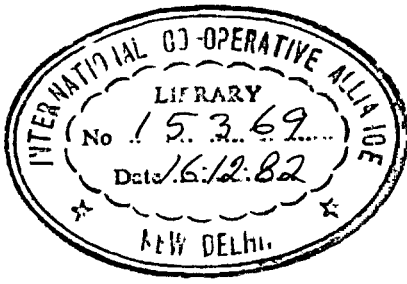


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International  
Co-operative  
Journal

# Review of International Co-operation



Volume 72 No 1 1979  
Published quarterly



## THIS ISSUE

President's Message for 1979

Co-operative Insurance (from an UNCTAD paper)

Management Development in the Co-operative Enterprise

Consumers in Austria—Improving Management Efficiency

Education and Training of Young People in  
Czechoslovakia's Consumer Co-operatives

Recent Books

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# THE INTERNATIONAL CO-OPERATIVE ALLIANCE

was founded in London in 1895 as an association of national unions of co-operative societies, which seek to promote a non-profit system of production and trade, organised in the interests of the whole community and based upon voluntary and mutual self-help.

It comprises organisations in every continent, and its total affiliated membership through national organisations exceeds 330 million. The consumers' movement accounts for just under half the membership, the other half consisting of agricultural, housing, credit, workers' productive, artisanal and fishery societies, etc.

Its purpose is to propagate co-operative principles and methods and to promote friendly and economic relations between co-operative organisations of all types, both nationally and internationally.

It promotes, through auxiliary trading, housing, banking and insurance organisations, direct commercial and financial relations between co-operative enterprises in different countries so as to enable them to exert on the world market, as well as at home, an influence beneficial at once to consumers and primary producers.

It convenes international congresses, furthers the teaching and study of co-operation, issues publications and research data, and collaborates closely with the United Nations as well as with voluntary and non-governmental international bodies which pursue aims of importance in co-operation.

In the United Nations, its Economic and Social Council, as well as in some of the Specialised Agencies, it enjoys the right of participation in their meetings and work as an International Organisation with Consultative Status, Category 1.

Its official organ is *The Review of International Co-operation*, published quarterly.

The study of International Co-operation takes place under the auspices of the 'Henry J. May Foundation', the Permanent Centre of International Co-operative Study.

The ideological work of the Alliance also finds expression in the annual celebration in July of International Co-operative Day.

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# Review of International Co-operation



The official organ of the International Co-operative Alliance

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*The ICA is not responsible for opinions expressed in signed articles.*



# The President's Message for 1979

**Dear Co-operators and Friends throughout the world,**

The *Review of International Co-operation* has a special place among Co-operators in all countries of the world, and I hope it will pursue more and more successfully and for many years to come, its task of information and liaison between men and women, between the young and the less young, all those who have courageously involved themselves in these rather special enterprises which are our co-operative organizations, wanting to change the course of events.

I sometimes think to myself, as I imagine happens also with you, that in spite of all our efforts, in spite of the justness of our ideas, we do not get much encouragement from the world around us, the more so as we are all taken up by our daily tasks and with the survival of our various co-operative organizations.

But I also think that the world, more than ever today, wants to believe in something, wants to know that there exists an alternative to the mad race in which the wealthier nations are plunged. And all those who passionately seek their own path towards a brighter future now think—often without knowing that they do so—in terms of “a society organized in the interests of the whole community and based upon mutual aid and self-help”—which co-operators have always advocated.

Thus it becomes our duty to redouble our efforts to construct the indispensable economic bases for lasting peace.

It is also our duty to take our share in defining and putting into practice a new policy of development assistance, which will have more respect for the independence of nations and come closer to their true needs.

As it is also our duty to throw in all our weight so that tomorrow's world may take account of—and develop—the acquired experience of movements such as ours and the ideas which inspire them, ideas of working together, of shared responsibilities, of generosity.

By so doing, we shall keep faith with our beginnings, making our contribution towards bringing into being a world more equitable than the one in which we live.

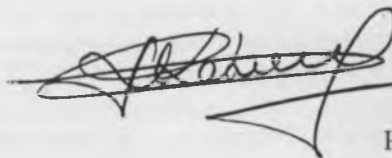
The Alliance proposes this year to work on a project which will be common to all of us, and to which I would ask you to give as much



publicity as possible. It is called "Buy a Bucket of Water," and the Alliance has chosen this as its part in the *International Year of the Child*.

The distance which now separates us from our next international meeting—Moscow in 1980—is relatively short. The Alliance will invite all participants to reflect on what our Co-operative Movement should be in the Year 2,000. That is almost tomorrow.

All Co-operators, wherever they may be, are invited to take part in this reflection, because it is on them that the future of Co-operatives depends. So I would like to wish you all prosperity and expansion of your enterprises. May this reflection to which we are called by the Alliance, tighten the bonds which unite us and strengthen the organization of which we are part: the International Co-operative Alliance which alone can enable us to attain our ideals.



ROGER KERINEC

# Co-operative Insurance : a Suitable Form of Insurance for Developing Countries

*Extracted from a study prepared at the request of the UNCTAD secretariat by the Insurance Development Bureau of the International Co-operative Insurance Federation, affiliated to the International Co-operative Alliance.\**

## I. INTRODUCTION

**The United Nations Conference on Trade and Development has taken a stand which “affirms that developing countries should take steps to enable their domestic insurance markets to cover in these markets—taking into account their national economic interests as well as the insured interests—the insurance operations generated by their economic activities, including their foreign trade, as far as is technically feasible.”<sup>(1)</sup>**

During recent years many developing countries have made major efforts to strengthen their domestic insurance markets. These efforts have been of both a national and regional nature. What has so far been accomplished varies greatly from country to country. The problems that have to be overcome may best be described by referring to the initial insurance situation in many

of these countries:

- a relatively large number of mostly foreign owned insurance companies—agencies or subsidiaries—far too many for the size of the existing insurance market;
- a negative balance of insurance and reinsurance payments for the country as a whole, owing to the volume of such services purchased abroad;
- an unbalanced structure of most local insurance portfolios, owing to a concentration of insurance risks in a few urban areas and lack of an “insurance awareness” on the major part of the population, which, except for motor insurance, rarely insured

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\*Paper TD/B/C.3/138 dated July 26, 1977. This shortened version is reproduced here by kind permission of UNCTAD. The facts and figures in this study were based on information available as at Autumn 1976. The research and initial drafting were carried out by Mrs Leonora Stettner, who formerly headed the Research Department of the International Co-operative Alliance.

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<sup>1</sup> Conference resolution 42 (III), para 1.

its personal risks;

- weak or inadequate insurance legislation and supervision, shortage of capital, lack of reliable statistics and lack of trained personnel.

All these negative factors, except the first one, usually applied also to developing countries that had nationalized insurance or even established State monopolies in this sector. In particular, it was a fact that whatever the structure of the insurance market might be, insurance failed to raise enough interest among the largest part of the population, a most unsatisfactory

situation if one considers that many developing countries have inadequate social insurance schemes and practically no group life insurance.

In the general process of social and economic development, co-operatives of various kinds have been assigned an important role in several developing countries. A United Nations resolution urges member States to actively promote development of the co-operative movement. Co-operative insurance is not only consistent with the objective of developing domestic insurance markets but also has a special role to play in the overall development process.

## II. DESCRIPTION OF INSURANCE CO-OPERATIVES

How does a co-operative insurance company differ from a private company? One answer is that it differs in the same respects that distinguish co-operatives of any kind—producer, consumer, marketing, housing and credit co-operatives—from private firms in these same fields of activity. The differences are dictated by adherence to co-operative principles relating to member control, operation in the interest of members, non-profit operation and investment of funds, as well as by its close links with democratic, progressive movements. An insurance co-operative can be formed as a stock company, mutual or any other form allowed for by the laws of the country concerned. The critical question is that of control.

A co-operative insurance company, regardless of its legal form of organization, reflects the co-operative principle that businesses should be

controlled by those who use their services. As in private companies, the day-to-day affairs of a co-operative insurance company are decided by management, but these management decisions are subject to the overall policies determined by bodies representative of the members; and since the members are at the same time “customers” of the business, they have more incentive to exercise such control. If organized as a stock company, control of the co-operative insurance society is directly vested in other branches of the co-operative movement; if organized as a mutual company, control by the policyholders is ensured through a democratic parliamentary structure.

Another way in which member influence is exercised is through the setting up of various types of consultative councils and committees. An

example of this is the Loss Examination Committee established in 1946 at the Folksam Insurance Group, Sweden. The Committee's majority is made up of policyholder representatives from the co-operative and trade union movements. Any policyholder dissatisfied with a claim settlement may refer his case to the Committee.

Member interest is not only concerned with the premium level. Other important aspects are: fast and efficient service, product development, and what could be called creative capacity. The group householder's comprehensive policy of the Samvirke Insurance Group in Norway is a good example. This insurance scheme now covers about one-third of the wage earners in Norway, is most efficient and therefore quite inexpensive and the members have a decisive influence on the types of cover offered and the settlement of claims. Another way in which co-operative insurance companies operate in the interest of their members is their emphasis on loss prevention and health promotion activities as well as their support of social measures for the benefit of society as a whole.

A co-operative insurance company organized as a mutual is by definition, like any other mutual, operated on a non-profit basis. A co-operative insurer organized as a stock company also operates on a "non-profit" basis in that any "profits" are directly or indirectly returned to the policyholders/members—as the owners are other branches of the co-operative movement which usually comprise much the same field of membership, even stock dividends paid to the owners ultimately benefit the policyholders/members.

All insurance companies have an obligation to their policyholders to invest their funds in such a way that maximum return with minimum risk will be obtained over a long period. Co-operative insurance companies have additional objectives: namely, to the extent possible to invest in co-operative activities and to see to it that their other investments are also socially desirable, while strictly observing normal requirements of solidity, liquidity and yield, as well as spread of risk.

Co-operative insurance companies have as a very important characteristic the fact that they are linked to democratic, progressive movements including co-operatives operating in other fields. This is significant from the point of view of society as a whole because it implies that insurance operations will be conducted in the content of wider social and economic goals. These links are also of special importance to co-operative insurance societies themselves since they give them access to national networks of potential policyholders as well as valuable sponsorship and support. Membership of a consumer or producer co-operative or of a trade union implies association and identification with a broad popular movement catering to the needs of various types of workers and of co-operative producers and consumers—all of whom have insurable needs. Where the co-operative insurer is organized as a stock company owned by the co-operative and/or other popular movements, the policyholder exercises his ownership rights through the co-operative and/or other popular movements of which he is already a member.

Co-operative insurance organizations

are operating in some 20 developing countries. Six of these countries are in Africa, five in Asia and nine in Latin America. (See appendix). In addition the establishment of co-operative insurance organizations is under active consideration in a number of other countries.

### **Types of Insurance**

In theory there is no restriction on the types of policies which can be offered by co-operative insurers, and in practice it appears that virtually the whole range of coverage available elsewhere is offered by a number of co-operative companies in the developing countries. Certain types of cover are particularly appropriate to co-operatives and their members in the social and economic context of the less developed countries. These include group life insurance, livestock insurance, comprehensive protection for farmers and certain other coverage especially important to co-operative societies such as fire, transport and fidelity guaranty.

*Group life insurance* In most developing countries only a tiny fraction of the population have insurance coverage for death, sickness and accidents because of the generally low level of incomes and because appropriate cover is usually not available from private insurers. The private market generally offers individual, relatively expensive endowment policies to a small segment of the population. (In one African country at the end of 1973 only one-third of one per cent of the population had any form of life insurance). An important cost element is the relatively large amounts going towards commissions and other sales costs. Hence any measures de-

signed to lower the cost of these types of insurance can make an important contribution to social and economic security in the country.

Group term life insurance is well adapted to meet these needs. It is a standard blanket policy issued to a group of individuals, each person in the group receiving a simple certificate of insurance. The only health requirement is that the group member is capable of working at the time of enrolment and since the insurance is on a term basis and is not individually tailored, the actuarial basis is much less sophisticated and detailed, and fewer skilled personnel are required. Sales costs are minimal. Marketing of the insurance and collection of premiums is done through the group's organization, often an employer, and this also facilitates easy payment methods, for example employer check-off or as part of a trade union or co-operative membership fee, or alternatively from an account with a credit union. Administration is simpler since there is no individual underwriting or medical examination, considerably less record keeping, and premium collection can be by lump sum for the group rather than individually by mail, bank or personal visit. The net result is a considerable saving in costs and hence lower premium rates.

*Livestock insurance* through co-operatives is well established in several countries, for example Canada, Israel and the Republic of Korea. It is particularly useful in developing countries where animals not only provide a direct source of food, but are also widely used for draught power in agricultural production and for transport. Indeed, in many countries they

are a major source of income.

Livestock insurance normally covers both death and depreciation through disease or accident. Schemes usually specify age limits above and below which insurance cannot apply, for example under six to twelve months or over twelve to fifteen years. Also indemnity coverage is ordinarily limited to a specific percentage, say 80 per cent, of the value of the animal as a disincentive to deliberate slaughter. Claims are either related to market value at the time of loss or the value as assessed periodically, for example twice a year.

A major difficulty associated with livestock insurance, especially in the developing countries, is the prevailing low standard of animal husbandry and the inadequacy of available veterinary services. For this reason there is a definite advantage in providing livestock insurance through co-operatives, preferably in association with co-operative dairy farmers, feed co-operatives or co-operative livestock breeding societies—which would imply higher standards of health protection for livestock. Moreover when the insurance is administered through a network of small primary co-operative societies the risks are considerably reduced because of the limited area covered by each society. Each society has intimate knowledge of, and supervision over, the animal husbandry practices of its members and their specific needs for veterinary services and training in livestock raising.

The co-operative society may systematize the provision of veterinary services by registering all insured animals and charging members an annual fee for veterinary services and drugs in return

for a guarantee of periodic veterinary inspections plus medical attention whenever required.

#### *Comprehensive protection for farmers*

In addition to livestock insurance, farmers in developing countries have need of a complete and balanced programme of insurance to cover the life of the farmer himself, his buildings and equipment, and his liability for the safety of his employees, if any, and of the general public. (The special case of crop insurance is discussed below). Many farmers in developing countries belong to one or more co-operative societies—for the marketing of their produce, for the joint purchase and use of farm equipment, for agricultural credit or for the overall conduct of farming. In all of these situations the co-operative societies can quite naturally and effectively function as a network for the distribution of insurance.

#### **Insurance Cover for Co-operative Societies**

The very growth and development of any co-operative society, of whatever type, can be jeopardized by an uninsured loss. By providing the right insurance coverage at a reasonable cost, co-operative insurance helps to stabilize the co-operative movement and assists its steady growth. Insurance coverages that are important in this regard include *fire insurance* for buildings and contents, *transport insurance* for both goods and cash and *fidelity guaranty insurance* covering losses from dishonesty of employees. There are also a number of co-operative insurance societies in both North and Latin America primarily based on fulfilling the special insurance needs of *credit unions*—also widely

known as co-operative thrift and credit societies—and their members.

*Especially difficult branches* are *crop insurance* and *motor insurance*. For the reasons described below it is scarcely feasible for a co-operative insurance company to underwrite any comprehensive crop insurance scheme.

The general principles of insurance usually require that coverage be of specific risks which are more or less predictable and the probable damage calculable; that the risks rarely affect whole groups of people at the same time and that the cost of insurance can be brought down to a tolerable level by

spreading the risk over a large group of people. These principles are difficult to apply in the case of crop insurance and many experts are of the opinion that any comprehensive plan of crop insurance must have a wide geographic and demographic base, must be compulsory for all farmers in the area and must involve a good deal of government financial and administrative support.

Motor insurance is a branch that has traditionally been troublesome both in developed and developing countries and should also be approached with extreme caution by a newly-formed co-operative insurance company.

