through experience and education. If a person seeks to co-operate and is excluded from doing so, or constantly meets failure because of the selfishness or groupishness of others, the desire to co-operate will be suppressed. Much like language development, where innate ability depends on the extent to which language development is stimulated at home and through formal education, co-operation has similarly to be stimulated and learned. Some never learn to be co-operative. Our innate co-operative tendencies do, however, justify general optimism in the capacity of human society to derive benefits from co-operative enterprise (even if individuals prove themselves on occasion to be selfish manipulators or to defect from agreed mutual outcomes). But the framework for it needs to be right, and that is the role of government.

Our innate ability to co-operate also does not remove from us the obligation to judge the morality of our individual or collective actions. The Nazis were highly effective at co-operating, within their own prejudiced group, at the extermination of Jews. The moral basis of their actions was simply wrong, as their own ultimate destruction by the rest of the civilised world was to prove. Nor does our innate co-operative ability guarantee that we will not defect from our mutual obligations. The failure of the international community to intervene and prevent the massacre of Muslims by the Bosnian Serbs is as shameful a defection from mutual obligation in our recent history as the recent bombing of Iraq is questionable co-operation. Our innate ability to co-operate is no guarantee of international or social harmony. Let us again heed Steve Jones when he says that science cannot tell us how to behave. Science does, however, tell us that we have the capacity to judge which actions and forms of institutions will generate mutual trust and co-operation and which will dissipate trust and lead to conflict rather than co-operation.

An understanding of our mutualist tendencies also helps us to see and understand the importance of democracy. The hard lessons of history are that, despite the imperfections of democracy, it is the only political system that has proven itself capable of underpinning the mutuality and co-operation essential for maximising the benefits the division of labour, economy and trade brings to human society. It is the democratic distribution of the power to make alliances, to sanction selfish free riders and defectors that enables mutuality to flourish. However imperfect our democratic institutions are, they guarantee that power will not be usurped or so concentrated that mutual endeavour becomes impossible save with the sanction of the central power of the state. The central concentration of power was the fundamental flaw of communist states. It is also a danger in democracy. Thatcher did it through her attacks on the powers of local councils. Our press is constantly pointing out the danger of New Labour doing it. If we value democracy we should seek to preserve it by ensuring that it is deeply rooted in all our social institutions. Setting up school councils so that pupils can experience and learn the benefits of democratic representation and participation from an early age, are as important as the literacy hour.

Our innate tendency to learn to co-operate and derive benefits from mutual enterprise also explains the success of the modern Co-operative Movement after its foundation by the Rochdale Pioneers in 1844. In less than fifty years co-operative enterprise had spread around the world [7]. The

Rochdale Pioneers stepped over a threshold of human understanding in crystallising the framework for the success of co-operative enterprise. Like the development of our brains, the development of co-operative enterprise was exponential. It is no accident that the Co-operative Principles of the Rochdale Pioneers encapsulate the concepts of non-discrimination on racial, religious or other grounds, embrace democracy, call for continuous education and demand the equitable distribution of the benefits of co-operative enterprise. The Co-operative Principles came into being not in the reading room of the British Library or an academic institution in Chicago. They came from the distillation of the hard realities of life and the necessity of improving the standards of living of ordinary men and women. Co-operation suits our nature.

There is much to debate about the forms of institutions that will encourage co-operation, in its widest sense, to flourish. That it is to be found in all institutions is no surprise for it is in our nature to co-operate with each other. That it should be encapsulated in one form of democratic economic enterprise, which recognises a link with Rochdale in 1844 and which contributes directly to improve the standards of living of half the world's population, is remarkable [8].

Notes

1. Ridley, *The Origins of Virtue*, pages 249 and 264-265
2. Dawkins, 'Unweaving the Rainbow', chapter entitled 'The Balloon of the Mind' page 294
3. See 'Your baby is no dummy', *Observer* page 11, Sunday 3 January 1999.
4. Steve Jones, *ibid.*, page 227.
5. Steve Jones, *ibid.*, pages xi and 263.
6. See 'Future Choc' *The Guardian Society*, December 16 1998, pages 4-5
7. See Johnston Birchall's excellent book 'The International Co-operative Movement, Manchester University Press, 1997.
8. Source: a background paper for The United Nations World Summit on Social Development in Copenhagen in 1995 referred to in *The Co-operative Party, "The Co-operative Agenda for Labour"*, 1995.

Section 2. Housing, a state of feudal dependency

"... the most fatal combination that could possibly be formed would be to unite socialism to absolutism; to unite the aspirations of the people for material well being.. . with the dictatorship of concentration of all political and social power in the State... We must seek full economic and social justice only by way of freedom."

Michael Bakunin, 1868, mentor of Peter Kropotkin.

In the 20th century, while there have been general improvements in sanitation and health and rapid technological developments that have improved the quality of life, there has been far less improvement in the quantity, technical quality and relative cost of housing than there has been in other consumer goods. Much of our housing was built over one hundred years ago. Ten percent of all our housing is unfit. The worst conditions are to be found in the private rented sector where about one in every five dwellings is unfit for human habitation.¹ In general, our homes are of

poorer quality than those of our fellow Europeans in terms of their size, state of repair and energy consumption.

Why is it that, despite the endeavours of the 19th century philanthropists such as Peabody and Rowntree, enlightened local councils before and after the second World War and now voluntary housing associations, many people living in modern Britain remain poorly housed? Why is it that social housing provided by councils and non-profit registered social landlords² is, in a growing number of areas, seen as less desirable than higher cost home ownership or poorer quality private renting?

The reasons are complex, but four key factors are notable.

The first is straightforward: as a nation we do not invest enough in our housing. Consistently, since 1970, we have spent less of our gross domestic product (GDP) on housing than any of the other thirteen developed nations who are members of the Organisation for Economic Co-operation and Development. Our average spend between 1980-95 was 3.6% of GDP compared with 6.3% in Canada, the highest investor. Despite the Government's release of capital receipts from council house Right to Buy sales, which is to be welcomed, there continues to be an overall decline in resources for capital housing investment. In the year 1997/8 the Government's total capital investment in social housing through local councils and housing associations was £3.4 billion. This is well below the levels of investment achieved by both Labour and Conservative governments in the 1960s and 1970s.³ Compare this level of investment with the annual UK market for chocolate referred to in section 1. The chocolate market is £3.6 billion a year. At the risk of being facetious or too simplistic, if this is all we can afford to invest in social housing perhaps it is chocolate that our nation cannot afford.

There are, of course, other competing priorities for investment, not least the health service and education. But quality housing, good education and health improvements go together. This is recognised by the Government. Tessa Jowell, the Minister responsible for public health has made the connection between improving housing and improving health. Improving housing conditions will help to constrain health spending. Investment in housing also creates jobs. What is needed to modernise Britain's housing is a long-term comprehensive housing strategy, not just three year budgets, which seeks to invest in housing in (to return to a biological analogy) a self-feeding evolutionary way. Housing investment should and could be targeted to improve the conditions of those most likely to be a drain on health service budgets. It should be used, as it has been in some estate renewal programmes, to create jobs and training opportunities for the unemployed as part of the New Deal. It should be focussed on the poorest neighbourhoods where poor housing contributes to poor educational achievement. Such investment would reduce the costs of health care, education and social service costs and help to create a self-feeding capacity for more housing investment.

