

Law and peace: Contracts and the success of the Danish dairy cooperatives¹

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Abstract: Concepts such as “trust” and social cohesion were not sufficient conditions for the successful emergence of cooperative creameries in Denmark. The Danish legal system was also of crucial importance, along with the way in which rules were monitored and enforced. This stands in sharp contrast to Ireland, Denmark’s main competitor for the important English market. Besides being ridden by conflict, Ireland was also held back by English contract law, which excluded the possibility of the long-term binding contracts for suppliers that were necessary for countering the incentive problems inherent in cooperatives and the dairy industry. We illustrate this point using evidence from a variety of primary and secondary sources and set it within the theoretical framework offered by the new institutional economics.

Keywords: Cooperatives, creameries, incentives, monitoring

JEL codes: N53, N43, L31, K12, Q13

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