### III. ADVANTAGES OF CO-OPERATIVE INSURANCE IN DEVELOPING COUNTRIES

So far there has been very little penetration of the potential insurance market in the developing countries. It is estimated that in 1966, Asia, Latin America and Africa, with almost three-fourths of the world's population, accounted for 22 per cent of the world's accumulated gross national product and only about eight per cent of the world's insurance coverage as measured by premiums. This relatively limited insurance protection is not accessible to the ordinary man in the developing countries. Personal coverages are largely limited to endowment, whole life and motor vehicle, and are sold at premium rates beyond the reach of all but a few, in the higher income brackets, in urban areas. The majority of the population, especially in rural areas, cannot afford the insurance offered by private companies. Indeed many of those most in

need of insurance protection are not even aware of insurance as an instrument which could be made available to them, there is a striking absence of "insurance consciousness" in many parts of the world.

There is a significant potential market in the developing countries for new domestic companies which are rationally managed and have adequate retention capacity; which are based on popular movements capable of reaching the lower income groups; and which are prepared to innovate and to meet the basic needs of the majority of the population. Co-operative insurance is capable of responding to this potential market. Co-operative insurers have a natural interest in trying to reach farmers in remote rural areas as well as lower income groups in the towns and cities. The co-operative movement has a



network of local societies which enables the co-operative insurance society to reach these areas and to make contact with potential policyholders. Moreover the co-operative form of organization is multifaceted and covers many different sectors—including agricultural production, fisheries, marketing, processing, handicrafts and other manufacturers, retailing, storage, transport, banking, savings and loans and home ownership. This means that insurance co-operatives are in a position to cater for a wide range of basic needs. This wider coverage in turn may provide sufficient business and the necessary actuarial data for underwriting specialized risks of the kind required for development.

A co-operative is essentially an organizational instrument for enabling small producers and consumers to pool their resources to secure the economic advantages of scale—a principle which is particularly applicable to insurance which is based on spreading risks over as large numbers as possible. A further implication is the potential of co-operative insurance to play an important role in complementing national social security schemes, which often are of a rather limited scope. This function is often not borne by the private insurance market. The incentive for a co-operative insurance society to help fill the social security vacuum is provided by its basic philosophy of promoting the welfare and living standards of the common man.

The capacity of co-operative insurance for meeting basic social needs is well illustrated by the welfare activities undertaken by several insurance co-operatives. After allocating bonuses to the policyholders, *La*

*Prévoyance Sociale* in Belgium devotes all of the surpluses to the community for social and humanitarian purposes. During nearly half a century considerable amounts have been set aside for the establishment and operation of welfare facilities which are put at the disposal of everyone and not solely for the benefit of their own policyholders. *La Prévoyance Sociale* runs sanatoriums, rehabilitation centres for rheumatics, asthmatics and retarded children. The welfare activities of the Japanese insurance co-operatives (*Zenkyoren* and *Zenrosai*) include mobile clinics, village health centres, rehabilitation centres, medical examinations, post-traffic accident consultation, care of traffic accident orphans, rest houses, recreation facilities and scholarship funds.

### **Lower Costs and Better Service**

There are many reasons why co-operative insurers can reduce their total costs, and hence even premium rates, below the level of private insurers. A co-operative insurer operates without the profit motive and the part of eventual surpluses that may be retained in the society is more directly used for the benefit of the co-operative movement and its members.

The co-operative structure is particularly appropriate for offering insurance to large groups at low cost. Marketing of policies is cheaper in the sense that customers are practically there for the asking. Co-operatives and trade union members are interested not only in personal insurance but also in protecting the assets which they jointly own. In many cases the insurance co-operative can dispense with a special sales force and with commissions on sales; for

example Japanese agricultural insurance co-operatives conduct sales "campaigns" for entire villages through the existing agricultural co-operatives, and sometimes in the farm household guidance offered by the co-operative. In Canada, "the Co-operators" farm property insurance is sold by the same staff members who sell subscriptions to the journal of the Saskatchewan Wheat Pool; also home-owners' coverage is sold by United Grain Growers, a shareholder, to their employees in a type of mass marketing. Direct marketing of various coverages without commissioned agents through credit unions by League Life, United States, is another practical example.

Collection of premiums is easier, too. It is often accomplished through automatic deductions from payrolls, debits to savings accounts in credit unions or deductions from sales proceeds in the case of marketing co-operatives. Blanket or schedule policies covering the properties of even hundreds of co-operative societies which are members of one wholesale society, facilitate centralization of billing and collections through the wholesale society, providing substantial savings in acquisition and administrative costs.

Claims settlement procedures are often simplified and make use of the local co-operative society, thereby resulting in lower costs. In Norway, ten per cent of all claims in Samvirke's group householder's comprehensive policy are settled directly by local union committees.

The ability to provide mass coverage at a low cost often gives co-operatives a competitive advantage in the insurance market and enables them to break the

tariff control of private companies. In Latin America, for example, credit unions have had some success in pushing down the general level of commercial rates. In Malaysia, the MCIS has played a conspicuous role in bringing the cost of insurance protection within the reach of middle and lower incomes. (In 1973 the MCIS took even more direct action to help members fight high prices in another field, by setting up 14 distribution centres for essential foods).

Deeper penetration of the market in itself opens up the possibility of cost reduction. The larger the number of economic units providing cover for a certain risk, the smaller the cost per unit.

Finally it is worth noting that because of their links via the international co-operative network, co-operative insurers in developing countries are in a position to obtain reinsurance coverage on favourable terms from insurance co-operatives in developed countries. Co-operative insurers and reinsurers collaborate for their mutual advantage rather than one trying to win an advantage at the expense of the other.

The co-operative philosophy is specifically attuned to service to members, and co-operative insurance is often a major component of a total co-operative programme designed to achieve a better standard of living for its members.

A major service rendered to members/policyholders by co-operative insurers is the active interest they take in designing loss prevention and health promotion programmes and not just being channels for the collection of

premiums and payment of claims. The basis for the special interest of co-operative insurers in research, health promotion and loss prevention is the understanding that the policyholders' interest can best be served if losses could be prevented from occurring. Many co-operative insurance societies provide grants for public information on loss prevention with the objective of informing the public at large of scientific achievements so that these achievements are put into practical use. These various activities are carried out in close collaboration with other types of co-operatives, trade unions, different educational institutions and public authorities. Examples of various measures undertaken include improving building designs, traffic safety research, studies on the interior safety of automobiles, provision of health promotion programmes including maintenance of mobile clinics, etc., grants for cancer research and campaigns for an improved working and living environment.

### **Increased domestic coverage of insurance needs**

There has been a marked trend in the developing countries towards protecting their domestic market against foreign coverage of insurance needs. This has taken various forms: total prohibition of foreign coverage; limiting the number of foreign companies; nationalizing foreign companies; and setting up national governmental insurance and/or reinsurance companies.

Several motives account for this drive to divert insurance business from foreign to domestic companies, including the following:

-- to save foreign exchange, which is in

very short supply and is crucial to the development effort, by reducing the net outflow to foreign insurance companies;

- to improve the terms and conditions on which reinsurance can be obtained by increasing the domestic reinsurance capacity and enhancing the strength and bargaining power of domestic insurers in negotiating reinsurance contracts abroad;
- to ensure that insurance coverage is adapted to local risks and requirements;
- to enhance the country's economic independence and permit better control over insurance practices in order to reconcile the public and private interests;
- to increase insurance funds available for domestic investment.

The significance of co-operative insurance in this context is its potential for promoting the growth of domestic insurance and reinsurance markets in the less developed countries. As previously described, this potential of insurance co-operatives stems from a number of factors. A few of the most important are:

- they reach the common man;
- they are democratically controlled;
- they are innovative and responsive to local needs;
- they are in a position to reduce costs and premium rates; and
- they operate in conformity with national development goals and priorities.

In most developing countries the domestic market offers only meagre

retention capacity. Even where the domestic insurance market is relatively strong, there is a need to obtain at least partial reinsurance cover internationally in order to achieve a wider spread of risk. Moreover reinsurance demands are growing rapidly as economic development proceeds.

To the extent that reinsurance is arranged regionally between the developing countries, foreign exchange and profits are retained in the area, and accumulated funds can be invested in development in that area. Moreover the consolidation of insurance capacity on a regional basis increases regional bargaining power in obtaining reinsurance on international markets.

At its first session in Geneva in 1964, the United Nations Conference on Trade and Development (UNCTAD) recommended pooling technical surpluses retained nationally by the developing countries and redistributing them on a regional basis before ceding them to traditional reinsurers abroad.<sup>2</sup> The benefits of national pools can be magnified if they are linked within a regional or sub-regional framework because the spread will be bigger, the adherence to the pool more active, thus ensuring a balanced committing of risk.

The co-operative movement provides a suitable infrastructure for this kind of regional collaboration between co-operative insurers. The regional network of co-operative societies creates a common platform for fostering insurance consciousness. Co-operative federations in various countries of the region can communicate and collaborate with each other through relating

experiences at periodic conferences, sharing of actuarial data, exchanges of study visits and even regional training programmes.

### **Educational spin-off**

Insurance education, involving as it does learning a broad spectrum of technical skills in handling financial and commercial matters, also makes a contribution to economic development. Co-operatives are well placed to provide such training by virtue of their traditions, motivation and wide network of educational facilities. Members have a strong incentive to educate themselves and learn to carry on their own business in their own interest. Staff education and on-the-job training are basic principles of the co-operative movement all over the world. The funds and the facilities for such training tend to be provided at every level of the movement—by primary societies, secondary societies and national federations. In addition there are numerous examples of regional and international collaboration for the purpose of training co-operative insurance staff—via preliminary and refresher training courses, seminars, conferences and study visits to co-operative insurance organizations in other countries.

Two good illustrations of the kind of insurance training which is provided through the international co-operative movement are the Latin American seminar held in October 1975 in Bogota, Colombia, with the co-operative insurance society La Equidad as host, and the South East Asian regional seminar held in September 1976 in Tokyo. The Bogota seminar, for

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<sup>2</sup> Recommendation A.IV.23.

example, was attended by 60 delegates from 16 countries and its main objectives were:

- to explain the role of the insurance organizations presently engaged in developing or providing insurance services for co-operators;

- to exchange experiences among the several organizations currently providing insurance for co-operatives and their members; and

- to study techniques of group life insurance and their use in co-operatives.

#### IV. ASSISTANCE TO INSURANCE CO-OPERATIVES IN DEVELOPING COUNTRIES

Like many indigenous enterprises—co-operative or private—in the developing countries, most co-operative insurers face considerable difficulties. If they are to realize their substantial potential they will have to be helped to overcome the many obstacles which are endemic to the developing countries. These include lack of capital, of skills, of experience and of legislative support as well as stiff competition from established firms, both foreign and domestic. These problems are outlined below in the specific context of co-operative insurance.

More than once, attempts by co-operators to set up an insurance co-operative have been thwarted by difficulties in meeting government requirements for initial guarantee capital. In addition working funds are required to start a viable insurance company, and both the capital and working funds must be raised largely within the co-operative movement.

Protection of the interests of member policyholders, especially in terms of security, reasonable return and low premiums, is essential for sound business reasons and out of fairness to members of the insurance co-operative.

It is also essential in order to compete successfully with private insurers.

There is sometimes a tendency for localized sectors of the co-operative movement in a country to start their own co-operative insurance organizations. This is often motivated by a natural desire to maintain the separate identity of the different co-operative sectors. Most developing countries lack the necessary base for more than one co-operative insurance society and it is therefore vital that the co-operative movement in a country unite in its support of one co-operative insurer.

The lack of statistical background data and the limited experience which co-operatives have in collecting such data constitute a major difficulty in designing suitable coverage and establishing initial premium rates; it is also a problem when first setting up claims reserves.

Administration of insurance is inevitably a highly technical operation for which officials will have to be trained. Staff members must acquire a sound grasp of the complexities involved in management skills, underwriting, claims, accounting, investments, actuarial work, marketing and re-insurance.

There is also a need for more adequate insurance legislation and supervision. This problem can cover a wide range of situations, each of which must, of course, be looked at on its own merits. From the co-operative viewpoint, there may be certain legislative inadequacies that need correcting, such as: restricting underwriting of insurance to co-operative members only; conflicts between the Insurance Act and the Co-operatives Act (for example, the Co-operatives Act may fail to authorize insurance activities and the Insurance Act may not provide for insurance co-operatives); undue restrictions on types of insurance permitted; and unrealistically high requirements for initial guarantee capital. Adequate State insurance supervision encourages sound business practices and guards against competitive excesses. Such supervision aims among other things to guarantee the solvency of insurance companies, enforce fair, adequate and non-discriminatory premium rates, regulate levels of reserves and the investment of insurance funds, ensure access to all who require insurance, and promote ethical practices in selling of insurance and in the management of funds.

Although co-operative insurers in developing countries—as well as co-operative movements interested in starting co-operative insurance societies—have been receiving technical assistance from several sources there is need for additional help, especially in the light of the growing number of requests for assistance. Assistance already given has been extended partly by the government of the countries concerned, partly bilaterally from co-operative insurers in developed countries and

partly multilaterally through the International Co-operative Insurance Federation (affiliated to the International Co-operative Alliance) and its sub-committees, the Insurance Development Bureau and the International Co-operative Reinsurance Bureau.

Requests for technical assistance in establishing or extending insurance co-operatives usually originate from co-operatives or trade unions in the developing country concerned. Such requests are usually directed to the Insurance Development Bureau which concentrates first on obtaining basic background information. For this it makes use of a detailed questionnaire on “the need and possibilities of co-operative insurance,” which it sends to the requesting organization for completion. Where prospects for an insurance co-operative appear to be favourable, an insurance expert or team of experts is recruited through the Insurance Development Bureau and sent for exploratory discussions with co-operative and government officials. This is usually followed by a well structured feasibility study, which, if positive, will contain specific recommendations for further action by the prospective co-operative insurer and by the international co-operative movement.

The most typical kind of assistance is the sending of experts to the country concerned to provide technical advice on specific aspects of the insurance operation. The technical advice provided by these experts has proved especially important in a field like insurance which involves very specialized experience and technical know-how. Experts are ordinarily recruited by the Insurance Development Bureau from insurance

co-operatives in developed countries. Members of the International Co-operative Insurance Federation (ICIF) which have sent their specialists abroad to provide technical assistance include Austria (Wiener Städtische), Belgium (La Prévoyance Sociale), Canada (the Co-operators), Germany (Volksfürsorge Group), Japan (Zenkyoren), Malaysia (MCIS), Norway (Samvirke), Sweden (Folksam), Switzerland (Co-op-Leben), the United Kingdom (CIS) and the United States (League Insurance Group and Nationwide Group).

From time to time ICIF member societies in the more advanced countries have received insurance staff from co-operative insurance organizations in developing countries for periods of training which have varied from one month to two years. Expenses are met by the member society in the developing country and/or the receiving society and/or an aid agency. Recently, the Insurance Development Bureau set up a small Scholarship Fund to promote activities of this kind. The Fund has been constituted from the membership contributions to the ICIF.

The Insurance Development Bureau has also organized a number of training seminars and workshops for investigating common problems faced by new and prospective co-operative insurance organizations. These bring together officials of the new organizations and of their sponsoring bodies, and specially appointed experts for several days of intensive study and discussion.

The activities of the Insurance Development Bureau include the preparation and publication of instructional material, monographs on specific aspects of insurance, articles by experts, com-

pilation of relevant data from co-operative insurance societies, special studies and proceedings of seminars and workshops.

There is growing awareness of the need to provide new co-operative insurance societies with continuous advice and help over a long period. One way of doing this is by maintaining continuing links between a new co-operative insurance society in a developing country and an established society in another country. Contact is maintained through receiving trainees in the host country, sending out experts and through correspondence about current problems. An example of such a link has been the technical assistance provided to the Malaysian Co-operative Insurance Society over many years by the CIS Manchester, (United Kingdom), including actuarial services through the CIS actuary, and seconding of a staff member to be the first General Manager. It is interesting to note that the MCIS has reached such an advanced stage of development that it, in turn, is now giving technical assistance to other countries in the region. This kind of technical assistance on a regional basis is also illustrated in Asia by the help being given to insurance co-operatives by Zenkyoren, Japan.