Case Study: Canada

The 1930's saw Canada's first building co-operatives constructing housing for individual ownership by members. The 1950s saw the first continuing (ie beyond the construction of units) equity co-operatives. In 1964 the first new build non-profit housing co-operative was built when a Winnipeg Group, ten individuals and six organisations including a co-operative life insurance company, the district labor council and federated co-operatives successfully battled the Canada Mortgage and Housing Corporation, the government agency set up in 1946 to administer the Federal housing programme, for funding for a complex of 200 townhouses.

In 1968 a National Labour Co-operative Committee was formed by the Canadian Labour Congress and the Co-operative Union of Canada to promote co-operative housing supported by the National Union of Students, churches and credit unions. This led to the formation of the Co-operative Housing Foundation of Canada in 1968 (now the Co-operative Housing Federation of Canada - CHF). In 1973 the National Housing Act was amended to provide the first formal programme for co-operative housing. Between 1973 and 1977 approximately 60 co-ops with over 5,000 units were developed.

In 1979 that programme was replaced. Under section 56.1 of the National Housing Act (now section 95), co-operatives developed under the federal housing programme were eligible for an annual grant paid by CMHC to the co-operative to bridge the gap between cost rents and the lower market rents for the area in which the co-operative operated. This programme led to the rapid expansion of the co-operative housing sector. By 1985, over 1,000 housing co-operatives had been developed providing over 35,000 co-operative homes and approximately 70 resource groups serviced development in every province of Canada.

Constrained public finance and a change to a conservative government led to the Federal funding programme being eliminated, along with all other federal housing programmes that provide continuing assistance.

Co-operative housing remains a major force in housing provision in Canada. There are now over 2,100 not for profit co-operatives providing over 90,000 homes in every province. They are organised in 23 regional federations and account for 15% of all social housing provision.

Source: Co-operative Housing Federation of Canada and Johnston Birchall, 'The International Co-operative Movement'.

The second factor is the way in which, as a nation, we view and finance housing. We have one of the highest percentages of homeowners in Europe; 67% and rising. In Europe, only Italy, Spain and Ireland have a higher percentage. In the UK home ownership is subsidised by the tax relief given on mortgage interest. This makes home ownership more attractive than renting and enables more people to buy (although, arguably, tax relief simply inflates house prices). There is no need to dwell on this issue because, for many years now, there has been a consensus among politicians of all parties, as well as housing practitioners, that mortgage tax relief should be gradually phased out. This is being allowed to happen by retaining the £30,000 loan limit beyond which tax relief is not given and by limiting tax relief to 10% of mortgage interest. There is a case to be made for making this tacit abolition explicit by the adoption of (say) a ten-year strategy for phasing out tax relief. This would give adequate time for the housing market to adjust and for homeowners to adjust their household budgets. The case for phased abolition is particularly strong at this stage in our economic cycle because of the reducing trend in medium to long term interest rates. This trend

makes tax relief less of a factor in house purchase and household budget decisions. In the 1998/9 tax year the value of tax relief to the average borrower will have reduced to £180 a year [4]. This financing system makes home ownership a sound investment, particularly as the long term trends for the capital value of this major asset to increase does not involve a liability to capital gains tax. Home ownership will, understandably, remain the preferred form of tenure for those able to meet the full cost of their own housing provision. It does, however, create a nation divided between those who can afford to buy their own home, and have total responsibility for and control of it, and those who, of necessity, live in rented housing and have little control of the management and maintenance of their home.

The third factor is closely linked to the second. It is the lack of access to acceptable alternatives to home ownership. Since the introduction of the Right to Buy by the Thatcher Government in 1980, 1.6 million formerly rented council homes have been sold. This trend is now slowing, probably because the most desirable council houses have been sold. Much of the remaining council housing stock is in need of substantial repair and improvement. There is also the legacy of the poor design and construction of large-scale municipal estates of the 1960s and 70s. The outstanding bill for repairing and modernising council housing is estimated to be in the order of £18 - £20 billion. This has been caused by acute under-investment during the Tory years, 1980 to 1997, a trend that has yet to be reversed. Although most of the housing let by housing associations is newer and in better repair and, generally, better managed and maintained than by councils that have been denied adequate resources, social rented housing from housing associations has become increasingly expensive. Housing association rents have doubled since 1989, with the consequence that a growing number of housing association tenants are dependent on housing benefit to pay their rent. In some new housing association schemes the number of housing association tenants in receipt of housing benefit is approaching 80%. The effect of these factors is to turn social housing into residual welfare housing and make it undesirable. It is characterised by concentrated ghettos of unemployment and benefit dependency. This process of residualisation of rented housing provided by councils and housing associations has been going on since the mid 1970s.

The fourth factor is land ownership and tenure. Our system of land ownership and property rights is rooted in medieval feudalism. We have never had the revolution (or the social upheaval that goes with it) which in France and elsewhere led to land ownership reform. Until the beginning of this century most freehold land was owned by the aristocracy. If you are a freeholder, you are freeholder of the Crown. If you have a long lease or tenancy (a tenancy is the commonly used term for a periodic lease for which a weekly or monthly rent is paid) you owe rent and other obligations to your superior landlord. As a result, land has always been a scarce resource, only available for housing when it has been in the interests of the landowner to sell it or to build housing for sale or rent. It has never been a resource available to meet the needs of the community. Even today, when the value of land is determined by the grant of planning permission by democratically elected local authorities, the benefit of the increased development land value goes to the landowner. Increasingly local councils effectively 'tax' the development value they create with planning permission by imposing agreements under section 106 of the Town and Country Planning Act 1990 requiring the landowner to provide community facilities or low cost housing. It is arguable that our nation will never be adequately housed without land reform or, at least, the re-introduction of some form of development land tax to ensure that communities have the resources, through the tax, to meet their community's housing needs.

Lords of the Manor still actively exercise their feudal property rights. Feudalism involved two way obligations. The tenant had a duty of fealty to his superior landlord and to pay dues according to the terms of his tenancy. The lord was obligated to protect the rights of the tenant to enjoy the

benefits of the tenancy. In modern Britain, feudal land rights are still exercised by aristocratic landlords. In a small village near Dover in Kent, the Lord of the Manor, who owns most of the houses in the village, lets them at rents well below market value to people who were born in or have another direct connection with the village. Very few houses have been sold and the village is well kept and thriving. It is a benevolent exercise of feudal land rights. By contrast, in another economically depressed south coast seaside town the absentee Lord of the Manor, whose family has held their aristocratic title for generations and originally owned much if not all of the land on which the town is built, imposed numerous restrictive covenants on land when it was sold by the manorial estate. Freehold property owners in the town affected by these restrictive covenants must pay to have them released if they wish to alter or extend their property. Even building a garden shed or garage can require consent, at a price. Redevelopment plans on sites that were originally part of the landlord's feudal estate must be submitted to the absentee Lord of the Manor's agents for approval, for which a fee is charged. Planning consent from the elected local planning authority is not sufficient. The release of restrictive covenants and fees for the feudal lord's approval generates a substantial income each year for the estate, much to the fury of many people in the town. Those who refuse to pay find a charge for the unpaid fees and costs entered at the Land Registry against their freehold title. The town is in effect being taxed by the feudal Lord of the Manor to the detriment of the local economy. There is much to modernise in UK land law.

