

Title: Enterprise forms, ownership markets, and capital procurement of the firm

Author: Kazuhiko Mikami (Department of Applied Economics, University of Hyogo)

Abstract

It is often argued that cooperative firms are financially less viable than investor-owned firms. This is fundamentally an unfair comparison, however, since in most cases the market for firm ownership is available only to investor-owned firms. This paper examines potential roles of the market for ownership of a cooperative firm, paying special attention to capital procurement of the firm. We show that consumer cooperatives are not necessarily financially weaker than investor-owned firms if the membership market for the former types of firms exists and functions well. Consumer cooperatives thus loom up as a promising alternative to investor-owned firms when the latter type of firms induces serious market failure in the product market.