Another way of providing continuing support to young insurance co-operatives is through the posting of a long term co-operative insurance adviser whose task is to advise co-operative insurance organizations in the various countries of the region where he is stationed. The responsibilities of these advisers include regular visits to co-operative insurance

organizations in the region to help with technical, organizational, administrative, marketing and training problems, advice on the development of new types of insurance policies, assistance in obtaining reinsurance coverage, advice on legal and financial questions and the arranging of short-term expert visits when necessary.

Co-operative insurance is well

established in many economically developed nations, and in recent years it has made rapid progress in some developing countries. The experience thus acquired can be of great value for those interested in establishing co-operative insurance programmes in other developing countries or in strengthening existing insurance co-operatives.

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## APPENDIX

### SOME CO-OPERATIVE INSURANCE ORGANIZATIONS IN DEVELOPING COUNTRIES

#### AFRICA

- Ghana:** Co-operative Insurance Society.  
**Kenya:** Insurance Agency, Kenya National Federation of Co-operatives.  
**Tunisia:** EL ITTIHAD, Co-operative Insurance and Reinsurance Society.  
**Uganda:** Insurance Agency, Uganda Co-operative Central Union.  
**United Republic of Tanzania:** Insurance Agency, Co-operative Union of Tanganyika.  
**Zambia:** Insurance Agency, Zambia Co-operative Federation.

#### ASIA

- Republic of Korea:** Mutual Insurance Services of the National Agricultural Co-operative Federation.  
 Mutual Insurance Bureau, National Federation of Fisheries Co-operatives.  
**Malaysia:** MCIS, Malaysian Co-operative Insurance Society Ltd.  
**Pakistan:** Co-operative Insurance Society of Pakistan Ltd.  
**Philippines:** CISP, Co-operative Insurance System of the Philippines Inc.  
**Singapore:** NTUC INCOME, Co-operative Insurance Commonwealth Enterprise Ltd.

#### LATIN AMERICA

- Argentina:** Asociación Argentina de Cooperativas y Mutualidades de Seguros (comprising 65 companies).  
**Bolivia:** Departamento de Seguros, Federación Nacional de Cooperativas de Ahorro y Credito de Bolivia.  
 La Crucena.  
**Chile:** COOPREV, Cooperativa de Seguros de Vida.  
 Cooperativa Nacional de Seguros.  
**Colombia:** Seguros La Equidad Sociedad Cooperativa.  
**Ecuador:** Cooperativa de Seguros del Ecuador.  
**Guatemala:** Departamento de Seguros, Federación Nacional de Cooperativas de Ahorro y Credito de Guatemala.  
**Guyana:** Co-operative Insurance Service.  
**Honduras:** Departamento de Seguros, Federación Nacional de Cooperativas de Ahorro y Credito de Honduras.  
**Peru:** Cooperativa de Seguros del Peru.  
 Cooperativa de Seguros del INCA.





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It's surely no coincidence, either, that our clients include 75 of Germany's 100 largest companies.

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### Key Balance Sheet Figures

	(in billion DM):	
	1977	1978*
<b>Total Assets:</b>	29.95	35.20
<b>Total Deposits:</b>	27.60	32.27
<b>Loans Outstanding:</b>	24.59	27.47
<b>Capital and Reserves:</b>	1.31	1.31

\* preliminary unconsolidated figures as of December 31, 1978.

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# Management Development in the Co-operative Enterprise

by

John Craig\*

For a long time, co-operators have viewed their organizations as being part social and part economic. This is clear in the 19th century writings of Owen and King. This view continued after the movement developed in the latter part of the 19th century.

In 1935, (21), Dr George Fauquet stated:

“What distinguishes co-operative institutions from other forms of popular action and association is their pursuit of their aims by means of organized economic activity. Consequently a distinction has to be made between two conjoined elements, the one social and the other economic”.

Implicit in co-operative management has always been the assumption that both the association and the economic organization had to be managed.

Since the 1930's, co-operatives around the world have undergone tremendous growth and development. Technological and economic changes since

World War II have presented pressures for all types of organizations to grow in size, to develop a variety of functions and to hire highly specialized managers. In the past 20 years, co-operatives have tended to become more centralized, better co-ordinated and more responsive to market conditions. This has been achieved by hiring specialized management and experts. In the 1970's, there is ample evidence from most countries in western Europe and North America that many members feel betrayed by their co-operatives. These members feel powerless to influence direction and observe their organization to resemble capitalist competitors, rather than associations of producers or consumers.

The French Confederation of Agricultural Co-operatives recently completed an extensive survey concerning farmers' attitudes to present day co-operatives.<sup>1</sup> They found four common responses by the farmers:

1. The 'committed but critical' members or those who want the co-operatives to be efficient and responsive to their needs. They formed the group most apt to attend meetings and “clearly expressed regret that the power of

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\*Dr. J. G. Craig, Professor at York University, Toronto (Canada) was the keynote speaker at the ICA 45th International Co-operative Seminar held in Vienna, November, 1978.

decision is too often exercised by the manager and senior supervisors. These co-operators would like the co-operative to be run effectively by the farmers and react by endeavouring to participate and express their opinions”.

2. The ‘faithful members’ who support their co-operatives and who are willing to leave decisions to others whom they trust.
3. The ‘disappointed co-operators’ who were previously committed to the organizations but who now feel betrayed. They consider the idea and principles of co-operation to be excellent, but fail to see these being practised in existing co-operatives.
4. The ‘indifferent farmers’ constitute about 25% of the French farmers. They reject collective action and want to go it alone.

The point is that the number of faithful members is declining. There is still a substantial portion of ‘committed but critical members’ who want to be involved but who are fearful of a management takeover of their organizations. The growing numbers are in the category of ‘disappointed co-operators’. They see a wide gulf between co-operative theory and what is actually taking place in their co-operatives.

Similar findings would result from membership studies in other European countries and in North America. Judging from the papers presented at the ICA research officers’ Conference on Efficiency and Democracy held at Sion, Switzerland in 1975, member apathy and alienation is also a problem in the large consumer co-operatives in Europe.

These problems rest squarely on all of us. They reflect a lack of management development in co-operatives. Why has this area been neglected?

First of all, the co-operative organizations were faced with the need to modernize after World War II. Yet management skills were in short supply. It was a case of modernizing and increasing efficiency to compete; or to fail. Co-operatives in most countries of Europe and North America competed successfully and have developed well-integrated centralized systems with strong management. To do this, emphasis was placed on developing managers to handle the business aspects of the co-operatives. Further emphasis was placed on getting better trained workers and developing in-house training programmes to teach management skills. But this emphasis on managerial theory, as developed in business schools, did not resolve the problems involving the membership.

Management theory taught in business schools was developed out of studies and practices in capitalist and governmental agencies. For a long time it was assumed that business was business, and that there were universal principles of management. Managers who learned how to apply these universal principles could manage any business regardless of whether it was a co-operative or a capitalist enterprise. Thus the assumption was made that co-operative managers had no need to develop unique skills other than to establish a vague climate of being responsive to members and an appreciation of co-operative history and philosophy.

But management theory has con-

COMPARISONS BETWEEN MANAGEMENT ROLES IN VARIOUS TYPES OF BUSINESS ENTERPRISES

ROLES OF MANAGEMENT

	<i>Individual Businesses</i>	<i>Capitalist Corporations</i>	<i>Government Corporations</i>	<i>Co-operatives</i>
Rationale for Decision Making	<i>Profit</i> rationale within the context of a citizen in a particular community.	<i>Profit</i> rationale within the context of a citizen of a nation.	<i>Profit</i> rationale and/or a <i>service</i> rationale or <i>other</i> rationales.	<i>Service</i> rationale towards the users of the organization.
Management of the Decision Making Processes	Search out ideas from trusted advisors; make decisions and change them quickly if they do not work well.	<i>Involve the dominant group of shareholders</i> to provide a framework for decisions. Delegate decision making to the level closest to where the problems arise. Monitor results and change quickly.	<i>Involve the government officials</i> in the framework and direction. Establish criteria for decisions and rules for employees to follow to routinize as many decisions as possible.	<i>Involve as many active members</i> as possible to establish the framework for decisions. Delegate decision making to the closest employee level where the problems arise. Monitor results and change quickly.
Management of Information	No disclosure of financial or operational information.	<i>Limited</i> disclosure of financial information to investors and potential investors.	<i>Open</i> disclosure to the government. <i>Limited to open</i> disclosure of operational information to the public.	<i>Open</i> disclosure of aggregated financial information and <i>open</i> disclosure of operational information to employees and to members.
Management of Aspirations	The aspirations of the <i>owner</i> are central and should dominate.	The aspirations of the dominant <i>owners</i> of capital and of <i>management</i> are central and most important.	The aspirations of the <i>government</i> in power (as representatives of the people) and <i>management</i> are central and should dominate.	The aspirations of active <i>members, elected officials, management</i> and <i>employees</i> are all central and must be balanced.
Planning and Participation	Participation in the planning process involves the <i>owner</i> .	Participation in plans involves the <i>dominant owners of capital, management</i> and <i>employees</i> .	Participation in planning involves <i>government, management</i> and senior <i>employees</i> .	Participation in planning involves active members, elected officials, <i>management</i> and <i>employees</i> .
Management of Assets	To provide maximum long term accumulation of wealth.	To provide maximum long term accumulation of wealth.	To provide an accumulation of wealth to develop services needed by the population as a whole.	To provide an accumulation of wealth to develop efficient services to meet the needs of the membership.
Co-operation with Sister Organizations	On a business relationship only. Other relationships are assumed detrimental to producers and/or consumers.	Through direct investment or business contracts. Other relationships are assumed detrimental to producers and/or consumers.	Through co-ordination by senior management. It is assumed such co-operation can reduce costs and benefit producers and/or consumers.	Through <i>elected officials</i> and senior management. It is assumed co-operation between co-operatives will reduce costs and will benefit producers and/or consumers.

tinued to evolve. During the past 15 years it has been widely recognized that organizational environments place considerable constraints on organizations. Successful managers must organize businesses to handle these unique pressures and, at the same time, maintain internal co-ordination. From these developments a contingency theory of management has emerged, and this is being widely applied in large capitalist corporations<sup>2</sup>.

Ironically, contingency theories reject the idea of universal management principles. They emphasize the importance of the uniqueness of each part of an organization and the necessity to develop management practices which are appropriate. Since co-operatives are associations as well as business enterprises, it then follows that successful co-operative management must involve both aspects.<sup>3</sup> The challenge in developing management for co-operatives is to clarify the evolving theory of co-operative management to spell out both the similarities and the uniquenesses. Senior co-operative executives and academics who are interested in co-operatives need to develop the theory and practices of co-operative management. It takes time, but I would argue that this is a pressing concern if co-operatives are to survive into the 21st century.

Many of the management skills and processes needed in co-operatives are similar to those required in all types of organizations. I will not elaborate on these similarities here; rather I will emphasize the unique aspects, and these, hopefully, will provide a focus for discussion and assist in the development of co-operative management theory<sup>4</sup>.

The Table identifies seven roles of management and compares them with the four main types of businesses found in western Europe and North America. This table summarizes the points in a very sketchy form. They involve generalizations and, as such, overlook variations between specific organizations within each type. However the variations are greater between the four types, than within them, and such a comparison is useful to sensitize ourselves to the major differences.

### **Service Rationale vs Profit Rationale**

First, organizational decisions need to be logical and consistent with the objectives of the organization. Secondly, if the rationale for decision making is clearly understood within the organization, then decisions can be decentralized. Junior employees will be able to make decisions with confidence, knowing that their decisions are consistent with organizational rationale and acceptable to the senior management and owners.

Capitalism has a very simple logic which can be summarized as follows. Individuals have freedom to pursue their self interest. When all individuals in a society are pursuing their individual self interest they should then distinguish good decisions from bad decisions in terms of personal profit. This means that the owner or manager and all the workers know that the greater the profits which can be attributed to a decision, the better that decision. However, in corporate capitalism the clear-cut single criterion has been blurred. Many observers of corporations argue that within corporate capitalism the criterion for decision making has

shifted from maximizing profits to that of growth. Thus, in a situation where an organization is extremely profitable, management will also seek growth for growth's sake rather than just maximizing profit for the shareholders. This argument has an intuitive appeal but is not well supported by empirical research in the area of decision making in capitalist corporations. Research has shown that although the growth criterion for decision making has become a factor, the criterion of optimizing profits is still a major factor in governing decision making.

The logic of this rationale is that if all individuals pursue private profit and their own self-interest then a decentralized society will be created. Because people are pursuing their self-interest, necessary things will get done since they have a monetary value. It is assumed that the laws of supply and demand will make the necessary adjustments to society as conditions change and enable the invisible hand of the market to regulate economic activity. This kind of activity will mean that society is decentralized and efficient as the optimization of profits is the dominating criterion. It is assumed that through this process an economic system will emerge that will be the best system and the decisions will be the best for a large number of people. Thus rules which are imposed by a central authority, and which reduce growth and personal profits, are harmful to the fabric of society. But the profit rationale is not accepted by co-operators.

There are two rationales which seem to flow logically out of the philosophy and theory of co-operation. Both are consistent with the various schools of

co-operative thought. One, is the service rationale. This rationale holds that organizations exist to provide service to meet individual needs. Democratic participative structures are present to enable the individuals to define their needs and to translate these needs into tangible services from the organizations they control. Thus, it follows that good decisions made in such organizations would be those that met the service needs of the largest number of individual members over the greatest period of time.

This rationale or belief system also holds that profits, after a reasonable rent on capital is paid, represent a surplus exploited from others. Thus any profits or surplus in the organization should be returned in monetary or service form to those who have generated it. The belief system of people helping themselves means that growth is a less vital aspect of the organization and that assistance to other groups on a non-paternalistic basis is an important value.

Various co-operative ideologies all hold that the central criterion for judging the quality of decisions in an organization is in terms of the services they provide to the people who use the organization. Co-operative organizations are not ends in themselves, but a means to an end. They exist to serve the members.

The other rationale which is also implicit in co-operation is that of involvement in the co-operative activities themselves. Since organizations exist to serve people's needs, it follows that participation and dialogue are required by the individual to specify these needs and to translate them into action. Thus, if the participation process is

followed to its ultimate conclusion, then the best possible decision for that group at that point in time is the one that emerges from the participation process. In this framework, the ultimate decisions are less important than how well the process of co-operation was applied. In this setting, individuals gain meaning in their lives and a fulfilment of their belief systems by the sheer process of co-operation. This is the dominant rationale used in comprehensive co-operative communities but it is less important in service co-ops.

Government businesses may or may not use a service rationale. They may also have a rationale to keep a particular party in power. Some government businesses (for example the Canadian Development Corporation) are specifically set up to make a profit. This is clear in their objectives and the government evaluates them in terms of their return on invested capital and the growth which they have stimulated.

But, in service co-operatives the rationale is quite clear. The organization exists to serve the members, not to make as much money as possible out of the transactions with the members. A service rationale is less clear than a profit rationale, thus more difficult for employees and junior managers to understand and to put into practice.

### **The Management of Decision Making Processes**

The whole point of an organization is to develop a power base to achieve goals. For co-operatives this power is to be used to supply goods and services to the members. The membership delegates decision making power to the Board of Directors and they in turn

delegate day-to-day power to the manager. He is in a central position and the management of power revolves around him.

Let us explore the basic features of power. There are four universal properties of power. (1) Power is *relative*. It is not the property of an individual, rather an individual is powerful in relation to other individuals and groups. A person may be powerful in one set of relationships and have little power in another situation. (2) Power is restricted to *intentional actions*. There may be unintended consequences, but power and its use is not accidental. (3) Power is *impositional*. This means the potential wielder of power must be prepared to deal with the resistance of others and gain acquiescence in the pursuit of his intended goals. (4) Power is also a *potential* for future action. It is derived from a variety of sources. These include relationships between people (normative) and from objective bases such as control of organizational resources. French and Raven (1960: 607-623) list several sources of power. They include power based on the ability to reward; on the basis of coercion; referent power where people strongly identify with someone; position power viewed by others as legitimate; and power based on expertise.