The case for land reform is particularly acute in Scotland where absentee feu-dal landowners create immense social problems. It was encouraging to see the New Labour Government's determination to introduce land reform in Scotland, as announced by the Scottish Secretary of State, Donald Dewar, early in January this year.

The effect of these factors is to create a constant inadequacy of supply of decent affordable homes. Ask any local councillor what issues dominate his or her regular surgeries and casework. It isn't health, it isn't education, it isn't unemployment, it isn't crime: it's housing. What dominates is the lack of access to a decent home or the failure by impersonal remote landlords to properly manage and maintain it. Those who, of necessity, live in rented housing have little say, if any, in its management or maintenance. As a tenant, your responsibility stops at the wallpaper. The relationship of landlord and tenant has its legal and practical origins in medieval feudalism rather than the citizenship rights of participation and control a modern democratic society should offer. If you are a tenant it is your feudal landlord, rather than the man in Whitehall, who knows what is best for you; you have few rights to control or influence what your landlord does. Tenants live in a state of feudal dependency; dependent on their landlord for the quality of their home and for the quality of its management and maintenance. The relationship this feudal system creates between controlling landlord and dependent tenant is a long way from Kellner's mutualist vision of society in which freedom and mutual responsibility coexist. The relationship is, as Ridely would observe, one designed to reduce human selfishness rather than bring out human virtue. In public social housing, the imbalance of power between landlord and tenant is the closest we have come to creating the fatal combination Bakunin warned of. In doing so we have created social injustice and constrained freedom.

There is no easy way to reverse this process of residualisation of social housing that the state of feudal dependency has helped to create. Commentators are right to criticise approaches that focus only on one aspect of a multi-faceted problem.⁵ It would be foolish and naive to promote housing co-operatives and community ownership as magic bullets that will, on their own, solve the problem of residualisation and the social exclusion that goes with it. Co-operative and community ownership are a way of building a framework for social housing that is most likely to bring out the

mutualist tendencies of those who live in it. It is not a simple solution to a complex problem, but is an essential part of the solution [6].

The New Labour Government has recognised the reality of the process of residualisation of social housing and the social exclusion it causes. The days when Margaret Thatcher proclaimed, "There is no such thing as society, there are individual men and women and families" are thankfully long gone. The realisation that the interconnections within society are real and interdependent led Tony Blair to set up the Social Exclusion Unit in his Cabinet Office in Downing Street as one of his first acts as Prime Minister. The Social Exclusion Unit was given a specific brief to report on three issues, one of which was how to: "develop integrated and sustainable approaches to the problems of the worst housing estates, including crime, drugs, unemployment, community breakdown, and bad schools etc."

What is meant by the term 'social exclusion'. By far the best analysis of it is in a paper by the Director of Policy and Research at DEMOS, Perri 6, who says that: "The term 'social exclusion' concentrates attention on the ways in which significant minorities are excluded from participating in the mainstream life of society; from jobs, education, homes, leisure, civic organisation, and even voting, and on how this disconnection tends to co-incide with vulnerability to poverty, crime and family breakdown. It is a useful term in societies in which there is a growing geographical polarisation of access and opportunity so that often quite small areas - a housing estate, an inner or outer urban area — are effectively cut off from life around them." [7]

The Social Exclusion Unit's report on poor neighbourhoods, 'Bringing Britain Together: a National Strategy for Neighbourhood Renewal' was published in September 1998. Its analysis of the causes of social exclusion in the poorest parts of the UK is accurate and insightful. The insights the report contains are shown by a statement in Tony Blair's introduction, which recognises that too much has been spent on picking up the pieces, rather than preventing problems from arising in the first place. The report, rightly, promotes the adoption of comprehensive "joined up policies" to ensure that the New Deal for Communities, to be piloted in seventeen pathfinder districts, will work. The national strategy it establishes is based on five themes:

- investing in people, not just buildings
- involving communities, not parachuting in solutions
- developing integrated approaches with clear leadership
- ensuring mainstream policies really work for the poorest neighbourhoods
- making a long term commitment with sustained political priority

What the Social Exclusion Unit's report does not do explicitly is to see that a key ingredient in tackling social exclusion in poor neighbourhoods is to adopt policies which seek to transfer control of social housing and social housing budgets to the communities themselves. Involvement of communities will not be sustainable unless there is a radical shift of power the transfer of control to communities brings. Over the past thirty years, despite policies that have not supported their development, co-operatives have demonstrated their capacity to build sustainable communities. Case studies showing this capacity were published by the UK Co-operatives Council in its discussion paper "Co-operative Housing; realising the potential" published last year [8].

Co-operative and community ownership should not be a matter of compulsion, but driven by the adoption of policies which seek to build the capacity within communities to the point where they wish to take responsibility themselves. As Perri 6 says: "The most valuable form of capital today is arguably human capital - not just formal qualifications and skills, but also subtler ones; knowing how to behave at work, knowing how to please a customer, knowing how to work in a team and, most importantly, being able to spot an unexploited opportunity and find a way to make use of it. Policies to regenerate poor areas today would more sensibly start with learning rather than the state of the physical environment. Certainly this means improving the quality of schools, especially in the poorest areas. But it also means support for learning at home and in the wider community, where most learning is done" [9]. Add this insight to Ridley's: "Human beings have some instincts that foster the greater good and others that foster self-interested and anti-social behaviour. We must design a society that encourages the former and discourages the latter." [10]. It begins to become evident why positive policies to support and develop housing co-operatives are so important.

Seeking to build human and social capital so that communities have the capacity responsibly to take control themselves, is a radically different approach to the limited opportunities social landlords have offered to date for tenant participation. In most cases, this has not included any desire or commitment by social landlords for the transfer of power and control to consumers. Rather, tenant participation has been characterised by a retention of control by landlords and by the appointment or election of tenants' representatives to become part of established decision making structures. The notable exception to this was the introduction of the Right to Manage for council tenants in 1994, a move viewed with suspicion by many councils who saw it, not as a positive advance of tenants' citizenship rights, but a further attack on their role as housing providers. The Right to Manage, although successfully enabling one hundred and seventy thousand council tenants to control their homes, has also been hampered by an administrative regime that presumes that tenants will want to take control for negative reasons. It presumes the motive will be bad management by councils, rather than for the positive reasons of a desire by tenants to exercise greater control over their homes and their immediate environment because of the benefits this brings.

To advocate building the capacity for tenant control is also a radically different approach to the 'consumerist' stance that the Housing Corporation has recently advocated registered social landlords adopt as the central theme of their tenant participation strategies [11]. The presumption behind the Housing Corporation's position is that all tenants want is a quality service from their landlord and to be treated and respected as consumers. It is an approach that completely fails to see the benefits to be derived from empowerment and transfer of control, where that is what tenants wish. It also fails to recognise that a complete spectrum of tenant participation options are desirable; options that range from an individual consumer/provider relationship, through tenants' associations, delegated control by area committees, estate management agreements, joint management boards, management and ownership co-operatives. These options should be openly available to all tenants who should be encouraged to take as much responsibility as they are comfortable with and consider they have the capacity to handle. The more responsibility they are comfortable that they have the human and social capacity to take, the more mutual benefits they and their community will derive from it. To promote positively such an approach to the control of social housing is to promote the New Mutualism Kellner advocates, "a framework in which freedom and mutual responsibility can co-exist, and in which fairness, opportunity and social harmony can be pursued."

