



# An ethical Alternative to the Casino Economy

'We're all part of the Mutual' – tenants with Bron Afon Community Housing Association at Thornhill in Cwmbran.

Kevin Morgan and Jenny O'Hara Jakeway say mutualism is an idea whose time has come once more

**“Over the last 18 months, and with increasing intensity over the last six, the world’s financial system has gone through its greatest crisis for at least half a century, indeed arguably the greatest crisis in the history of finance capitalism”.**

Were these the apocalyptic words of a Marxist sect? No, they were opening sentence of the Turner Review, published in March 2009, the official response to the global banking crisis.

Although Lord Turner’s review was interpreted as a radical report – because of its rejection of ‘light touch’ regulation and the theory of efficient and rational markets on which it was based – this was radicalism of the conservative variety. For example, Turner recoiled from drawing a line between low-risk retail banking and

high-risk investment banking – that is between *utility* banks, which deserve to be protected by the public purse, and *casino* banks, which do not.

Without such a safeguard there is nothing to stop banks becoming ‘too big to fail’ in the future, threatening a repeat of the most morally repugnant part of the financial crisis, which saw profits privatised and losses socialised.

Another radical option that was canvassed – but never seriously considered – was *mutualism*, which could have transformed the banks into servants of their communities rather than masters of the universe. While some mutuals were damaged by the crisis – witness the Dunfermline and West Bromwich Building Societies for example – the mutual sector weathered the storm much better than the banks, not least because their constitutions fostered prudence and tempered profligacy.

The crisis actually witnessed a supermutual, when Co-operative Financial Services merged with Britannia, the second largest building society, to form a new business with £70 billion of assets, 9 million customers and over 300 branches.

The new supermutual aims to provide an ethical alternative to conventional banks, capitalising on the Co-op’s very successful strategy of offering value with values.

The supermutual story highlights the fact that mutualism, far from being a cultural residue of a bygone age, is as relevant today as it was in the 1840s, when the Rochdale Pioneers laid the basis for the Co-op. Indeed, we would argue that mutualism chimes with the modern zeitgeist, which favours products and services that have value, integrity and provenance.

Mutualism assumes many forms and it constitutes a much bigger share of social and economic activity than we may think – see Box 1.

The ideals of mutualism resonate deeply in Welsh politics, especially among Labour and Plaid politicians, who make much of the fact that Robert Owen, the father of the co-operative movement, was born in Montgomeryshire. However, there is a great disconnect between this political culture, which extols the co-operative values of mutualism, and the economic reality, where mutual enterprises are thin

on the ground.

After a decade of devolution, one might have expected to see a stronger mutual sector in Wales, given the dominance of Labour and Plaid in the National Assembly. The sector which has the greatest potential to generate new mutuals is social housing. With some five million people on the waiting list for social housing in the UK, this sector constitutes the biggest failure of New Labour since 1997.

Since 2001 the housing debate in Wales has been dominated by the Welsh Quality Housing Standard, which aims to upgrade all social housing by 2012 as part of an investment programme worth some £3 billion. Where local authorities cannot meet this standard through their own efforts, they are transferring their housing stock to registered social landlords where tenants approve it.

Two of these transfer organisations – RCT Homes and Bron Afon in Torfaen – have adopted the Community Housing Mutual model, the central features of which are:

- All tenants can be members, thereby collectively owning the assets of the organisation for the benefit of the community.
- The Mutual has an obligation to ensure that tenants are empowered to be closely involved with the regeneration of their own communities.
- The Mutual is designed to evolve and adapt to the needs of tenants and communities, for example by supporting the development of community based tenant management organisations to manage homes at local level and possibly act as a vehicle for regeneration.
- The organisation’s management is based on the democratic principles of the mutual/cooperative sector.

Although RCT Homes and Bron Afon are called registered social landlords, they are engaged in something much larger, and more ambitious than the

provision of housing. Indeed, if they deliver on their promise, these mutuals will become de facto community regeneration agencies. In that event, they will help to integrate the hitherto separate silos of regeneration policy,

namely public procurement, training, employment creation, social justice, environmental management and tenant empowerment.

When their mission is understood in these broader, more ambitious terms, it is not too much to say that RCT Homes and Bron Afon are engaged in as significant a social experiment as anything going on in the UK today. Securing the active involvement of professional people in mutual enterprises is one thing, to do so with members that are among the most socially deprived, and who can lack self-esteem, is a far more challenging task.