The most crucial aspect of power for management analysis is that the opposite of power is dependence. The more others are dependent on the manager, the more powerful he becomes. But . . . dependence may be resented. If it is, those who are dependent have a variety of ways to reduce their dependence. The general manager in a co-operative can exercise power through the physical

and financial resources of the formal organization; the hiring and firing of employees; plus the normative commitment of the directors and members to the co-operative. But . . . if groups disapprove of the way power is used, members may decrease their dependence by not using the co-operative, employees and specialists may leave or deliberately sabotage the organization, and the directors may fire him. The intent of co-operative organizations is to accumulate power *vis-à-vis* others to provide services. But within the co-operative organization, a sense of equality and equity should be present. Individuals and groups will vary considerably in their power-dependency relations but, to be stable, such power needs to be earned (i.e. based on the voluntary granting of dependence) rather than coerced.

A manager of a co-operative has a large base of potential power. Whether this power can be realized and used to help the members of the organization depends on how well the power is managed. This means *integrating* the efforts of all concerned to realize goals in the decision making process. Co-operative managers, as illustrated in the Table, need to involve more groups of people in decisions than in any other type of business.

An interesting aspect of organizational power is that the more power is shared, the less the alienation and the greater the total amount of power in the organization in relation to other organizations. In short, power is not a zero sum or a fixed amount to be divided. The more it is divided, the greater the total amount may be. Thus a manager who integrates the various organizational

units will, in the long term, greatly increase the power of the organization to realize its goals.

Integration of the organization can be done in a variety of ways. The bureaucratic way via a tightly controlled hierarchy and written rules is the most common, but it is not the most successful in terms of generating a dynamic organization. The division of jobs into smaller and smaller tasks creates a feeling of alienation by lower level workers. Secondly it assumes that vertical control is consistent with the needed tasks. Increasingly, the nature of tasks is that they are interdependent and require horizontal co-ordination.

There are a variety of alternatives to bureaucratic hierarchies which are more consistent with co-operative philosophy and also more appropriate for turbulent environments. One of these is the matrix type organization<sup>5</sup>.

The point is that co-operative management implies involving a larger number of people in various levels of decisions. This process needs to be managed . . . but this does not mean manipulation. Rather it means developing structures and techniques to involve larger numbers of people without decreasing efficiency. Many co-operatives have developed ways to be both efficient and responsive at the same time. It requires effort and sensitive management, but it can be done.

### **The Management of Information**

High disclosure of information is good for most organizations and, as pointed out in the Table, it takes on a special importance within co-operatives. Information flows are vital for co-operatives to maintain a sense of involve-



ment amongst the membership, and employee participation in decision making. Steele (1975) addresses the problems of low disclosure in depth. A number of dynamic processes within organizations enable individuals to limit information flow to the detriment of the organization, and to the long term detriment of themselves. Information disclosure can be a threat to some individuals<sup>6</sup>. Both capitalist and governmental business enterprises tend to be structured to prevent high disclosure of information. These practices are clearly contradictory to the practices which should occur in co-operatives. There are many forms of formal low-disclosure policies and mechanisms which have the effect of creating secrecy. In most organizations a person can find a policy or procedure that justifies not disclosing just about anything.

If we are ever going to expand people's ability to operate freely and openly with one another, we must also change formal structures which make this difficult. These structures are controlled by management. Structures influence attitudes and may produce closed behaviour, regardless of the individual's personal tendency to be open. The calculated release of information to preserve or enhance power is an extremely common process used by management. Subordinates also hold on to information, then disclose it to superiors in the order and timing that will best enhance themselves.

A narrow definition of '*whose business a piece of information is*'—leads to disclosure only to insiders. Others in the organization feel uninvolved and are not helpful in resolving problems. This supports the view of the insiders who

see the others as uninvolved, non-helpful and not relevant; and the assumption to continue limiting the information remains (Steele, 1975: 116–120). This can be contrasted to the situation where there is a *broad* definition of '*whose business a piece of information is*'. Here there is high disclosure among all who might be affected. The receivers feel included, raise their opinions, and show their involvement. The people who could control the information recognize that others can be helpful if involved. This leads to the assumption that more information should be made available.

Steele (1975: 193–198) describes what an open organization looks and feels like when various patterns are present. I will paraphrase his observations and specifically relate them to large service co-operatives where a high disclosure of information is most problematic.

The open organization has few official secrets and few formal policies which require secrecy between different levels or different departments. Although not all information is instantaneously available, secrecy as a policy is the exception rather than the rule. The assumption is that information is the lifeblood of the system and that unless a strong case can be made for secrecy, information is made available to all who request it. No big deal is made of the correct channels or correct processes. Not all information is published but guides as to what information exists and how one gets it are offered to everyone. This would include all employees, directors and delegates. The system initiates methods for getting data, and individuals and groups initiate seeking out the information they wish, whether or not anyone else thinks they need it.

There is a widely held belief that the facts are usually friendly, that in the long run it is better to deal with the reality than to avoid, deny, or distort it to fit the way we wish things were arranged. Large co-operatives with regular publications to members should encourage their editors to use facts and to be honest with members. This will develop an image of an honest publication—not one that is slanted to make management look good or to by-pass real issues.

When management is less secretive, employees and elected representatives of the members (directors and delegates) develop a feeling of involvement with one another. This feeling contributes to confidence that others will listen and will respond to them instead of ignoring them. This will have a permeating effect amongst the membership who will perceive the organization as approachable and caring.

The disclosure process should not be blamed for problems caused by peoples actions, attitudes, bad judgements and the like. The disclosure process should not be seen as creating the problems, but rather as offering opportunities for working them through or catching them before they become hardened. Directors, delegates, members and employees will be encouraged to provide inputs for problems, before management makes a final decision.

There needs to be a selective screening of what information will be shared in any given situation. This is necessary because of limits on time, energy and interest, as well as because of variations in the relevance of information at different times.

The definition of what is confidential

information at present, differs considerably between co-operatives. The point is that a theory of co-operative management implies a wide sharing of most information. Most co-operatives poorly manage their membership information systems. This results in apathy and/or hostility from members.

### **The Management of Aspirations**

Co-operators have many aspirations for their organizations. It is a common reaction for management to feel that the aspirations of members and leaders are ideological and should be dealt with by elected leaders. Managers are more concerned with the business of the co-operative. Such attitudes contribute to the disappointment of both members and employees who feel betrayed . . . they believed co-operatives to be different but found them similar to any other business in practice. Desroche (1976: 34) quotes a lecture made to a group of co-operators by Charles Gide in 1922:

“Do you . . . regard co-operation as a star? People assure me that you don't; they say that you expect nothing more from it than the odd few practical advantages that I have just listed, and that you look upon those who expect co-operation to bring some kind of transformation of the existing order of things as dreamers and utopians. If that is true, then you see eye to eye—and this will probably come more as a surprise than as a compliment—with the leaders of the liberal and bourgeois political economy who also maintain that such an outlook is a pipe dream and consider that those who lend them any kind of

credence are suffering from hallucinations”.

Promoters of the co-operative movement have always had aspirations. The aspirations of those who advocated the co-operative commonwealth have largely been displaced by more modest aims, but these are still ambitious. Co-operators of all ideological perspectives are concerned with humanizing the existing economic systems. This means replacing oppressive social and economic structures with organizations which are responsive and concerned about ordinary people. No single co-operative, whether comprehensive or service, can do it alone; thus managers can see such aspirations as beyond their control. But . . . massive changes can be realized over a period of time, by many small organizations making small changes that are complementary.

This is an era when more people are literate, have skills to express themselves and live in societies where they are free to discuss the quality of life around them. The concept of management of aspirations does not imply manipulating them. Rather it refers to the development of processes where ordinary people can verbalize their aspirations and have them incorporated into plans.

Co-operatives, because of their philosophy and unique way of organizing, accept that the aspirations of the members, managers and employees should be satisfied. Of course, some aspirations are impossible to realize, but many are in fact realistic over a long time frame. The point is, co-operative management has a unique role in managing the aspirations of the move-

ment. This can be done by more participative planning processes.

### **Planning and Participation**

Planning is a process which involves a systematic way of collecting information, and making choices about what activities should be pursued. The plan is simply the output of the planning process. It is a summary of the decisions made at one particular point in time. It is important for an organization but is less important than the actual process of planning.

When an organization is created, democratic participation is forward looking and involved in planning. Once an organization becomes established and institutionalized, participation usually shifts away from shaping the future, to reviewing the past (i.e. being backward looking). The shift from democratic involvement in decisions which shape the future, to democratic consent, is an important part in developing member apathy. It is fun to analyze problems and to make choices about the future. It is boring to review past events, approve past actions and to delegate decision making to representatives. This is a trap which all democratic systems face; but a trap which may be broken by participation in the planning process.

Some organizations do not try to anticipate events but are content with just responding to these events when they present themselves. Decisions must then be made quickly and participation of various stakeholders in the organization is impossible. An organization must relate to its environment in order to survive. This involves making choices. Survival is made easier if the organization attempts to actively shape

its environment. It needs to collect information, set goals and choose a pattern of action to achieve these goals. In short, it involves deciding where various groups want to be in the future, and planning the best way of getting there.

A plan developed by a few specialists may be adequate, but planning in a co-operative involves much more. It is the opportunity to involve all the groups in having their needs, wants and aspirations balanced with the capabilities of the organization. It is the opportunity to shift from backward looking democratic rituals to forward innovative involvement in shaping the future.

The larger the number of people involved in an organization, the more complex the planning. But . . . the larger the organization, the more resources are available, and the greater the possibility of achieving highly significant goals for the members. Having a maximum amount of participation in analyzing the situation and setting the goals, means a greater commitment by the members. This commitment will assist in the achievement of the plans and a resulting spiral effect. Similarly the exclusion of people from the planning process increases the *we-they* relationship and has a spiralling effect of greater apathy and alienation. This is the challenge for co-operative managers.

### **Co-operation Between Co-operatives**

Much has been said and written on this topic during the past decade. There is ample evidence to support the assumption that such co-operation can benefit both consumers and producers, yet progress has been slow. It is

acknowledged that such developments require intensive planning and that the forums for management to initiate genuine inter-organizational planning are limited. Comprehensive planning within co-operative sectors is not common and most senior managers spend very little time or energy in developing the potential of multi-national co-operatives.

Comprehensive planning within co-operative sectors is handicapped due to a number of problems.

1. Some co-operatives are in competition with other co-operatives for market shares.
2. The lack of managerial techniques to co-ordinate plans by autonomous units.
3. A lack of expertise in collecting and processing the vast information needed for analysis.
4. Varying levels of competence between different organizations. This results in a fear of appearing incompetent by those less skilled.
5. Geographic distances.
6. Vastly different problems between various organizations.
7. Overlapping membership (i.e. farmers) and the competition for equity investment.
8. The lack of development of co-operative superstructures which facilitate a sharing of information and trust.
9. A lack of vision by co-operative leaders and co-operative managers.
10. Anti-trust laws.
11. Fear by directors that comprehensive planning will increase managerial control of the organizations.

Even with these problems slowing the process, major attempts have been made or are in progress in several countries. For example the energy crisis in the United States pointed out how dependent agricultural co-operatives were on their competitors, the major oil companies. The crisis brought the agricultural supply co-operatives together. They jointly planned ways to better utilize petroleum resources and developed a plan to utilize the transportation facilities. Barges used to transport fertilizer up the Mississippi River are now used to transport grain from marketing co-operatives to downstream ports. These were all pragmatic business decisions, but they represent a first step in developing more comprehensive plans within the American agricultural sector.

The increased rate of inflation in 1973 also sent shock waves through the Canadian co-operatives. Increased consumer spending resulted in reduced consumer savings and an increase in demand for loans. The liquidity crunch in credit unions placed several provincial federations in economic difficulty and necessitated the interprovincial transfer of funds between centrals. Other large co-operatives faced an increased need for both long and short term loans. Ironically, there was not a shortage of funds in the co-operative sector, rather a situation of poor utilization of funds. These events spurred the development of the Canadian Co-operative Credit Society (CCCS), which is now in a position to make better utilization of funds by pooling liquidity at the national level.

European co-operatives have also developed multinational co-operatives

such as Inter-coop and NAF in Copenhagen, the International Co-operative Insurance Federation and the International Co-operative Bank.

Even with all this activity, the surface has just been scratched. Managers could provide significant benefits to their members if they would spend more time and effort developing co-operative business relations. For example . . . it seems ironic to me that most of the cereal grains which enter the commercial channels between the industrialized countries of the world, are marketed by co-operatives; most of the cereals purchased for animal feeds also involve co-operatives; yet—four capitalist trading companies dominate the international trade to the detriment of both consumers and producers. Why is it necessary for Canadian and American co-operatives to make the Cargill family in Minneapolis wealthy, just to sell grain to co-operators in Europe, Japan and elsewhere?

### **The Management of Assets**

This aspect includes the actual physical resources (cars, trucks, machinery and buildings) and also the finances. Within a co-operative, financial management involves the shares, or equity in the organization, the money derived from transactions, and the surplus generated.

The shares may come from several sources. They may be subscribed from the members, or accumulated over time from the dividend or patronage refunds paid out of the annual profits derived from the transactions. Because the same people who contribute the shares also carry out the transactions, co-operative finance differs from finance in other

types of organizations. Because the amount of interest paid on the shares is limited, co-operative shares are closer to debentures than to shares in capitalist corporations. Secondly, the further redistribution of profits is proportional, not to the capital invested but to the amount of transactions undertaken by each member in the course of the financial year. The transactions provide working capital and a gross margin for the co-operative. The greater the margin the greater the earnings, the greater the dividend payment to the members . . . but a large dividend results from an overpayment for the transactions by the members in the first place. The retention for several years of dividends allocated to members, enables the co-operative to become strong financially and to grow rapidly. This may be desirable both from the management and membership perspectives; yet there is something ironic about wealthy co-operatives owned by poor farmers and/or workers.

Surplus earnings also present unique problems for co-operative management. Should these be paid to members on a personal basis, in effect increasing their standard of living? Should they be used on a collective level to develop further community services? There has been considerable debate on this point amongst co-operators, but in the final analysis these decisions must be made within each co-operative.

The source and utilization of funds is a crucial aspect of management. Large capital accumulation is necessary in order for the organization to develop resources to serve members needs. A number of writers deal with co-operative financial management in detail, and

it is not my purpose to summarize the host of financial techniques.

Co-operative management of finances varies considerably with circumstances and has a lot to do with achieving collective aspirations. In Spain the Caja Popular in Mondragon obtains members' deposits as savings and uses the funds to invest in industries owned by members and thus provides jobs. In Nanaimo, British Columbia, Canada, the credit union provides a source of funds, accounting services and management guidance for the development of consumer stores and services to motorists in the area.

Financial management must be in terms of the economic reality of the organization. But such management also has a major social effect. It can help achieve the aspirations of the members.

In conclusion, my purpose here was to identify some of the management roles which make co-operative management different. The theory of co-operative management is not well developed and much needs to be done. Many individual managers have come to terms with the uniqueness of co-operatives and have developed management techniques to handle the situations which I have touched upon. Unfortunately their experiences have not been widely shared or incorporated into an on-going process so that other managers in other countries can learn from such successes and failures.

My emphasis has been to develop ways of re-involving members. I am *not* advocating a return to old structures nor to the ways of doing things of forty or fifty years ago. The world has changed. Large organizations are a

reality. They confront people at every turn. Rather I am advocating that management development occur in co-operatives to the extent that senior executives develop organizational structures and processes which make *efficient* use of resources, which are *effective* in realizing their goals, but which are sensitive and *responsive* to the

needs and aspirations of their employees and membership. With the technological and social developments of the past three decades, realizing these challenges is more possible now than ever before in our history. What we lack is the imagination and the determination to manage co-operatives in a more responsive way.

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## NOTES

1. Information from this study was obtained from Louis, 1977.
2. This theory is only briefly referred to here. For more details, see Lawrence & Lorsche, 1967.
3. See Craig, forthcoming, for a more detailed discussion of this argument.
4. This is not to say that previous work has not taken place. Several valuable contributions have been made, for example see Stephenson, 1963, and Desroche, 1976.
5. "Matrix type organizations do not have a prescribed and uniform structure. Depending on the nature of the task at any time, members of a group may work together, split into pairs, and individuals may at some point work on their own. Nor is it necessary for decisions on work allocations to be made by group decision if group members individually are committed to a co-operative group task. What is needed in this case is that team members all have access to information on the state of the task, the task which others are engaged in, and either implicit, or where necessary, explicit understanding of a joint strategy which may as a result of learning change over time.