Case Study: USA

Co-op housing probably began in New York in 1916 when a Finnish Home Building Association built an apartment block; by 1926 there were at least 25 Finnish societies. Several co-ops drawing support from progressive and ethnic Jewish Groups and trade unions, also built apartment blocks. A law passed in 1926 provided for limited dividend companies, a model which could be adapted to the co-operative form. The Amalgamated Clothing Workers Union used it to set up an American Housing Corporation which built about 1,700 dwellings in 18 tenement blocks and then Amalgamated Dwellings built 236 units through a slum clearance scheme. Those which survived the depression of the 1930s formed the nucleus of the post-war movement. New York co-ops, housing nearly 600,000 of almost a million units of co-op housing, formed the United Housing Foundation to sponsor co-operative housing throughout the city. They were able to draw on federal government funding and used a limited equity model aimed at providing access to low and moderate income people. In 1965 they built Rochdale Village, an estate of 5,860 units, the second largest in the USA. The largest is Co-op City; sponsored by the Trade Unions, it opened in the Bronx in 1972 with over 15,860 units and 50,000 residents. It has its own schools, shopping centres, power plant, churches and police force. That was the high point for co-operative housing. UHF had produced nearly 50,000 co-op units, but government financing began to be withdrawn and UHF had to switch to a new model of co-operative housing for the elderly.

Recently some 400 limited equity co-ops were created in New York as a result of landlord abandonment of buildings and resident co-op take-overs. These have often been backed by the City Council which uses the non payment of property taxes to take ownership of an abandoned building and transfer it to the co-operative. As in Britain, public sector landlords have also encouraged tenant management co-ops to take over difficult to let public housing estates. California also saw the famous battle by migrant Latin American farm workers to set up the San Jerardo Housing Co-operative on the site of an old migrant workers camp in the rich farmlands just outside Salinas, California. This project led to the establishment of the California Mutual Housing Association which now supports the development of co-operative and community controlled housing throughout the state.

American co-op promoters have also invented the market-value co-op, in which the members own the value of their own apartments but are members of a co-op which oversees the common parts and provides services. A specialist agency, Co-operative Services Inc., has provided 4,500 apartments in 35 co-ops for the elderly. The USA also has 165 housing co-ops providing accommodation for around 10,000 university students.

Source: freely taken, with additions, from 'The International Co-operative Movement', by Dr. Johnston Birchall, with thanks for his kind permission.

Co-operatives are not the only option through which communities may exercise control or participate in the control of housing. But in many countries they have been the preferred choice of those seeking control of their homes because they provide an effective democratic framework for exercising control. This is evidenced by the international case studies in this paper. Housing consumers should have the right to choose the degree of control they wish to have over their homes and the type of organisation they wish to form to enable them to do this. This should include the right to form a co-operative and accept full responsibility through mutual ownership.

Why is it that what can be generically described as 'vested social housing interests' - those who presently control the social housing sector, tend to resist tenant control? The answer is simple. It is not in their self-interest to promote it, for to do so would require a diametrically opposite set of values, rules and regulations than they have devised to maintain the status quo. Ridley's insights are useful to understand this tendency. He observes that: "In human beings, too, there is always conflict between the selfish individual and the greater good. Indeed, so pervasive is this tendency that a whole theory of political science has been based on it. Public choice theory, devised by James Buchanan and Gordon Tullock in the 1960's, holds that politicians and bureaucrats are not exempt from self interest. Although they may be charged with pursuing public duty rather than their own advancements and rewards, they come inevitably and always to pursue what is best for themselves and their agency rather than for its clients or the taxpayers who fund it. This may seem unduly cynical, but the opposing view — that bureaucrats are selfless servants of the public good ('economic eunuchs', as Buchanan put it) is unduly naïve" [12]. This is the basis of Ridley's distrust of government and preference for self-regulatory systems. Again, this echoes Kellner's view that New Mutualism is "wary of excessive state power".

To say this about vested interests is to understand the difficulties we face in achieving change, rather than to criticise or condemn those who exhibit this trait. But it is a different matter if those with vested interests permit such self-interest to create blind prejudice, for that is culpable resistance to progress and change (although the history of co-operatives is littered with such self-interested opposition). It also does not mean that the same conflict between the selfish individual and the greater good will not be found in housing co-operatives themselves. It is found in every human institution, co-operatives included. There are at least seven deadly sins that must be guarded against in co-operatives. The little Hitler syndrome (getting elected to usurp power and rule others), the 'us and them' oligarchy, corruption, favouritism, lack of accountability, secretiveness, failure to declare conflicts of interest and apathy are risks that immediately come to mind.

That these risks exist does not mean that the benefits of housing co-operatives are any less real. In the same way, the inherent resistance of current housing bureaucracies to embrace tenant control through co-operatives does not mean that all central regulation by government should be abolished. While self-regulation and the open accountability that goes with it is to be preferred over the heavy hand of centralised control, a regulator, such as the Housing Corporation, with ultimate powers of intervention will remain necessary to protect public funds invested in social rented housing. Rather than try to prevent any risk of failure, which the Housing Corporation sees as one of its most important tasks in relation to traditional social landlords, what is necessary is to accept that the benefits of tenant control justify the risks. The approach that can then be adopted is a positive one of developing a supportive self-regulatory framework that reduces risk backed by strategies to deal with failure if and when it occurs (although co-operatives tend to be remarkably resilient, as the Price Waterhouse report, referred to below, showed). Here again there are echoes of Kellner's views: "New Mutualism is a philosophy for a fallible world. It accepts that people, enterprises and public institutions are liable to make mistakes. It therefore seeks to place only limited reliance on regulation (and even less on ministerial discretion), just as it is wary of expecting too much from market forces or perfect competition."

Given that our genetic capacity to gain the benefits of co-operation would tend towards an optimistic view that benefits will flow from policies to encourage tenant control, what evidence is there that participation in the control and management of rented housing actually produces benefits for those living in social housing? This was precisely the issue the then Department of the

Environment asked management consultants Price Waterhouse to investigate in the early 1990s. Their brief was to look at the costs and benefits that arise from co-operatives and other forms of tenant control and whether the benefits were worth the investment. There was an assumption in the brief that, inevitably, co-operatives would cost more. Prior to Price Waterhouse the evidence of benefits from co-operatives and other forms of tenant control was anecdotal. Price Waterhouse selected 9 case study organisations. Three were tenant ownership co-operatives, three were tenant management co-operatives, the last three were joint landlord/tenant management organisations. They paired the tenant controlled organisations with comparable housing estates managed by the best and most efficient of mainstream social housing providers. The study was in-depth and measured comparable performance in 1992 and again in 1994 to see how performance had changed and whether it had improved or worsened. The Department of the Environment published the report in 1995 [13].