As laboratories of mutualism, RCT Homes and Bron Afon are flying the flag for the mutual model in social housing and community development. Although less than two years old, they have made an impressive start.

Over and above the bread and butter issues, like improving the physical fabric of their housing stock, the mutuals have spearheaded procurement contracts that help contractors invest in local labour and local materials wherever possible. Equally, important social innovations have been introduced as well. For example, the active involvement of members in the hiring of contractors, after scrutinising the latter’s sites in other parts of the country, must rank as one of the most innovative examples of tenant empowerment because it opens the procurement process up to popular participation.

However, of all the challenges facing the new mutuals the most difficult will be to convert more tenants into active members. This might be more of a problem for RCT Homes because of a combination of geography, scale and management culture. Covering three valleys and nearly 11,000 properties, the sheer size of RCT Homes might intimidate potential members, underlining the need for local neighbourhood structures to encourage higher tenant involvement.

Currently, RCT Homes has just

### Box 1: Mutualism Defined

Mutual organisations come in many shapes and sizes, exhibiting degrees of mutuality. Some are mutually owned by their members. Others exhibit a mutual ethos although they may not be owned by members. Let’s start with ownership.

A mutual organisation is owned by its members, who also have a say – usually a vote – in the corporate governance of the organisation, for example, by voting in elections for a board of directors. But this does not define a mutual: many shareholder owned companies would fit that description. The distinguishing feature of a mutual is that the member-owners are more than investors. They usually have another relationship with the mutual either as consumers, producers or suppliers. The members create and own the organisation either to consume its services or to come together as joint-producers. A consumer-mutual, for example, is owned by members who are also consumers of the services the organisation provides. Mutually owned building societies and insurance companies fit into this category. A producer-mutual, for example, is owned by its members who are also its employees or suppliers. An employee-owned company fits this description, as do many farm co-operatives, which pool and market the output of their member farms.

In practice, however, ownership is just one, albeit critical, aspect of mutuality. Many organisations adhere to mutual principles in the way they are run, without being mutually owned. Charities, trusts and clubs, for example, which have no owners, can adhere to mutual principles by allowing volunteers or members a vote in elections for office holders and by involving volunteers in production.

Charles Leadbeater and Ian Christie: *To Our Mutual Advantage* (Demos, 1999)





A tenant being surveyed at the Thornhill estate in Cwmbran by a Bron Afon Community Housing Association representative.



A Bron Afon kitchen refurbishment scheme underway.

1,100 members, so it has a big conversion challenge ahead of it. But management culture sets the overall tone of the organisation, and this is far more important than either geography or scale. The biggest management controversy within RCT Homes has revolved around executive salaries, and the handling of this issue left much to be desired. RCT Homes operates in one of the poorest areas of the European Union and its senior management needs to be more sensitive to its social context,

otherwise it will alienate the very people whose trust it needs if it is to succeed as a community mutual.

Although it has a smaller housing stock than RCT Homes, Bron Afon has a larger membership base, which currently stands at 1,300 members. Bron Afon's higher membership reflects the emphasis its management team has placed on engaging the community through face-to-face communication, a strategy that has already embraced 96 per cent of all tenants. The most recent

Bron Afon survey found that 83 per cent of tenants were satisfied with their home and 89 per cent said that the attitude of staff was very good. Having inherited large swathes of land, Bron Afon now plans to create community allotments and gardens, proving that poor areas can be part of the renaissance of urban agriculture.

As for the management culture, the most encouraging sign comes from a tenant board member, Wendy Hughes, who said "You can't tell who are tenants and who are staff". This suggests that Bron Afon is more embedded in and attuned to its local community than RCT Homes. But these are early days and one hopes that the mutuals will learn from each other's mistakes and achievements.

Social housing has the greatest potential for spawning new community mutuals because of the unique combination of human need on the one hand and large scale investment on the other. But many other sectors could and should be identified for a more concerted programme of mutualisation, a programme that could generate new models of business and community development in Wales.

Think of the sectors that resonate most deeply in our everyday lives – care, food, housing and transport for example. These are the sectors where mutuals could draw on intangible assets that elude the biggest multinational companies, assets like local knowledge and community trust. However, they will need more concerted political help to get started. At the same time, nothing succeeds like success. In Rhondda Cynon Taf and Torfaen, two small enterprises are carrying big burdens which is why all eyes are on their newly formed mutuals ■

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