In organizations of this type, a uniform and rigid organizational structure does not exist." (Herbst, 1976: 27).

The organizational structure is more complex.

"In addition to a hierarchy map of superior-subordinate relationships the matrix organization authorizes technological maps of peer, or nearly equal, relationships necessary in the performance of highly interdependent technical tasks. One result is, however, that more and more power in the organization is diffused within the communication networks that result from this dual mapping of the organization. It is no longer possible to control communications only through the operation of the hierarchy itself. And the hierarchy is more and more dependent on the orderly operation of the lateral, peer-oriented, technological communication channel." (Kingdon, 1973: 5).

6. "These threat areas can be thought of in terms of Maslow's theory of basic hierarchy of human needs. Evaluation relates to needs for safety and esteem. Relationship-maintenance satisfies mainly the social needs, and loss of control or degrees of freedom threaten self-esteem and security needs. The one area of Maslow's needs hierarchy that does not appear to be threatened by the disclosure process is that of the most complex need, self-actualization . . . free disclosure provides more possibilities for development and growth than does low disclosure." (Steele, 1975: 10-11).

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*The Inauguration of Konsum Austria; Opening address by Chancellor Dr. Bruno Kreisky  
Left to right: Konsum Austria President Anton Benya, and Board Members Fred Haberl and  
Manfred Kadits*

# Konsum Austria – Improving Management Efficiency

by

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Zentralkonsum Austria

*From a lecture given at the  
45th ICA International Co-operative Seminar  
held in Vienna, 6–11 November 1978.*

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It is not easy to report on Management Efficiency in Consumer Co-operatives in Austria just at the time when we have changed our traditional structure to become Konsum Austria. However I will attempt to give as clear a picture as possible from the planning point of view of the background, present situation and the reasons which led to the merger into Konsum Austria, as well as some of the goals of our new organization.

### **The Background**

Apart from the period of co-operative reconstruction immediately after the second world war, co-operative development so far has been characterized by the introduction of the self-service system and the installation of supermarkets and larger sales outlets such as hypermarkets and department stores, as well as by mergers of small consumer co-operatives usually caused by economic necessity. This has coincided with a continuous growth in mass purchasing power and consumer potential, and structural changes in the competition. The development of our movement has kept pace with the rapid progress of our political economy, which raised the level of our living standards and technology to that of other Western countries.

The introduction of the self-service system was a visible expression of this development. On the one hand this system provided shopping facilities appropriate to the higher average incomes; on the other, it was an essential step towards higher productivity in retailing in a period of increasing labour short-

ages and rapidly rising labour costs. The introduction of self-service and, later, the installation of large sales outlets was an essential pre-condition for consumer co-operatives in Austria to be able to carry out their function of price regulation. In both cases our movement acted as a pioneer in the Austrian market and initiated a complete change in the structure of the retail business. In fact, it rose to a leading position in the Austrian retail business, with the highest market share which now (November 1978) amounts to approximately 22 per cent in food and approximately six per cent in commodity goods.

This improvement in our market position originated in the co-operative long-range structural plan elaborated for the first time in 1969, the aims of which were as follows:

1. To investigate possibilities for the expansion of the co-operative movement in retailing, covering the full assortment of foodstuffs, commodity goods and furniture, with reference to possible gaps in national coverage as well as gaps in the areas covered by individual consumer co-operative societies;
2. To determine the capital needed for each individual project and also the total capital funds required for such an expansion, in order to provide a basis for deciding the method of financing and for setting priorities;
3. By projecting the market structure for 1970, 1975 and 1980, to take into account the future requirements of assortment and consumer behaviour as well as the fundamental aspects of productivity and cash

flow, so that new sales units would have as long a practical life as possible.

Forecasting the requirements of the shop network was considered one of the most important aspects of our whole co-operative business strategy and policy, so far as the re-organization of our existing physical distribution system and the organizational structure of management at shop, regional and top level were concerned.

This investigation of local and regional marketing conditions, to form the basis for determination of the type and dimensions of sales outlet required, including sales area, subsidiary rooms, parking space, etc., was generally made on the principle that every retailing catchment area should be provided with the largest possible sales outlet, taking into consideration the socio-economic precondition of local and regional demand; the local competition, so far as possible; and the productivity, economic efficiency and highest possible contribution to overheads within a certain period. Based upon these requirements we can generally say that only those sites are regarded as safe prospects for the future where the gravitation area consists of approximately 3,000 inhabitants, ensuring a sales area of about 200 m<sup>2</sup> with a minimum monthly sales total of about 700,000 AS.\*

The realization of this structural plan started in 1969/70 and brought considerable changes in our network. Comparing figures for 1967 and 1977: the total co-operative sales area in 1967 amounted to 154,000 m<sup>2</sup>, and in 1977 to 410,000 m<sup>2</sup>, although the number of

shops had dropped from 1,519 to 1,166; retail turnover increased from 4.5 to 16.7 milliard AS in the same period, and membership from 480,000 to approximately 730,000 which means that every fourth household in Austria is a co-operative member household. The total dividend paid to members increased from 80 million AS in 1967 to about 200 million AS in the past year, and the number of employees in the consumer co-operatives (that is, excluding the central organization) increased from 10,400 to 14,800.

On the other side, there have been considerable changes in the consumption potential and customer behaviour since the end of the war. The general increase in net incomes, motorization, technological progress within the home, changing leisure habits, etc., have affected consumer behaviour to such an extent that the previously dominant independent retail trade is now of little significance. The generally observed trend towards concentration in retail business produced two results: (1) the rapid growth of multiple chain stores, leading to larger enterprises and a concentration of turnover and financing power, and (2) bigger sales outlets.

It seems to be a specific Austrian phenomenon that these trends were coupled with the advance of foreign capital interests: the market share of enterprises in retail business dominated by foreign capital is at present about 20 per cent according to a recently published report of the Austrian National Bank, although of course there is still a certain amount of strong local and regional competition. The foreign newcomers to the Austrian market did not have to consider existing structures

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\*At the time of going to press, 27AS = £1.

in retailing. Supported by favourable international financing possibilities and backed by the capital power of their foreign parent companies, it was easy for them to overcome initial difficulties. The result now is a keen struggle to survive in retail business, sometimes at any price.

It was soon recognized within the Austrian Movement that the continuously increasing competition could only be met by larger units which can work at a lower cost level and can also achieve more favourable purchasing conditions; this already led to mergers of some very small consumer co-operatives during the sixties and early seventies.

### **Economic Situation**

During this period the economic position in our movement was marked by decreasing returns and a diminishing operating surplus, due mainly to the extremely high investment level necessary to expand our market position, but also to the co-operative principles of keeping prices as low as possible and maintaining small shops in operation. In spite of increased own capital in absolute figures, there was a relative decrease in comparison to the huge volume of investment.

Nevertheless during the past decade it was possible to mobilise capital reserves by rationalization. A visible expression of these efforts can be noted from the continued decrease in overheads as a percentage of sales, and by the reduction of direct siting costs. However, after these possibilities had been largely exhausted, returns continued to fall. Moreover purchases of regional societies from the co-operative

wholesale organization and from our own production plants did not keep pace with our retail growth. Obviously there was a discrepancy between our market position and our economic situation. A responsible management cannot ignore such a development, and must take all conceivable measures to ensure productivity and economic efficiency for the movement in the long run.

The above-mentioned aspects clearly show the danger of an orientation only towards growth and market share or sales. The total success of a stable enterprise in a market economy system—which as such includes co-operatives—should be evaluated from the viewpoint not only of sales increase and turnover but also the achievement of objectives and fixed targets which, in consumer co-operatives, may greatly exceed those set for turnover.

The reasons for the unsatisfactory economic situation of the co-operative movement had been well known for a long time, even while it was still possible to avoid the consequent disadvantages by rationalization within the traditional structures. They lay mainly in the existing co-operative structure, which latterly hindered collaboration between our wholesale organization and its production plants and the regional societies, and certainly impeded our unified and effective operation. To take a few practical examples:

- There is no doubt that more favourable purchasing terms can be realized if orders are defined exactly, compared with open commission contracts or agent contracts;
- Even with a fixed volume it was often

impossible to obtain optimal terms because the purchase volume was split into 16 societies;

- Apart from regional preferences, joint purchases in general should be based on a standardized assortment policy, but this has not often been possible in the past;
- It was not possible to achieve optimal economic results because the best results in 17 balances—including the GOEC—do not necessarily ensure a total optimum.
- Some attempts were made to compensate for the handicap of the co-operative structure, and it was possible in many cases to achieve considerable results although their effectiveness was limited;
- KONZEPT 69 contained proposals for mergers and regional warehousing with a view to bringing about more intensive co-operation between our wholesale and retail business, but most such attempts were bound to fail because they were no substitute for an overall responsibility for the co-operative balance sheet.
- Co-operative advertising in newspapers tended to be inefficient because several societies often operated in the dispersal area of the same newspaper—apart from excessive costs there was the continuing danger of image loss among our members and consumers;
- It was never possible to optimize our investment activities because it was not possible to set priorities for the benefit of the overall enterprise, as was done in the shop network, warehousing, production plants, etc.

## **Some Organizational Aspects of the Future**

From the beginning it was clear that Konsum Austria would have to be based on consumer co-operative principles in order to meet the requirements of a co-operative member organization linked with democratic rights of co-determination at all levels of the movement. With an average annual growth of approximately 35,000 member households over the whole movement, it is obvious that consumers are still attracted to our organization, and the rising number of participants at members' meetings testifies to their interest in economic democracy as expressed by an economic share in the company, participation in administration through the yearly members' meetings, participation in management through delegates to the general assembly and elected officials on the board of directors and the supervisory board, and a share in the economic fortunes of the movement through the yearly dividend based on members' purchases.

These principles were accepted by the members of the General Assembly of Zentralkonsum-Austria on November 29, 1977. The legal framework had already been set up in 1976 with the merger of the wholesale organization of GOEC with the FORUM chain of department stores and their subsequent transformation into a co-operative society.

As already mentioned, there were 16 independent regional consumer co-operatives in addition to some local societies. Together they owned ZENTRALKONSUM which comprised the FORUM chain, GOEC and the central production facilities. Out of

these 17 independent co-operative enterprises and their subsidiaries we have now created one single co-operative organization, KONSUM AUSTRIA, with its head office in Vienna. The owners of this consumer co-operative are the member households. Unfortunately there are still two regional societies which have not yet joined the new organization, although they will no doubt become amalgamated at some stage in the future.

The objective of this concentration of forces is primarily the maintenance and growth of our movement as Austria's leading consumer organization and retailing enterprise. Optimal service to member households will still remain our primary task, but the organization will also have the following essential advantages in practical business:

- improved efficiency through centralized purchasing;
- pooling of sales promotion efforts;
- development of marketing activities in order to take better advantage of market opportunities;
- strengthening of own production by creating new lines of products, and more effective use of capacities;
- possibilities of rationalizing administration;
- development of financing facilities;
- centralized advertising;
- more intensive use of computerized data processing, especially in the field of inventory and stock control and in our transport system.

### **The Democratic Structure of Konsum Austria**

The decision-making structure consists of several levels of democratically

elected councils. At *local* level, members' meetings of one or several stores combined will elect members' councils and delegates to the general assembly; these members are also the delegates to their respective regional assemblies; one delegate can represent a maximum of 1,000 votes. The *regional assemblies* are presided over by the chairman of the region and consist of the region's delegates to the general assembly. The regional assembly elects the *regional council* which also includes workers' representatives and one representative of the co-operative women's organization. The regional council elects the *regional chairman*. The professional regional directors of Konsum Austria must also be present at the meetings of the regional councils.

The top authority of Konsum Austria is the *General Assembly* consisting of members' delegates. The General Assembly elects the *supervisory board* on the basis of regional representation. Workers' representatives are also members of the supervisory board, which can delegate its day-to-day tasks to an executive council and to different commissions. The *board of directors* is nominated by the supervisory board and elected by the general assembly. It is presided over by an honorary chairman and consists of 12 other members, seven of them central department directors and five regional directors, all professional managers. This Executive Board is in charge of all business activities and carries the overall responsibility for the balance sheet of Konsum Austria. Decisions on certain matters may be reserved by the statutes to joint meetings of the board of directors and the supervisory board.

## General Management

The five *regions* already referred to are: the Eastern Region, consisting of Vienna, Lower Austria and Northern Burgenland; Upper Austria; the Western Region comprising Salzburg, Tyrol and Vorarlberg; Carinthia; and Styria, consisting of Styria and Southern Burgenland. There are seven *central department branches*, namely: Marketing and Public Relations; Purchasing and Distribution; Production Plants; Accounting and Finance; Legal Affairs and Staff; Planning, Electronic Data Processing and Construction; and Member Organization, Training and General Administration.

As far as personnel and staff in general are concerned, no reduction of personnel is envisaged in connection with the merger, especially as further growth is hoped for. However, there may be a re-arrangement of personnel.

Basic policies for all departments will be formulated by the central board of directors, including the division of labour between the central departments and the regions. For day-to-day business, each member of the board of directors will preside over a working group which includes the managers from the region concerned. Differences between the department director and the regional director are settled by the Executive Board (Board of Directors).

Our *marketing and sales* organization is based upon three sales divisions, with one manager responsible for small shops and food stores of up to 1,000 m<sup>2</sup> sales area, one for hypermarkets and self-service department stores, and one manager responsible for the department stores of the Forum group. Restaurants,

travel agencies and other special stores are managed separately.

Our new *cost accounting* is organized in such a way that the economic efficiency of each area of responsibility can be precisely planned, measured and controlled. Contacts with banks outside the movement will of course still be necessary but will have to be kept within the framework of joint policies.

Our *purchasing* policy is basically carried out by the respective central branch. Items which may be purchased regionally, or even locally, especially perishable goods, are clearly defined.

Regional *employees* are the responsibility of the regional director as far as discipline is concerned. Appointments and dismissals are decided by the board of directors upon the recommendation of the regional director.

With regard to our *planning and budgeting system*, we set a yearly plan for each operating unit, and these are co-ordinated between the region and the sales division manager concerned. These budgets and plans cover sales totals, gross margins and direct siting costs, and therefore the contribution of overheads.

The Executive Board fixes short-term, medium-term and long-term *investment* plans. Yearly investment plans must be approved by a joint meeting of the board of directors and the supervisory board. In general, investment plans are worked out by the department director and the regional director concerned in agreement with the planning department and the department for financing.

This planning system is based upon the principle that all the people concerned should actively participate in

budgeting and planning within their own sphere of activity. All solutions of organizational and economic problems must agree with the basic aims of Konsum Austria, which are:

- to improve purchasing conditions by concentration of co-operative buying;
- to increase the proportion of co-operative brands;
- to reduce costs; and
- to make optimal use of co-operative funds.

### **What does this mean in practice?**

Compared to the sales of the former largest regional society, the turnover of Konsum Austria has trebled. The *increased purchasing power* must certainly affect the gross margin and general economic efficiency, provided that purchasing is based on our joint purchasing power. Apart from the local daily supply of fresh products, this means that all other orders must be placed centrally, which also applies to supplementary assortments. As already mentioned, the essential improvement of purchasing conditions by joint purchases calls for strict standardization of assortments and central control of price policy with regard to quantity budgeting. This central control is regulated by the central sales manager who is responsible for price policy within the framework of sales budgets, the margin, direct costs and the operating surplus. But it must be agreed with the regional sales managers, to allow for regional or local differences which might arise out of the competition.