The conclusions of the Price Waterhouse Report were stunning. Page after page showed the benefits of housing co-operatives and other forms of tenant control. It also showed, to the immense surprise of many, that co-operatives were as cost effective as the best mainstream social housing managers. In drawing these conclusions, Price Waterhouse pointed out that it should be born in mind that the co-operatives and other forms of Tenant Management Organisations (TMOs) had deliberately been compared with the very best of mainstream social housing providers. Price Waterhouse concluded: "The findings of this research demonstrate that there are significant and worthwhile benefits associated with TMOs - especially those which give tenants effective control (tenant management co-operatives) or autonomy (ownership co-operatives). These take the form of not only more cost-effective services, especially the speed and quality of repairs, but also in terms of wider social and community benefits, such as through the acquisition of new skills and experience which can be important to many residents in social rented housing. Some of these benefits are quantifiable in financial terms; some cannot be appropriately expressed in money terms and others are unquantifiable, but nevertheless real. The case study TMOs have, in general, delivered higher levels of resident satisfaction across a wide range of housing services. While resources are required in the short-term for setting-up TMOs, the benefits arising from this initial investment can be expected to produce longer term savings and benefits which more than outweighed the set-up costs" [14].

Had the findings of the Price Waterhouse report been taken seriously, there would by now be positive policies for encouraging the development of co-operative housing. Because the report had such enormous implications for the way social housing is provided and managed it suited the last Tory government and the Housing Corporation to ignore it. The response of vested social housing interests was to criticise the methodology adopted by Price Waterhouse, and hence raise doubts about the validity of their conclusions. The criticism continues. In a briefing note by consultants employed by the Housing Corporation to review its 'resident control' strategy, the benefits of housing co-operatives were graphically described as "alleged benefits". Such prejudice must be challenged. The findings of the Price Waterhouse report have, however, been confirmed by two other related studies.

The first was research into the community ownership of housing in Scotland, many examples of which are housing co-operatives. These have taken over ownership of council housing from Scottish local authorities. The study was carried out by researchers from three universities and was reported in the May 1998 issue of the Journal for Co-operative Studies. It concluded that: "although a major programme in Scotland, the approach has not been adopted in England and Wales. The continued success of community ownership argues strongly for the model to be adopted more widely." [15]

The second study was not directly related to housing or co-operatives but it showed why Price Waterhouse's study found that the personal and social benefits of housing co-operatives went beyond the simple provision and management of housing. The study was carried out by researchers at Nottingham University and published by NIACE, the National Organisation for Adult Learning.¹⁶ It looked at what people gained from participation in a whole range of voluntary organisations, as diverse as pigeon fancying clubs, tenants' associations and church choirs. It concluded that participation led to increased knowledge, skills and confidence and the ability to control one's own life. The study identified two types of benefits and learning. The first was premeditated and directly related to the organisation's purpose and function, (if you joined a choir, you tended to learn to be a better singer). The second type of learning was indirect, unpremeditated and unexpected and largely related to personal and social skills, such as working in a group, learning to organise and run meetings, learn-ing to listen and so forth.

The study also found that the later a person left formal education (the later their 'terminal education age') the more likely it was that they would participate in a voluntary organisation. This study re-enforces the view that, although co-operation is an innate human capability, the social and interpersonal skills necessary for successful co-operation need to be learned. Some get the chance to learn these skills others do not. For most tenants in the social housing sector, the state of dependency created by their relationship with their feudal landlord combined with an average early terminal education age and exclusion from main-stream adult educational opportunity means that they may never have the opportunity to learn to co-operate. For these tenants, the opportunity for such learning may only be created through the opportunity to control their homes as a member of a housing co-operative. Moving from a state of feudal dependency to one of active citizenship through the control of housing will, for many tenants, be the key to the learning that is essential if they are to build the capacity to tackle the social exclusion they face.

Notes

- 1 Source 1996 English House Condition Survey, Welsh Housing Conditions 1993 and Scottish Housing Conditions 1996 set out in tables 23a, 24a and 25 of the Joseph Rowntree Foundations Housing Finance Review 1998/9 edited by professor Steve Wilcox
- 2 'Registered social landlord' is the new legal definition given in the Housing Act 1996 to organisations that were previously called housing associations.
- 3 See UK Public Expenditure Plans, chapter 4, Joseph Rowntree Housing Finance Review 1998/9.
- 4 Source Joseph Rowntree Housing Finance Review 1998/9 table 101, page 192.
- 5 For such criticism see: Social exclusion and housing, Peter Lee and Alan Murie, Contemporary Issues, page 30 Joseph Rowntree Housing Finance Review 1998/9
- 6 A brief explanation for readers who are not familiar with the distinctions between the various types of housing co-operatives and community based housing associations. A housing co-operative is an organisation that bases its democratic constitution on the Seven Co-operative Principles agreed by the International Co-operative Alliance. The Co-operative Principles are printed in full on the last page of this pamphlet. There are three main types of housing co-operative: ownership co-operatives which own the homes their members rent from the co-operative, tenant management co-operatives that manage housing owned by another social landlord and short life housing co-operatives which manage temporary short life housing.

Their defining feature is that a majority of the tenants will be members of the co-operative and, in many co-operatives, all the tenants will be members. A co-operative must be tenant controlled. If tenants are required to be members the co-operative is called a 'fully mutual co-operative' and has a special legal status in law. Fully mutual co-operatives that own property are precluded by law from granting secure or assured tenancies. A community based housing association is one which has a democratic constitution that does not specifically embrace the Co-operative Principles. It encourages tenants to become members but also permits other persons in the community who are not users of its housing services to join. It may have a majority of members who are tenants and may have a majority of tenants on the controlling board or committee of the association

- 7 Social exclusion: time to be optimistic, by Perri 6, DEMOS Collection 12 1997
- 8 'Co-operative Housing: realising the potential' is available from the UKCC, c/o the Co-operative Bank, 1 Balloon Street, Manchester, price £6 (incl. p & p).
- 9 Op. cit.
- 10 Matt Ridley, *ibid.*, page 260.
- 11 See Housing Corporation 1998 Tenant Participation: the next five years.
- 12 Ridley, *ibid.* page 27.
- 13 Tenants in Control: an Evaluation of Tenant-led Housing Management Organisations, a report by management consultants Price Waterhouse, HMSO/Department of the Environment 1995
- 14 Price Waterhouse, *ibid.* page 122
- 15 Clapham, Kintrea & Kay, 3 University study 1998, first reported in the May 1998 issue of the Journal for Co-operative studies
- 16 16Voluntary Organisations: citizenship, learning and change; K. T. Elsdon with John Reynolds and Susan Stewart, published by NIACE, ISBN 1 872941 87 7.

Section 3. From feudal dependency to mutual control

“Too much has been imposed from above, when experience shows that success depends on communities themselves having the power and taking the responsibility to make things better.”
Prime Minister Tony Blair: introduction to the Social Exclusion Unit’s report ‘Bringing Britain Together: a national strategy for neighbourhood renewal’.

“No strategy for social exclusion will be credible that does not shift the balance of resources toward stimulating the supply of housing choices for the poorest households and reducing the price of housing. In practice this will almost certainly mean moving subsidy on to the supply side and steadily away from consumption.... this strategy will entail an increase, in the short term, in public spending.”