Another very important factor is own *co-operative production*. In 1977 our production amounted to nearly 3·4

milliard AS, based upon manufacturing prices, about 22 per cent of total retail sales. Altogether we own 88 production plants with about 2,500 employees. With separate budgeting responsibilities, long-range planning of production and investment have hardly been possible in the past, so that we now have some mechanically obsolete production plant which is no longer fully competitive. On the other hand we also have some new plant of a high technical standard but with a very low output. Konsum Austria now offers the opportunity of increasing the output of co-operative brands, even in such cases where the economic risks for large investment have previously been too high. We hope shortly to be in a position to produce our own brands with a profit margin corresponding to that on similar goods produced by our competitors. It will be up to the regional sales manager to plan presentation and to set priorities for our brands in the shop network. In the long run we must endeavour to strengthen our image by concentrating on co-operative brands in order to increase sales and the operating surplus of our production plants, and the production branch management's prime objective will be to achieve satisfactory productivity and economic efficiency in each of our plants.

Certainly there are considerable possibilities and opportunities for a reduction of costs but in most cases this will take some time, and it is for that reason also that we had to put into practice our new management conception as quickly as possible.

In the long run we must pay particular attention to the economic consequences of our investment policy.



Whereas investment policy, distribution and sales policy were formerly considered only from the viewpoints of the different regional co-operative societies and the GOEC, it is now possible to consider this aspect from a national viewpoint with a view to minimising costs.

We are convinced that we shall be able to keep the increases in labour costs below the average economic growth of Konsum Austria, since in the past many of our administration activities, such as purchasing, production and marketing, were duplicated.

From the distribution aspect, Konsum Austria also ensures a more rational handling of central accounting. With the installation of electronic data processing in each of the five regions, better economic control can obviously be achieved. As a result, regional weak points can be investigated promptly and suitable measures for improving the situation can be taken. By using EDP at central and regional level there is now a chance to practise efficient division of labour in many administrative areas such as staff-accounting, financing and shop network operation.

As previously mentioned, other reductions in costs can be achieved in such areas as advertising, where we obviously operate more effectively on the same budget by lowering costs in relation to sales, i.e. we can continue to advertise nationally with a considerably smaller budget.

Furthermore we are convinced that many expenses can be reduced in the future by more standardization in purchasing, warehousing and transportation and all the other aspects necessary for running a wholesale

business and marketing in its broadest sense.

## **Financing**

Our financial department must not be judged in isolation from the structure of Konsum Austria. The co-operative bank, the former Zentralkasse of the co-operative societies, has always closely and effectively collaborated with the financial department of Zentral-konsum.

The extension of this relationship to the regions is an essential element in our further economic development. The future financial power of the Konsumbank will depend to a considerable extent on the financial strength of Konsum Austria and vice-versa, as the two branches are closely linked both economically and administratively.

There is no doubt that the formation of Konsum Austria has considerably improved the chances for the further economic progress of our co-operative bank. In addition to the purely independent branches of the Konsumbank, Konsumbank and Konsum Austria work closely together: the Bank has small units and counters in co-operative hypermarkets, called "Minibanks", and carries out other activities in our shop network. We shall also continue to co-operate on medium- and long-term plans with our associated banks and credit institutes.

This presentation of the Austrian Co-operative Movement would not be complete without a short reference to the economic set-up and various financial partnerships. For economic, social and tax-law reasons, our organization includes several subsidiary enterprises such as TACO, a firm

producing feeding stuff, the GARA loan branch, and an insurance branch called VERSICHERUNGSSCHUTZ. But the most important are the Konsumbank and the Konsumgüter-Industry, the latter operating as a pool of important central plants in very close co-operation and agreement with Konsum Austria.

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In such a report as this, one is always faced with the serious decision as to whether to describe what should be done, or what is actually happening. I have tried here to give a critical evaluation of the background of management efficiency in our organization under the present circumstances.

The main purpose of the merger was obviously to strengthen our economic effectiveness without reducing member participation or member democracy. No one, of course, can seriously

predict the economic advantages in terms of absolute figures, but there appear to be several points in favour of Konsum Austria when one considers the cost-benefit factors in the light of the opportunities evidently offered by the new structure.

The merger into Konsum Austria has primarily achieved market leadership in the retail business, from the point of view of quantity and size, with a sales total of approximately 20 milliard AS and about 20,000 employees.

The economic reality of Konsum Austria is an important basis for the accomplishment of one of the most significant co-operative aims: to serve our members in the best possible way and to promote our co-operative principles. Here in Austria we intend to accept this challenge with all our energy, as declared in our new advertising slogan: WE ARE TRYING HARDER.

# Education and Training of Young People in Czechoslovakia's Consumer Co-operatives

by

**Frantisek Vychodil**

President, Czech Union of Consumer Co-operatives, Prague

The present-day consumer co-operative movement in Czechoslovakia represents an organization with over two million members and more than 41,000 trading and catering establishments.

The network of co-operative department stores, shopping centres, shops, hotels, and restaurants of every description, is continuously being improved both as regards equipment and the range of services performed, in order to satisfy the increasing demands and requirements of customers in urban and rural areas alike. As a result, consumer co-operatives have developed into an important part of the country's trade as a whole and thus exercise considerable influence on the way of life of the inhabitants, especially in villages. In view of these facts, consumer co-operatives cannot concentrate on trade alone, but they also need to pay regular attention to social and technical education and training programmes for their staff, particularly youngsters.

Among the young people who leave the compulsory nine-year schools (as a rule, at the age of 15), increasing numbers of boys and girls are interested in finding a job opportunity in one of

the several fields of activity in which consumer co-operatives are engaged. This growing interest has lately been further influenced by the favourable conditions which are being created throughout the consumer co-operative movement in connection with Czechoslovakia's new education and training system.

At present, the Czech and Slovak national unions of consumer co-operatives are responsible for the vocational training of a total of 14,500 juvenile apprentices, most of whom undergo training either as shop assistants (salesmen for general stores) or in the combined "cook-and-waiter" branch.

The training of the youngsters who intend to qualify as cooks and waiters is concentrated at 10 residential training centres; they gradually become acquainted with their future vocation by visiting, in groups under the guidance of specialised tutors, hotels in cities or at holiday resorts where the layout, organization and equipment are exceptionally good and whose staff can co-operate appropriately in the training of the apprentices.

The vocational training of juveniles



*Apprentice shopping centre of Jednota Tachov consumer coop*

in the shop-assistant branch is gradually being concentrated in department stores and large shopping centres, where the young people have the best opportunity of getting first-hand practical experience—again, of course, under the guidance of specialized tutors—in the branch they have chosen, together with all the aspects that make it attractive and interesting.

Various schemes are organized for the purpose of raising the technical standard of the training; they include annual competitions in technical skill, as well as other kinds of incentives—for example, exchange visits to similar co-operative vocational training centres in other socialist countries, combined with in-service training there. Participation in

the technical skill competitions is a particularly valuable incentive throughout the training process, because it enables the apprentices to compare the level of their acquired know-how and skills repeatedly with others on a large scale and, in case of success, to win a worthwhile prize and be awarded the title “Outstanding apprentice of the co-operative trade”.

Another factor which attracts young people is the opportunity of acquiring a full secondary-school education within the framework of their vocational training in consumer co-operatives; this is possible on the basis of studies at “secondary schools for working people”, which are gradually being established in conjunction with vocational training



*Apprentice shopping centre of Jednota Plzen-Slovany consumer coop.*

centres (during their studies the youngsters receive scholarships from the sponsoring co-operative organization, so that they are provided for in every respect).

Towards the end of their vocational training, the young people gradually become acquainted with the adult staff working in the establishments near their homes, where they will soon themselves start work. In numerous instances they have the opportunity of joining workers' teams known as "brigades of socialist labour", and according to their knowledge and abilities they are enabled to hold office at various levels of responsibility. They are educated to be fully aware of the fact that, with their work and skills, they are expected to follow

the progressive and socialist traditions of the co-operative movement in Czechoslovakia and contribute towards the fulfilment of its socio-economic tasks.

In conformity with the new education and training system introduced in Czechoslovakia, both the Czech and Slovak unions of consumer co-operatives respectively organize the education and training of adult workers with main emphasis on the younger generation. The entire educational system is designed as a follow-up of the young people's education acquired at school, and it operates in two mutually interconnected spheres. On the one hand, there is the system of state schools, at which selected workers supplement (or

actually acquire) secondary-school or even university-level education by studying without interrupting their jobs, and on the other hand, there are various forms of education and training organized by the co-operative movement. The latter forms enable co-operative workers to prepare themselves for the exercise of higher-level office or to improve their technical qualifications and knowledge, depending on the needs of their actual jobs or responsibilities involved in the office held.

One of these forms is represented by the two-year school of management of co-operative organizations—a course for co-operative leaders (officers, executives) held at the Co-operative College of the Central Co-operative Council.

Every year, furthermore, a few specially selected co-operative employees earmarked for promotion are sent to study for four years at the Commercial and Economic College in Lvov (USSR), sponsored by the "Centrosoyus" co-operative union in Moscow. Most people, however, attend

various works courses organized at all levels within the consumer co-operative movement for the staff, with due regard to the different specializations required.

The two national (i.e. Czech and Slovak) unions of consumer co-operatives also organize special courses of supplementary studies in educational methods for those members of their staff who have been entrusted with the responsibility for the vocational training of juveniles.

The methods and forms of social and technical education and training of juveniles for future jobs in consumer co-operatives are closely co-ordinated with the general programmes for improving the qualifications of employees of consumer co-operatives at all levels, and together they form an integrated system. The general orientation of all the education and training programmes is based on the policy of ensuring a steady and permanently rising social and technical level of co-operative staff as citizens of a socialist country.

# Recent Books

by  
**Anne Lamming**  
ICA Librarian

The books listed should be ordered  
direct from the publishers.  
ICA can only supply its own publications.

**ASSOCIAZIONE NAZIONALE DELLE COOPERATIVE TURISTICHE: Atti della assemblea costitutiva, Roma, 19 Aprile 1978**

*Rome, Lega Nazionale delle Cooperative e Mutue, 1978. 195pp.*

Report of the inaugural meeting held in Rome in 1978, attended by 300 people, to establish an Italian National Association of Tourism co-operatives.

**ASTRAND, Halvdan: Lantbrukskooperationen—ideologi och verklighet.**

*Uppsala (Sweden), Lantbrukarnas Riksförbund, 1978. 94pp: figures.*

Report on "agricultural co-operation—ideology and reality" produced for Swedish Royal Commission on Wage-earners and Capital Growth in Enterprises.

**BARCLAY, Kathleen C: Co-operative Legislation in 8 countries: A Comparative Statement.**

*London (UK), ICA, 1978. 294pp; bibliography; tables.*

A study covering Afghanistan, Canada, Ecuador, Hungary, Japan, Uganda and the UK, dealing with matters like distribution of surplus, voting, elections, powers of the Registrar, and regulations restricting the flow of trade from co-operative organizations.

**BLOMQUIST, Kai: Arbets Kooperation: Företag som tagits över av de anställda**

*Stockholm (Sweden), Kooperativa Institutet; 1978. 190pp; bibliogr.*

The three parts of this book deal with (1) information on worker co-operatives in various countries; (2) general ideas about worker co-operation; (3) how the idea may be applied in Sweden. This publication resulted from a seminar held in Sweden in 1977 on worker co-operatives.

**CARNEIRO, Dr Palmyos Paixão: Cooperativismo Medico.**

*Belo Horizonte (Brazil), Edições Jupiter, 1978. 177pp; bibliogr.*

A philosophical and practical guide to medical care co-operatives in Brazil.

**CO-OPERATIVE HOUSING AGENCY: CHA Outlines: Establishing a Housing Co-operative.**

*London (UK); CHA; 1978. var. pag; photos; charts.*

A series of leaflets for people who want to develop a housing co-operative or organize a co-operative education programme.

**CREDIT UNION LEAGUE OF GREAT BRITAIN: The Credit Union Book.**

*Skelmersdale (UK); CULGB; 1978. 44pp; tables; cartoons.*

A guide to how credit unions work, written for readers in Great Britain.

**DINESH C: Introducing Personnel Management in Co-operatives.**

*Poona (India), Harshad Prakashan, 1978. 148pp; tables; index; bibliogr.*

This book attempts to outline issues in personnel management in India in the context of co-operative societies.

**FCH INTERNATIONAL INCORPORATED: A Report on Co-operative Housing for Low Income Workers in Kenya.**

*Washington D.C. (USA), FCH International: June 1978. 54pp; tables (mimeo).*

Study commissioned by the Ministry of Co-operative Development and the Central Organization of Trade Unions, undertaken with the help of the Foundation for Co-operative Housing.

**ISSERT, J: The Legal Status of Agricultural Co-operatives in European Countries.**

*Oxford (UK), Plunkett Foundation for Co-operative Studies, 1978. 112pp; Plunkett Foundation Occasional paper No. 44.*

The purpose of this book is to enable agricultural co-operatives of various countries to arrive at a better mutual understanding of each other's legal status and to provide the opportunity for greater harmonization of co-operative forms and structures. The study covers Austria, Belgium, France, Federal Republic of Germany, Italy, Netherlands, Spain, Switzerland, and the UK.

**JOB OWNERSHIP LTD: Job Ownership.**

*London (UK), Job Ownership, 1978. 21pp.*

Description of aims of JOL and outlines of services offered for potential and actual worker co-operatives.

**KAMAT, G S: New Dimensions of Co-operative Management**

*Bombay (India), Himalaya Publishing House, 1978. 496pp.*

An examination of the co-operative sector in India, with references to the role of the state and the importance of good management techniques necessary to ensure the movement will reach the high performance expected of it.

**KENYON, Ron: To the Credit of the People.**

*Canada, Ontario Credit Union League, 1976. 303pp; photos.*

In Ontario alone, there are one and a half million credit union members; this book explores the phenomenal growth of credit unions, often seen through the eyes of early pioneers of the movement.

**LAMMING, G N: FAO Consultation on Increasing Agricultural Production through Co-operatives, Bali, Indonesia, 9-14.10.78.**

*Rome (Italy); Food and Agriculture Organization; 1978. 81pp (mimeo).*

Paper prepared for a consultation the theme of which was "action by co-operatives to increase agricultural production". The paper covers Indonesia, Korea, Japan, Nepal, Philippines, Sri Lanka and Thailand.

**LEMAIRE, Henri et al: Coopération et Démocratie Economique.**

*Brussels (Belgium), Propagateurs de la Coopération, 1978. 71pp.*

Selected speeches from the 1977 Fédécoop congress, with the common theme of "relations between co-operatives and economic democracy" with particular reference to co-operation and socialism.



**MUNKNER, Hans H(Ed): Credit Union Development in Africa.**

*Germany; Konrad Adenauer Stiftung and v. Hase and Koehler; 1978. 187pp.*

Collection of papers on ACOSCA and its activities selected so as to afford general guidelines to credit union leaders in Africa and to enable ACOSCA to face the challenges of future development.

**NASH, J. et al (Eds): Popular Participation in Social Change.**

*The Hague (Netherlands), Mouton Publications, 1976. 621pp; tables; bibliogr.*

A collection of papers written from an anthropological view of co-operatives. The material is divided into four sections: introduction of co-operatives into peasant societies (particularly in Africa); transformation of capitalist agricultural systems into co-operatives; movements, ideology and co-operatives; co-operatives, collectives and self-management in commerce and industry.

**OAKESHOTT, Robert: The Case for Workers' Co-operatives.**

*London (UK), Routledge and Kegan Paul, 1978. 272pp; index; appendices; tables.*

A review of historical and contemporary experience of worker co-operatives in the UK, France, Italy and Spain. The author seeks for lessons relevant both to industrial democracy and to low productivity.

**ODEDE, Okumu et al: Institutionalized supervision and control vis-a-vis performance of Co-operatives in Kenya.**

*Moshi (Tanzania), ICA Regional Office for East and Central Africa, 1978. 78pp; tables; graphs.*

This study covers both external and internal modes of supervision and control, as well as the operational connection between the two concepts and performance of co-operatives.

**PAPAZOIS-SPACHIS, Elena: Housing Co-operatives.—M. Phil. thesis.**

*London (UK), University of London, 1977. 195pp; tables.*

A study of the role of housing co-operatives in the provision of housing for low-income urban families in developing countries.

**RADELET, Margot: Joseph Lemaire, une grande vie, une grande oeuvre.**

*Brussels (Belgium), Editions Labor, 1978. 130pp; photos.*

Biography of the founder of the Belgian co-operative insurance society the P.S., this book deals with Lemaire's work in co-operatives and politics and charitable foundations.

**TAIMNI, K K: Consumers' Co-operatives in Third World Strategy for Development.**

*Poona (India), Harshad Prakashan, 1978. 219pp; tables.*

The author presents a model for development of an integrated consumer's co-operative system relevant to the needs and aspirations of the people in the third world.

**TAIMNI, K K: Managing the Co-operative Enterprise.**

*Calcutta (India), T K Mukherjee, 1978. 210pp.*

A collection of essays on the principles and techniques of efficient management, including contributions from fifteen different sources.

**THOMPSON, Rolle: "No ordinary concern"—The Law and Practice of Credit Unions.**

*Nanaimo BC (Canada), Mid Island Consumer Services Corporation, 1978. 66pp.*

A description of credit union law and practice in Canada, which gives an analysis of the internal rules, and discusses the role of government vis-a-vis credit unions.

# Book Reviews

**The Punjab Peasant in Prosperity and Debt** by Malcolm Lyall Darling. First edition 1925, reprinted 1977 by Ramesh C. Jain for Manohar Book Service, New Delhi with a biographical and critical foreword by Dr Clive J. Dewey of the University of Leicester.

Sir Malcolm Darling was one of the last generation of British-born civil servants to complete his career in India before that country became independent in 1946. He began in the political department, as tutor to the young maharaja of Dewas, so well known to us through E. M. Forster's *Hill of Devi*, and was then transferred to the very different scene of the peasant society and especially the canal colonies of the Punjab where he became Registrar of Co-operative Societies and responsible for the development and supervision of what (before Partition) was the most effective and indeed brilliant rural co-operative movement in India. Later (1935) he became Adviser to the Reserve Bank of India which has played such an important part in the post independence revival, and Director of the Indian Co-operative

Movement.

He wrote a number of books, all based on his Indian experience. Of these, the key volume is *The Punjab Peasant in Prosperity and Debt*. Its significance goes far beyond the Punjab, or indeed India, and has influenced the thinking of several generations of co-operative administrators in countries throughout the world. "Still the most brilliant study of debt in peasant society ever written", G. S. D. Dewey writes; "it has not been superseded, only supplemented by recent research". It is also unquestionably the most readable, illuminated by a deep and sympathetic knowledge of the Indian scene, the historic background and the mind and values of the peasant. It is humane, it has humour; it is vividly descriptive; and it is consistently fair, even to the money-lender, who for all his iniquities has been the principal, if not the only financier in Indian agriculture. It is a constant pleasure.

The republication of this book is greatly to be welcomed and it may be hoped that it will be widely read.

MARGARET DIGBY

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**Workers' Co-operatives in France** by Jenny Thornley. *Centre for Environmental Studies*, 62 Chandos Place, London, W.C.2. £1.40 40 pp. mim.

There is widespread interest in co-operative production in many countries today and France is one of the few countries in which substantial numbers of productive societies have operated effectively for a considerable number of years. This little booklet by Jenny Thornley of the Centre for Environmental Studies is, therefore, something to be very much welcomed by co-operators everywhere and especially by those concerned with

ways and means of promoting productive societies in industrialised and other countries.

Ms Thornley provides a brief survey of the history of productive societies in France from the law of 1867 and the formation of the Confederation of Productive Societies in 1884, and a report in 1883 followed by a law in 1888 encouraging the placing of public contracts with productive societies. She pays much attention to ways in which the public authorities have been encouraged to place orders with productive societies—especially in building and contracting

in which many of them operate—but always on strictly commercial terms so that orders are never placed with a co-operative simply because it is a co-operative but because it is able to offer terms as good as or better than those of competitors.

She also devotes much attention to the financing of productive societies in France, noting the role of the *Caisse Centrale de Crédit Coopératif* and its subsidiary the *Banque Française de Crédit Coopératif*, an affiliate of the ICA which incorporates *Banque Coopérative des Sociétés Coopératives Ouvrières de Production* which was founded by the Confederation of Productive Societies. She also notes that the Confederation itself is able to provide member-co-operatives with limited amounts of finance, which helps their borrowing capacity with the BFCC or the *Caisse Centrale* or other bodies.

Ms Thornley notes that there are now about 630 productive societies in France, most of them affiliated to the Confederation, with new societies, conversions and societies born of crisis balancing societies that are wound up. New societies raise initial share capital from their members though many have some employees who

are not members. Societies have to plough back 15% of profits until reserves are equivalent to share capital and build up indivisible or non-refundable reserves. In the event of a winding up any residual assets go to another co-operative and are not distributed to members. Productive societies have to be competitive on labour costs because they find it harder than companies to raise capital; but members get bonuses in the event of success.

The booklet discusses the way in which the *Association des Ouvrières en Instruments de Précision* (AIOP), which used to produce mainly for the post office, has adapted to the French decision to use imported electronic equipment in telephones. AIOP had to cease production of equipment no longer needed and win new contracts to sustain the employment of its 4,600 or so members.

French productive societies operate under a basic law of 1947; but new legislation in 1978 should help the formation of new societies and the expansion of existing ones. Ms Thornley's excellent pamphlet should help English-speaking co-operators to learn from the French experience.

PAUL DERRICK

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### **The Labour-Managed Economy.** Essays by Jaroslav Vanek. *Cornell University Press (US) 1977.*

In 1970 and '71 Jaroslav Vanek published two seminal books; first *The General Theory of Labour-Managed Market Economies* and second *The Participatory Economy*. They established him as the foremost economic theoretician in the field of Self-Management. In 'The General Theory' he developed the earlier work of Domar and Ward to a point where one can unequivocally say that we possess the fundamental outlines of the economic theory of Self-Management. Vanek's work is descriptively and critically pivoted around the evolving

experiences of the Yugoslav Socialist economy and much of his writing reflects this, but what he has to say is also frequently pertinent for those who advocate industrial co-operatives based upon private property relations. Indeed in one chapter of the volume under review (Ch. 8) he explicitly analyses the concept of 'ownership', seeking to explore the implications of separating out the various rights and obligations which are normally subsumed under the single head of ownership. The volume comprises fifteen essays, written either by Vanek himself or in collaboration; the first fourteen extend and clarify some of the ideas in the 'General Theory' and the

final chapter offers a slightly more technical resumé of his 'Participatory Economy'.

Many of the essays can, I think, be construed as a response to Meade's influential review of the 'General Theory' ('The Theory of Labour-Managed Firms and Profit Sharing', *The Economic Journal*, 1972). But, in addition, there are essays based upon Vanek's experiences in Peru and further empirical and theoretical work on Yugoslavia.

In reviewing the volume for this journal I am mindful of the fact that it will be the implications of Vanek's arguments for the establishment and running of industrial Co-operatives which will particularly interest the reader. I have, therefore, slanted my remarks appropriately. But let me say right away that many of the essays require a basic knowledge of economic theory and some of the argument is presented in mathematical form. It is, therefore, not a book designed to attract the general reader, but rather a scholarly contribution to the burgeoning literature on Labour-Management (L.M.).

A fundamental assumption in the theory of L.M. is that enterprises will (or should!) seek to maximize net income per worker; that is to say, income net of all costs save 'labour costs'. Thus, net income per worker (or value added per worker) becomes the rational maximand of a group of self-interested 'workers' replacing 'profit' which, at least in theory, is the maximand of a capitalist enterprise. Vanek repeatedly argues that the former is the 'natural objective' for a group of self-interested workers who come together, hire capital, and form a productive association. He also requires that the control of the enterprise be exclusively in the hands of those who actually work within it (c.f. external members in some industrial Co-operatives) and that decision-making be conducted on a democratic basis. It should perhaps be emphasized that the L.M. model is firmly based upon assumptions of self-interested behaviour—

any altruism being assigned an incidental or secondary role. Many co-operators have more or less explicitly felt that commitment to the enterprise over and above that implied by self-interest, is an essential feature of industrial Co-operatives. Vanek does believe, however, that the maximand (net income/employee) is fundamentally consensual, whereas 'profit' is the obverse—setting wage earners against profit maximizers—and it is, from this basic maximand (and democratic administration) that much of a sociological and psychological nature is supposed to follow. It is argued that if all are seeking their best interests, then motivation and efficiency will be stimulated both directly and indirectly, through commitment to the enterprise.

An intriguing problem then arises: if indeed incentives and efficiency are enhanced (say compared with capitalist firms), why are industrial co-operatives, on a historical and contemporary count, of such infrequent occurrence as compared with capitalist enterprises? Are there offsetting factors which nullify their apparent comparative advantages, or is the motivational argument itself suspect? Surely this is the fundamental and unresolved problem facing the advocates of industrial co-operation—Vanek has much to say which is of crucial relevance.

What about incentives and motivation? Meade (in the review paper referred to above) has pointed out that in an 'n'-man Co-operative the individual worker/member who shares equally in its economic surplus will only receive  $1/n$ 'th of the results of any increased effort on his own behalf. Thus as the size (n) of such a Co-operative increases, the inducement to extra effort of a rationally self-interested worker will attenuate. He sees, as it were, the returns to his efforts increasingly diluted unless he can be assured of similar effort by others. If the economies of scale do not dictate a large size, then things may be all right; in this context it is worthy of note that the optimal size of the L.M. firm is smaller than its (positive profit) capitalist firm.

Whether or not this reduction is ever sufficient to provide significantly increased incentives is not clear, and is surely a candidate for further research. Of course it would be possible to permit inequality, where returns (i.e. proportion of the value-added) reflect individual effort (indeed returns to work and limited returns on capital are two cardinal principles of industrial co-operation). This would then imply unequal incomes. But then two further queries arise: first, to what extent would inequality undermine any indirect motivation arising from organisational commitment, and secondly, what effect would it have on allocative efficiency? The first query largely falls outside Vanek's purview, but may well prove to be the crucial issue concerning the viability of co-operatives—the second is very much his concern.

One of the central achievements of the 'General Theory' (following Ward) was to demonstrate that under assumptions of free entry and exit, perfect mobility of factors and perfect competition, the L.M. and Capitalist enterprises will, in the long run, lead to identical Pareto-Optimal equilibria. So, at least in the context of Paretian Optima, and in the long run, the allocative efficiency of the L.M. system is as good as the Capitalist one. In Chapter 6 of the present volume Vanek extends this result in relation to our second query; he demonstrates that even where the income distribution varies with the performance of the enterprise as a whole, the maximand of income per worker guarantees that each category of labour (e.g. of varying effort) and capital earns its respective marginal product.

But to return to our earlier question: are there any fundamental weaknesses in the L.M. (Co-operative) form of enterprise? It is well known, of course, that in the short run (i.e. with a fixed capital stock and labour input varying) the income/labour maximising enterprise has perverse supply and employment characteristics—increases in product prices can lead to a decrease in output and employment. Many have taken this

result as sufficient evidence to condemn L.M. firms outright and though Meade was careful, to disassociate himself from this view, he identified a number of associated problems: In particular that under conditions of imperfect competition (which is often the most realistic situation given economies of scale) the negative sloping supply curve has particularly alarming implications. He draws the conclusion that to counter these implications, decisions must be made external to the enterprise about the hiring and firing of workers—something which runs counter to all the ideas concerning the autonomy of enterprises (Co-operatives). Chapter 14 (written with Pienkos and Steinherr) is an attempt to rebut this claim, detecting an inconsistency in Meade's analysis. This chapter supports a number of more informal arguments produced elsewhere in the book (Chapters 1 and 3) which suggest that, in any case, monopoly is less of a problem in a L.M. economy than in a Capitalist one, the optimal size of the firm being smaller there is 'more room for firms in a given industry' and the L.M. firm, unlike the profit maximizing firm, will never exceed the most efficient scale of production.

Furthermore, as Vanek claims (Ch. 1, and Ch. 12—a formal presentation with Steinherr) the L.M. firm, in equilibrium is less prone to sales promotion than its (positive profit) capitalist counterpart and there is therefore less tendency to artificial monopoly in a L.M. economy. I doubt if we have heard the last word in this particular controversy; for example the model in Chapter 14 is based upon a series of assumptions: whether the smaller size of L.M. firms can really effectively reduce monopolistic tendencies in most industries or sectors is not at all clear. But perhaps the debate has an element of unreality about it anyway; for if these are technical monopolies or near-monopolies generated by scale considerations, then we may wish to see state intervention in their affairs even in a co-operative economy. After all, such intervention would only have to rectify problems in

the short run.

Section IV of the book comprising three chapters covers 'investment and funding' and may well be of much more immediate interest to those concerned with establishing industrial co-operatives. Vanek reiterates his claim to have found a general 'theory' explaining why co-operatives have such a poor historical record. The bogey for him is what he has, I think rather unfortunately, called '*internal financing*'. He thus advocates *external financing* where capital is used in a way which reflects its '*scarcity value*'. (These two italicised phrases are incidentally often taken as synonymous). By internal financing he means the accumulation of *collectively* owned assets. He argues that many co-operatives or labour-managed firms fail because they either *de jure* or *de facto* attempt to accumulate savings or capital on a collectively owned basis. The essence of his argument is that there are strong disincentives for self-interested individuals to save collectively because they have no (or reduced) individual entitlement to realise the assets. Furthermore, if such assets are accumulated, there will be a disincentive to take on new members of the co-operative who would, without bearing the burden of their generation, benefit equally from them. It is important

to emphasize that assets owned *individually* by *internal* members of a co-operative (e.g. in Mondragon) are in Vanek's terminology 'external'. The reason that Vanek uses the word external in this manner is, I think, attributable to his central interest in the Yugoslav socialist economy. There a debate flourishes between those who advocate internal financing (and therefore necessarily *collective*, as the private ownership of the means of production is illegal) from retained value-added as against those who favour external financing (i.e. from the state). The situation is clearly more complex when we turn to Industrial Co-operatives based upon private capital which may be partly collectively and partly privately owned and furthermore members may be internal or external to the co-operative. There has, however, recently been some empirical support in the economic literature for Vanek's ideas and it must remain one of the most persuasive theories alongside others pointing to the hostile 'environment', risk aversion and so on. It remains a matter of further research to divine the full truth.

This is a first rate, stimulating book and a 'must' for all those engaged in the theoretical debate about the viability of Industrial Co-operatives.