Perri 6, Director of Policy and Research, Demos

Tony Blair and Gordon Brown are right. The capacity to heal the divisions in our nation that arose during the years of what Gordon Brown describes as Conservative “absentee government” depends upon our economic success. It is paramount. In seeking economic success, we do so within an increasingly globalised economy. It is the context of the politics of today and tomorrow from which we cannot insulate ourselves.

For Blair and Brown, “The central thread that runs through our modernisation is national economic success achieved through the expansion of individual opportunity”¹. New Labour is committed to “shared rights and responsibilities”, which rejects old elitism in favour of individual worth². It is a search for tomorrow’s egalitarian politics that rejects, because it is disempowering and not sustainable, the old socialist idea that the state should be the sole provider of essential services. It is a search that is founded in the same morality and values that, in an earlier age, gave rise to socialism. Kellner would render this a search for policies of “equality of access”, a central theme of New Mutualism that demands “that the victims of inequality should be able to live in decent housing, buy healthy food, secure better education for their children, obtain good health care, use public transport and walk safely at night round their neighbourhood”.

There are dangers in rejecting old socialist solutions in favour of new ones, be they called new socialism or new mutualism. The first is the absence of alternative workable strategies that deliver the desired egalitarian outcomes. The second, which is already manifesting itself, is the danger that Labour Party activists who stayed loyal during the years of opposition and helped build New Labour’s success will perceive this search for new solutions as an abandonment of the principles that are the foundation of their political involvement. This would be damaging to the political life of the nation; it would weaken the Labour and Co-operative Parties by lowering the active participation that is the hard training ground for those willing to accept the responsibility of elective public office. It would take politics off the doorstep and abandon it to the media. Those of us who think the search for new solutions is necessary and right, must persuade valued ‘old socialists’ that the solutions needed to modernise Britain spring from their values, even though the means are driven by the needs of tomorrow rather than the solutions of the past.

In housing, there needs to be a search for new egalitarian solutions that enable us to meet our nation’s housing needs in the most cost effective way. In searching for new policies it would be wrong to conclude that council housing provision was a failure. Without it, a generation would have lived in squalor and our housing would not have recovered from the ravages of war. Equally it would be wrong to be critical of the work and values of the thousands of people who, in more recent years, have worked to provide good housing in the voluntary housing association sector.

During the years of Conservative Government the antipathy to local council housing provision was such that, without the voluntary housing sector, little public housing would have been built.

What is needed to modernise British housing? How should we ensure that the Tory legacy of £20 billion disrepair to council housing is remedied? How do we ensure that we build the 4 million new dwellings needed by the year 2016 to meet housing demand? How do we upgrade our housing to make it energy efficient and less damaging to the environment? How do we reverse the trends of residualisation of social housing that make it the tenure of last resort for many? How do we avoid the mistakes of the past that wasted resources by imposing solutions that did not work and communities did not want? What about mixing lower subsidy/higher rent units with higher subsidy/lower rent units in a housing co-operative to maximise human and social capital? How are we to avoid elderly owner-occupiers becoming socially isolated in homes they cannot afford to maintain? These are the questions we must ask and answer in our search for tomorrow's egalitarian solutions to our housing needs. As we seek answers we must be prepared to consider solutions that for old socialists might have been unthinkable: the sale of council housing to new landlords, the use of private capital, the primacy of the consumer not the provider, the promotion of residents rights to control above those of elected councillors.

Above all else, the modernisation of housing in Britain requires the acceptance, by politicians and the public, that direct or indirect state provision by paternalistic landlords who permit, at best, limited involvement by tenants should be a thing of the past. Paternalistic provision disempowers consumers and is, in part, the reason for the social exclusion of the poorest in our nation. It also neglects to utilise one of the greatest untapped social housing resources, namely the skills and abilities of those who live in social housing to contribute positively to its management and maintenance. What is needed to modernise housing is a radical shift of power from provider to consumer. This holds true in the owner occupied sector where much of what is built is of lower space and construction standards than is desirable. It is also true in social housing which, of necessity, is provided with subsidy from the taxpayer. In social housing, The Tenants' Compact recently launched by the Government is the start of this long process, which will take at least a generation to complete. It will not be complete until consumers are fully in control, able to choose the level of involvement and control that meets their and their community's aspirations. This means tenants having the right to manage their homes and, if they wish, to take ownership of them through establishing a democratically controlled community housing association or housing co-operative.

What is the role of the Government in developing this mutualist strategy for social housing? It is twofold. Firstly, to ensure that housing investment strategies are adopted that will achieve the adequacy of supply of affordable quality housing. Secondly to be the catalyst for change.

Ensuring adequacy of supply is a phenomenal challenge after years of under-investment. To ask the Government to accept this responsibility is not to expect it to waive a magic wand of instant solution, but as Perri 6 has observed, accepting it will almost certainly mean moving subsidy from benefit support of consumption into capital subsidy for supply which will, in the short-term, lead to an increase in public spending. There is an inevitability about this that, in public at least, Gordon Brown and the Treasury have yet to accept. Individual opportunity and equality of access to a decent home cannot be a citizen's right without adequacy of supply. The need for supply side subsidy means that only the Government can carry this responsibility.

Case Study: Sweden

Sweden's highly developed co-operative housing system is genuinely a third way between owning and renting. 650,000+ homes, one in six of all Swedish dwellings, are co-operatively owned. Swedish law does not permit owner-occupancy of multi-family housing (apartment blocks). Single family housing is dominated by home ownership, which is predominantly in the suburbs and smaller communities. In city and urban centres, multi-family housing predominates. 30% is co-operative housing, about the same share as private and public rental housing. Co-operative housing has been a distinct form of tenure in Sweden since legislation in 1930 created the concept of a tenant ownership co-operative (TOC) and restricted housing co-operatives to this particular form. The development of rental co-operatives was prohibited by law, other than in Stockholm where SKB (The Co-operative Housing Association of Stockholm) was permitted to continue rental co-operative development.

Two national organisations, HSB and Riksbyggen have developed the majority of co-operative housing. HSB, the largest, is based on the consumer co-operative principle of individual membership. Riksbyggen holds special agreements with local savings banks. Both HSB and Riksbyggen provide technical development and management services on a regional basis to TOCs. They also, in the post-war years, acted as the development and management agents for many public rental housing developments and still manage over 115,000 public rental housing units for municipal authorities.

A tenant-owner co-operative is one where individual tenant-owners are members of the co-operative which owns the property. It is described as tenant-ownership because the tenant has a membership share which has a market value and is allowed to sell the share to an incoming occupier. Co-operatives are financed on preferential loans from municipal authorities, which are for 99% of the project cost and are at a subsidised rate of interest, providing they are subject to municipal audit. The interest subsidy is removed at the rate of 0.25% per annum until a market interest rate is charged. The members contribute the final 1% of the project cost by buying shares in the TOC, apportioned according to the size of their apartment. Until 1967, share prices were controlled and had to take place via HSB society or Riksbyggen; the transfer price being the value of the initial share plus the repayment of the mortgage principle during the period of the member's occupation. There is a free market in co-operative occupancy rights. Some commentators in Sweden and elsewhere question whether this accords with the not for profit principles of co-operation.

The rising price of occupancy rights in TOCs has led to a new interest in rental co-operatives and, in 1987 legislation was introduced to permit the formation of rental co-operatives on a trial basis.

Sources: Housing Co-operatives in Sweden, Bo Bengtsson, National Swedish Institute for Building Research and the Hidden History of Housing Co-operatives, Heskin and Leavitt, University of California.

To argue this is not to argue in favour of the old socialist solution of public or quasi-public housing provision. It involves looking at innovative ways of raising private finance to help meet the cost of new housing provision and the costs of repair and improvement of our existing council housing stock. It means unlocking asset values to secure loans so that as much of the expenditure as possible does not count against the Public Sector Borrowing Requirement (PSBR). It means looking at ways of drawing-in pension fund managers to invest in social housing so as to generate sound returns in comparison with stock market investments that would benefit both housing and

pension funds by taking surplus cash out from equity investments, which contributes to their overpricing. What better place could there be for investing our pension funds than in the provision of decent homes for our children and us? As the Canadian case study shows, this was precisely how Canadian housing co-operators designed their investment system in the 1980s. Drawing in such funds may involve legislating for tax breaks for pension funds and individuals to make ethical investment in affordable consumer controlled rental housing attractive.

Let us look, for the purpose of examples, at two of the previously unthinkable solutions: unlocking the open market asset value of social housing and rent deposits or guarantees.

To date, drawing in private finance to deal with the disrepair of council housing stock has required the transfer of ownership of housing from councils to existing or new social landlords, always with the support of a majority vote from the tenants affected by the transfer. The result has been new investment but often at the price of higher rents rising at a rate of two or more percentage points above the rate of inflation and the payment of higher salaries to senior staff of these new independent social landlords. Save in Scotland, such transfers have done little to change the dependent state of tenants. Despite lack of alternative sources for investment, some tenants have rejected these transfer proposals: better the devil you know than the one you don't. Equally, some councils, particularly traditional Labour controlled ones have resisted such transfers, fearful of loss of political control of an essential local housing resource to organisations that are not accountable to elected members and that could so easily be made profit making by any future Conservative government. The more enlightened councillors and housing practitioners argue for the adoption of Gross Government Financial Deficit, rather than PSBR, as the means of enabling quasi-trading corporations to draw in private investment while remaining under majority control of elected councillors, a change so far rejected, on economic grounds, by Treasury ministers. It is not surprising that, to date, the majority of such transfers have been from Conservative or Liberal Democrat controlled councils rather than Labour ones.

Does New Mutualism offer an alternative to provider led transfers? Could councils seek a new mutual relationship with their tenants in which the council leases housing in need of investment for repair and improvement to a tenants' co-operative or community landlord to enable it to fund repairs? The lease would be for a fixed term of years (say seventyfive) sufficient to create an interest that would enable the co-operative or community landlord to offer an investor security for loans. The lease would give the new mutual landlord managerial and financial independence. The lease could also ensure, firstly, that the new landlord could never change its status to a profit seeking one and, secondly, that it remained accountable for its performance as an efficient manager of a social housing resource to elected councillors representing the community it serves. It would be a radical alternative that empowers communities and helps build their social and human capital.

To date, other than in Scotland where there has been a programme of co-operative and community transfers that work well, the only examples of community transfers have been in association with large established housing associations or trusts. These partnerships have been necessary because the tenanted value of the stock transferred has been insufficient to secure the private finance needed to carry out repairs and improvements. An asset rich partner has been needed to secure loans, assets that could otherwise be put to work providing more housing. Asset rich partners come in the form of old housing trusts with charitable assets or large housing associations with housing stock funded at past higher social housing grant rates; assets which, with the current higher rents that were acceptable to the Conservative government, are generating surpluses. These riches will, however, run out well before the backlog of disrepair of council housing is rectified.

What about combining tenant controlled transfers with the radical option of using open market value, rather than tenanted rental value, to secure loans? In some areas, with low property values, it would add nothing, but in others it could be the key to securing private investment under locally accountable tenant control.

Many will question whether tenants will be prepared to risk the termination of their tenancy in the event of the co-operative or community landlord they control defaulting on its loan repayment obligations. But in our divided nation, ten million households buying their house with a mortgage take this risk individually. It is the way in which loans are secured in the owner-occupier sector to which most tenants would say they aspire. Tenants would be better protected from the default of a mutual landlord than an individual mortgage borrower because repayment is a common rather than individual obligation and housing benefit is available to those who need assistance with their rent. It is certainly not politically or morally acceptable to use open market value as security where tenants are not in control, where others could trigger default by mismanagement elsewhere within a larger business.

In practice in the event of mortgage default the actions of a lender will initially be the same, whether tenanted or open market value is used as security. The actions will not be influenced by whether it is a mutual or paternalistic landlord. Firstly, the lender would raise rents to increase income; secondly, it would evict rent defaulters; thirdly, it would sell void dwellings to reduce the loan debt and interest; fourthly it would seek to sell tenanted property to an alternative landlord. Only if these measures did not succeed in repaying the debt would possession be sought against those who were paying their rent so that open market vacant possession value could be obtained. Given the constraints on public investment, unlocking open market value may be a key to dealing with disrepair. In order to pioneer the unlocking of open market value of existing council housing what is needed is a group of tenants with courage and confidence in themselves, a council willing to support them and the Government willing to change the administrative rules on transfers to enable it to happen. It will come, slowly at first, but replicated when tenants see the joint benefits of co-operative control and investment for repairs.

This is just one example of the radical mutualist solutions that should be considered. What about rent arrears? Are we to continue to accept the inevitability of rent debt, where some tenants persistently and sometimes repeatedly fail to meet their rent obligations, ultimately at the expense of their neighbours? In a housing co-operative or small community housing association the impact of non-payment is a very real cost to other residents. What about rent deposits or guarantees being accepted as the responsible norm in mutually owned social housing? After all, if you take on a financial commitment such as buying a car or video, which many who live in social housing do, a deposit or guarantee is normally required. What about deposit saving and loan schemes for the next generation on the lines of that operated for co-operative housing by the HSB Bank in Sweden, but here run by credit unions? What about using loan stock (investments paid in by members) to act as security for rent payments and to finance part of the cost of provision of state subsidised co-operatively owned and managed housing? To raise this thorny issue is not to suggest that the poor should become even more socially excluded by such financial obligations; clearly, there needs to be exceptions and assistance for those in genuine need. Requiring such a financial commitment involves a new responsibility bargain between the citizen and the community, and the citizen and the state. It is, however, to return to Ridley and the Origins of Virtue, to seek to reciprocate co-operation and punish hedonistic free-riders, (which we do anyway through eviction but only after the defection from obligation has occurred). To explore such issues is to explore the reciprocal obligations at the heart of the New Mutualism debate. These hard questions reflect the Prime

Minister's views, quoted by Kellner, that "the 'Third Way' should be not a soft option, but a hard discipline".

Apart from accepting the necessary obligation of seeking to ensure the balance of supply and demand in housing what other role does government have in developing a system of mutual rights and responsibilities within socially funded housing? The Government's key role is to be the catalyst for change, to enable housing consumers to move, if they wish, from the status of dependent tenant to empowered control. The social housing system is such that primary responsibility rests with social housing providers, not consumers. In social housing the circuit of mutual rights and responsibilities that maximise mutually beneficial outcomes is incomplete. It is a prime cause of many anti-social ills in social housing. The role of government is to catalyse the development of a culture of mutual rights and responsibilities and discourage the continuation of the disempowering dependent landlord-tenant relationship. The actions that may be taken to start this process are set out in thirty two detailed proposals in the UK Co-operative Council's discussion paper 'Co-operative Housing: realising the potential' published last year. But what is needed is the political will and determination to set up a co-operative housing framework that can help meet our nation's housing needs.

In the case of co-operative and community controlled housing it is vital that government plays this catalytic role. The importance of this is emphasised in the conclusions drawn by Alan Heskin and Jacqueline Leavitt from the Center for Co-operatives at the University of California in their analysis of how public policy affects housing co-operatives in various countries³. They observe that: "The impact of lukewarm public policy is that any co-operative may hold a 'niche' position in a locality and represent a mere fraction of the total housing stock. Alternatively, policy can establish financial and legal institutions which endorse co-operatives and facilitate their growth throughout a municipality or country"⁴. In Britain housing co-operatives have such a niche position and will not become a mainstream radical 'Third Way' alternative without government playing its key enabling catalytic role. It is the responsibility of government to establish the financial and legal institutions that endorse co-operatives and facilitate their growth. If this does not happen, the inequalities of feudalism inherent in the landlord/tenant relationship will extend into the third millennium.

Housing co-operatives are not unique in needing the Government to act as catalyst to their revival. Helen Seymour, European Projects Co-ordinator of ICOM, the Industrial Common Ownership Movement, identifies precisely the same need for worker co-operatives and the need for their unique identity to be recognised in law⁵. In his essay 'Tomorrow's Politics: The Third Way and Beyond' Ian Hargreaves cogently puts the case for the rival of the Third Sector, the whole range of non-profit organisations that have the potential to contribute to the modernisation of Britain of which co-operatives are a distinctive part. Hargreaves pointedly warns New Labour of the risk of failure to recognise the importance of this: "The current government has open access to the knowledge of a sympathetic third sector. It can boldly go where no modern predecessor has dared. At present the signs are that it has sensed the potential, but lacks the will and clarity of thought to drive forward the radical legislative agenda, without which its instincts will come to nothing much. Given that the third sector tradition has its roots as much in Burke and Mill as in Paine and the Rochdale Pioneers, it is worth bearing in mind that if Blair's Third Way cannot accommodate the third sector in tomorrow's politics, then perhaps someone else's will. Don't tell that to Sid. Tell it to William." [6]

Hargreaves also quotes the Co-operative Party Cabinet Minister, Alun Michael MP who in a speech in 1997 said: “A people among whom there is no habit of spontaneous action for a collective interest – who look habitually to their government to command or prompt them in all matters of joint concern – who expect to have everything done for them – have their faculties only half developed... It is of supreme importance that all classes of the community should have much to do for themselves; that as great a demand should be made upon their intelligence and virtue as it is in any respect equal to; that the Government should encourage them to manage as many as possible of their joint concerns by voluntary co-operation”⁷. Yet again, echoes of insights from Matt Ridley.

But what in practice does being a catalyst require government to do? It requires government to:

- Ensure that the development of the human and social capacity of communities to control and manage their housing through co-operatives is seen as a positive investment that is adequately resourced as an integral part of social housing investment.
- Facilitate the development of a national education and training programme designed to enable tenants and those in social housing need to develop the skills and competence needed to control their homes.
- Change the social housing grant regime to enable co-operative and community based landlords to provide housing at rents that are affordable and more easily use open market value as security for loans.
- Facilitate, through formal training opportunities with higher education institutions and practical training, an increase in the pool of educators and housing managers skilled in developing and serving consumer control of social housing.
- Encourage the development of a national network of co-operative housing service agencies able to promote and support housing co-operatives.ⁿ Change the social housing regulatory regime so that it positively encourages and supports democratic consumer control.
- Create a new appropriate legal status for housing co-operatives.

The creation of a new legal status for housing co-operatives and, perhaps, other constitutional forms of organisation that enable majority democratic control by residents, will be the defining moment in the development of New Mutualism in social housing. In a housing co-operative a member has a dual relationship with the co-operative, firstly as member with rights to participate in the democratic control of the co-operative’s affairs, secondly as a tenant of the landlord co-operative. The two relationships are, legally, entirely separate. In tenancy law the co-operative is as feudal a landlord as any other. Rights to occupy a co-operative home under a tenancy do not bring with them mutual obligations to participate in the effective running of the co-operative. Equally, a co-operative tenancy does not protect a member from the potential tyranny of an unreasonable majority acting as their landlord. Co-operatives will not be truly established as a distinct alternative within British housing until they have their own legal identity and until the unique mutual relationship they create within a housing community is established in law.

The two feudal estates of landlord and tenant in UK property law are an inadequate and inappropriate framework within which to define this new mutual co-operative relationship. What is needed is the creation of a Third Estate, where mutual rights and responsibilities arise from membership of a housing co-operative. With the creation the Third Estate co-operatives will come of age as mainstream providers of homes fit for a mature democratic, mutual and egalitarian nation.

Notes

- 1 See Gordon Brown's Edinburgh speech, Monday 11 January 1999.
- 2 Gordon Brown, *ibid.*
- 3 *The Hidden History of Housing Co-operatives*, Center for Co-operatives, University of California 1995, edited by Alan Heskin and Jacqueline Leavitt.
- 4 Heskin and Leavitt, *ibid.*, page 47
- 5 See the text of Helen Seymour's speech to the UK Co-operative Council's Annual Forum, 20 November 1998.
- 6 Ian Hargreaves, essay 'A Step Beyond Morris Dancing: The Third Sector Revival', in *Tomorrow's Politics, The Third Way and Beyond*, published by DEMOS 1998.
- 7 Alun Michael MP, *New Statesman* 20 February 1998, quoted by Ian Hargreaves, *ibid* page 77.

CO-OPERATIVE PRINCIPLES

Co-operative Principles as defined by resolution of the Centennial Congress of the International Co-operative Alliance on 23 September 1995.

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

- 1 **Voluntary and Open Membership:** Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
- 2 **Democratic Member Control:** Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Women and men serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights [one member, one vote] and co-operatives at other levels are also organised in a democratic manner.
- 3 **Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibility by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.
- 4 **Autonomy and Independence:** Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensures democratic control by their members and maintain their co-operative autonomy.
- 5 **Education, Training and Information:** Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.
- 6 **Co-operation among Co-operatives:** Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.
- 7 **Concern for Community:** Co-operatives work for the sustainable development of their communities through policies approved by their members.

Acknowledgements

The Co-operative Party and the author gratefully acknowledge the support of the Board of Management of CDS Co-operatives, without which this pamphlet could not have been produced. CDS Co-operatives is the largest secondary housing co-operative in the south east. Further information can be obtained from:

CDS Co-operatives

Registered Office:

3 Marshalsea Road

London SE1 1EP

Tel: 0171 397 5700

Fax: 0171 407 4697

Chair: Mrs Maureen Stables

Executive Director: Mr David Rodgers

The support of the Labour Housing Group is also gratefully acknowledged. Further information on membership may be obtained from:

Leonie Cooper

Flat One

London SW11 3RA

Chair: Jon Passmore

The author would like to thank Mr Geoff Simpson for editorial comments and corrections.