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(Plantation House, Haile Selassie Ave.) POB 49768, Nairobi.  
Tel. 21487 Cables MUUNGAÑO

**KOREA**

**National Agricultural Co-operative Federation**  
75, 1st Street, Chung-Jong-Ro, Sodaemun-ku, Seoul.  
Tel. 73-0021 Cables KONAFCCO

**MALAYSIA**

**Co-operative Central Bank Ltd.**  
(29 Leboh Ampang) POB 685, Kuala Lumpur 01-19.  
Tel. 26531/4

**Co-operative Union of Malaysia Ltd.**

Peti Surat 685, Kuala Lumpur.  
Tel. 23903

**Malaysian Co-operative Insurance Society Ltd.**  
(36 Jalan Ampang) POB 817, Kuala Lumpur 01-16.  
Tel. 87915/6 Cables MCIS

**National Union of Co-operatives (ANGKASA)**  
103 Jalan Templer, Petaling Jaya, Selangor.  
Tel. 771258

**Sarawak Co-operative Central Bank Ltd.**  
Kuching, Sarawak.

**MAURITIUS**

**Mauritius Co-operative Union**  
Co-operative House, Dumas Street, Port Louis.  
Tel. 822

**MOROCCO**

**Union Nationale des Cooperatives agricoles laitières**  
Rue Patrice Lumumba, B.P. 569, Rabat-Chellah.

**NETHERLANDS**

**Dutch Federation of Workers' Productive Co-operative Societies**  
Nieuwe Gracht 5, Utrecht.  
Tel. 331 331

## **NIGERIA**

**Co-operative Federation of Nigeria Ltd.**  
PMB 1301, Ibadan.  
Tel. 61727

## **NORWAY**

**Landbrukets Sentralforbund**  
(Schweigaardsgt. 34) POB 3746, Gamlebyen, Oslo 1.  
Tel. (02) 19 88 00

**Norges Kooperative Landsforening (NKL)**  
(Revierstrødet 2) POB 451 Sentrum, Oslo 1.  
Tel. 20 62 90 Cables KOOPENGROS Telex 19 450 HQ

**Norske Boligbyggelags Landsforbund (NBBL)**  
Trondheimsveie 84-86, Oslo 5.  
Tel. 35 75 20

## **PAKISTAN**

**Mercantile Co-operative Finance Corporation Ltd.**  
197-A The Mall, Rawalpindi. Tel. 3754.

## **PERU**

**Banco Nacional de las Cooperativas del Perú Ltda.**  
Av. Tacna 411, Apartado 4895, Lima.  
Tel. 276569 Cables BANCOOP

**Cooperativa de Credito Central del Perú Ltda.**  
Antonio Miro Quesada 247, Of. 407, Apartado 4429, Lima.  
Tel. 27-3752

**Cooperativa de Seguros del Perú Ltda.**  
Máximo Abril 552, Apartado 4360, Lima 11.  
Tel. 46769

## **PHILIPPINES**

**Central Co-operative Exchange Inc.**  
POB 1968, Manila.  
Tel. 7-60-09 Cables CENCOPEX

## **ROMANIA (cont)**

**UCECOM** (Central Union of Handicraft Co-operatives)  
Calcea Plevnei 46, Sectorul 7, Bucharest.  
Tel. 13-16-48

**UNCAP** (National Union of Agricultural Producers' Co-operatives)  
Bd. Gheorghe Gheorghiu-Dej 25, Bucharest.

## **SINGAPORE**

**Singapore National Co-operative Union Ltd.**  
(3-J/K Clifford House) POB 366, Singapore 1.

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**National Co-operative Council of Sri Lanka**  
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Tel. 85496 Cables NACOSIL

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Tel. 743-60-00 Cables FOLKSAM Telex 190.84 FOLKSAM S

**HSB:S Riksförbund ek för**  
Fack, S-100 21 Stockholm 18.

**Kooperativa förbundet**  
Tel. 785 30 00 Cables HAESSBE Telex 11.724 HSB COOP

Fack, S-104 65 Stockholm 15.

Tel. 743 10 00 Cables KOOPERATIVA Telex 19490

**Kooperativa Gillesförbundet**

Fack, S-104 65 Stockholm 15.

Tel. 44-90-60.

**Lantbrukarnas Riksförbund** (Federation of Swedish Farmers)  
(Klara Ö Kyrkogata 12) Fack, S-105 33 Stockholm 33.  
Tel. 14-16-00 Cables LANTFORBUNDET

Telex 11098 Lantek S

**Svenska Riksbbyggen**

(Hagagatan 2) POB 19015, S-104 32 Stockholm 19.  
Tel. 34-05-20 Cables RIKSBYGGEN

**Cooperative Insurance System of the Philippines Inc.**  
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Araneta Centre, Quezon City.  
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**Sugar Co-operative Development Institute of the Philippines**  
Rm. 107-110, D.O.L.L. Building, 6th Street, Bacolod City 6001.  
Tel. 20666

**POLAND**

**Central Agricultural Union of Peasant Self-Aid Co-operatives**  
Kopernika 30, 00-328 Warsaw.  
Tel. 26-39-69 Cables CENTROLNA

**Central Union of Building and Housing Co-operatives**  
Ul. Marchlewskiego 13, 00-828 Warsaw.  
Tel. 20-90-29

**Central Union of Work Co-operatives**  
Surawia 47, 00-680 Warsaw.  
Tel. 28-51-86 Cables CZESP

**"Społem"—Union of Consumer Co-operatives**  
Grzywny 13, 02-548 Warsaw.  
Tel. 45-32-41 Cables SETESES

**Supreme Co-operative Council**  
Ul. Jasna 1, 00-013 Warsaw.  
Tel. 26-72-21 Cables ENERES

**PUERTO RICO**

**Co-operative League of Puerto Rico**  
458 Fernando Calder, Apartado 707, GPO San Juan 00936.  
Tel. 764-2727

**ROMANIA**

**CENTROCOOP** (Central Union of Consumer Co-operatives)  
Str. Brezoianu 31, 70711 Bucharest.  
Tel. 13-87-31 Cables CENTROCOOP Telex 11591

**SWITZERLAND**

**Genossenschaftliche Zentralbank AG**  
Aeschenplatz 3, CH 4002 Basel.  
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**Coop Lebensversicherungsgenossenschaft**  
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Cables COOPLEBEN

**Coop Schweiz**  
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Tel. (061) 20-61-11 Cables COOPSUISSE Telex 62 133

**Verband sozialer Baubetriebe**  
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**Co-operative Union of Tanganyika Ltd.**  
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**THAILAND**

**Co-operative League of Thailand**  
4 Pichai Road, Dusit, Bangkok  
Tel. 811414

**TURKEY**

**Köy-Koop** (Central Organisation of Village Development and Other Agricultural Co-operative Unions).  
Gazi Mustafa Kemal Bulvari 97, Maltepe, Ankara.  
Tel. 30 22 40 Cables KOYKOOOP

**Türk Kooperatifçilik Kurumu** (Turkish Co-operative Association)  
Mithatpasa Caddesi 38A, Yenisehir, Ankara.  
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**UGANDA**

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POB 2215, Kampala.  
Tel. 56984/6 Cables ALLIANCECOOP

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**Glavni Zadružni Savez FNRJ**  
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Cables ZASAJ

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**Zambia Co-operative Federation Ltd.**  
POB 3579, Lusaka.  
Cables ZAMCOOP

## **INTERNATIONAL ORGANISATIONS**

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(Aeschengraben 12) POB 243, CH 4010 Basel, Switzerland.  
Tel. 23-58-27 Cables INGEBA

### **International Co-operative Housing Development Association (ICHDA)**

11 Upper Grosvenor Street, London W1X 9PA, U.K.  
Tel. 493 1137 Cables ICHDA INTERALLIA

### **International Co-operative Petroleum Association (ICPA)**

28 West 44th Street, New York, NY 10036, U.S.A.  
Tel. 354 0870 Cables INCOPETROL Telex 22 49 14

### **Nordisk Andelsförbund**

3 Axeltorv, 1609 Copenhagen V, Denmark.  
Tel. 15.15.33 Cables NORFORBUND Telex 27 111 NAF

### **Organisation of the Cooperatives of America (OCA)**

Bartolome Mitre No. 559, of. 527, 1342 Buenos Aires, Argentina.  
Tel. 347 212, 334 244

### **Sociedad Interamericana de Desarrollo y Financiamiento Cooperativo (SIDEFCOOP)**

(Reconquista 365, 2° piso) POB 4311, Buenos Aires, Argentina.

### **World Council of Credit Unions**

(5910 Mineral Point Road) POB 391, Madison, WI 53705, U.S.A.  
Tel. (608) 238-5851 Telex 910-296-2725 CUNA MUT MDN

## **UNITED KINGDOM**

### **Co-operative Bank Ltd.**

(New Century House, Corporation St.) POB 101, Manchester  
M60 4EP

Tel. (061) 834 8687 Telex 884 533/4

### **Co-operative Insurance Society Ltd.**

Miller Street, Manchester M60 0AL.

Tel. (061) 832 8686 Cables COLLECTIVE

Telex 66 86 21 COLLECTIVE MCHR

### **Co-operative Union Ltd.**

Holyoake House, Hanover Street, Manchester M60 0AS

Tel. (061) 834 0975 Cables CONGRESS

### **Co-operative Wholesale Society Ltd.**

(New Century House, Corporation Street) POB 53, Manchester  
M60 4ES.

Tel. (061) 834 1212 Cables WHOLESale

### **Plunkett Foundation for Co-operative Studies**

31 St. Giles, Oxford OX1 3LF.

Tel. (0865) 53960

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## **URUGUAY**

### **Centro Cooperativista Uruguayo**

Dante 2252, Montevideo.

Tel. 41-25-41 Cables CENCOOPUR

## **U.S.A.**

### **Co-operative League of the U.S.A.**

1828 L Street, NW, Washington, DC 20036.

Tel. (202) 872-0550 Cables CLUSA

## **U.S.S.R.**

### **Central Union of Consumer Societies—CENTROSOYUS**

B. Tcherkassky per 15, 103626 Moscow.

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# Review of International Co-operation



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*The ICA is not responsible for opinions expressed in signed articles.*

# 57th International Co-operative Day Saturday, 7th July, 1979

“... *IT IS THEREFORE NOW TIME:*

- *to call for action, on a co-ordinated world-wide front, for the development of co-operatives in order to accelerate social and economic growth;*
- *to challenge co-operative movements in the developing countries to formulate more clearly their short- and long-term needs for assistance;*
- *to stimulate governments of donor nations to work more closely with their own co-operative movements in assisting the developing countries;*
- *to encourage voluntary organisations (civic groups, trade unions etc.) to contribute to the promotion of co-operatives; and*
- *to urge the United Nations and its agencies to co-ordinate their programmes concerning co-operatives, not only with each other but also with the International Co-operative Alliance and with bilateral assistance programmes sponsored by governments and by co-operative programmes.”*

(From: “National Experience in Promoting the Co-operative Movement”—Report of the Secretary General, 64th Session of ECOSOC, 11 Apr.-12 May 1978)

# A Message from the Director of the International Co-operative Alliance

Dear Co-operators,

The World Co-operative Movement has been greatly encouraged by the United Nations General Assembly's review of the Report by its Secretary General on NATIONAL EXPERIENCE IN PROMOTING THE CO-OPERATIVE MOVEMENT, stating:

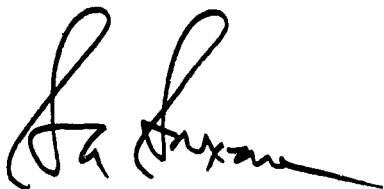
“ . . . The Co-operative Movement has responded to global issues, emphasising the international solidarity of the movement and the significance of its work in developing countries, in active collaboration with the United Nations and its specialised agencies . . . ”

On the occasion of this 57th International Co-operative Day, I would urge our 346 million members:

- to request their Governments to continue to support and collaborate fully with the United Nations in its efforts to bring about world peace, thus providing conditions for accelerated economic and social development;
- to provide full support for ICA's BUY A BUCKET OF WATER campaign, which is our contribution to 1979—the UN INTERNATIONAL YEAR OF THE CHILD;
- to ensure that their representatives to the Central Committee, which meets this year in Manchester in October, make the fullest contribution to the debate on CO-OPERATIVES AND LEISURE, a subject of increasing significance to modern society.

Our Congress in 1980 will discuss CO-OPERATIVES IN THE YEAR 2000, which we hope will chart the direction and growth of the Movement in the coming decades. I send you all my warmest thanks for the support you have given us in the past, and I look forward to your continued guidance and loyalty in the future, that we may face the new challenges which lie before us.

With Co-operative greetings,



S. K. SAXENA, *Director, ICA*

# Summary of Statistics

	<i>Number of Societies</i>	<i>Percentage of Whole</i>		<i>Individual Members</i>	<i>Percentage of Whole</i>
Agricultural ..	259,702	35.95 %	Agricultural ..	64,847,570	18.71 %
Consumer ..	62,630	8.67 %	Consumer ..	129,943,990	37.49 %
Credit ..	241,611	33.45 %	Credit ..	117,562,025	33.92 %
Fishery ..	17,257	2.39 %	Fishery ..	2,116,103	0.61 %
Housing ..	62,662	8.68 %	Housing ..	13,035,954	3.76 %
Industrial ..	44,953	6.22 %	Industrial ..	5,709,852	1.65 %
Miscellaneous	33,535	4.64 %	Miscellaneous	13,376,329	3.86 %
<b>TOTAL ..</b>	<b>722,350</b>	<b>100.00 %</b>	<b>TOTAL ..</b>	<b>346,591,823</b>	<b>100.00 %</b>

Total Turnover: \$383,869,242,000

## ICA World Membership

### AFRICA

Botswana	—
Egypt	—
Gambia	70,224
Ghana	183,400
Ivory Coast	—
Kenya	776,223
Mauritius	31,031
Morocco	—
Nigeria	302,506
Tanzania	640,463
Uganda	980,076
Zambia	50,123

### AMERICA

Argentina	3,813,295
Canada	9,124,111
Chile	281,231
Colombia	152,871
Haiti	170
Jamaica	—
Peru	—
Puerto Rico	326,452
Uruguay	149,326
U.S.A.	48,251,417

### ASIA

Bangladesh	4,499,875
Cyprus	218,941
India	71,829,238
Indonesia	8,492,197
Iran	2,985,726
Iraq	531,156
Israel	699,090
Japan	15,612,762
Jordan	19,762
Korea	2,336,189
Malaysia	1,343,401
Pakistan	1,631,965
Philippines	414,986
Singapore	63,377
Sri Lanka	2,225,330
Thailand	1,211,569

### OCEANIA

Australia	4,022,096
Fiji	30,440

### EUROPE

Austria	2,547,258
Belgium	2,733,945

Bulgaria	2,933,855
Czechoslovakia	4,216,972
Denmark	1,503,887
Finland	1,992,660
France	13,161,304
German Dem. Rep.	4,275,141
Germany Fed. Rep. of	9,079,288
Greece	572,890
Hungary	3,865,403
Iceland	40,291
Irish Republic	160,175
Italy	4,252,161
Netherlands	323
Norway	1,114,101
Poland	11,593,304
Romania	13,526,698
Sweden	4,137,097
Switzerland	963,609
Turkey	4,513,665
United Kingdom	10,666,810
U.S.S.R.	63,863,000
Yugoslavia	1,506,000

Note: 1976 figures have been used where available.

# The Co-operative Ethos

by

Prof Georges Lasserre  
University of Paris (France)

## I. WHAT IS THE CO-OPERATIVE ETHOS?

### 1. Co-operation's Human Aspect

"In Co-operation, man is the beginning and man is the end."<sup>1</sup> This is in striking contrast to capitalism, where money is the beginning and the end, and men are but a means.

The objectives are different. What can shareholders expect to get from their enterprise, except dividends or raised investments, when in general their only contact with it concerns money? The co-operator, however, expects to derive from his co-operative not only monetary advantages but a complex satisfaction which is partly qualitative. In addition to his pay, the worker expects security of employment, the possibility of expressing himself in his work, a friendly atmosphere. The consumer expects quality, a wider choice, convenience; his clothes, his food, his dwelling, must also express his personality and human relations. The farmer expects to safeguard the family farm and his style of life, which is based on collaboration with nature. All this comes into living Co-operation, because the power lies with people, not with money. Thus Co-operation humanises

business, and through it a sector of the economy. This is its legitimate source of pride.

These advantages of Co-operation over capitalism enable it to win loyalty, devotion, a willingness to fight, from its leaders and members, while its rivals can only motivate men by attractive salaries. This is its only clear advantage.

But there is a reverse side. First of all it complicates matters: the criteria for success are less easy to express in figures than are profits. And also, if a business is humanised, while it will certainly bring into play the better aspects of human nature, it will also bring into play those which are less good. The result is that the success of a co-operative is more dependent than a capitalist enterprise on the human factor. For example, dishonesty creates more havoc in a co-operative because it shakes confidence and weakens morale. Personality clashes can be resolved simply, brutally and rapidly by the capitalists by using the power of money and the imperative of maximum profits, but are more painful and more vulnerable among co-operators. Even solidarity can degenerate to favouritism, and one sees directors badly

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<sup>1</sup>Statement by M Gisclon at a French co-operative congress

chosen or kept in office too long. Or again, smug self-satisfaction, routine imitation, are no substitute for a heroic past.

But the human and ethical superiority of co-operative enterprises is only theoretical, it can be destroyed in practice, not only by a low level of efficiency but also by lack of humanity. How can we make sure that the place given to the human factor becomes a strength and not a weakness?

The first point is that one of the essential factors for success is the intensity of the will to succeed, which depends on the intensity of the motivation for co-operative action, which will determine—among other things—the loyalty of the members and the measure of their leaders' search for greater efficiency.

Motivation for co-operative activity is twofold. First of all, and almost everywhere, there is the personal economic interest. In the co-operative sector, such motivation depends on the size of the income or expenditure protected by the co-operative; and also on the gravity of the abuses or exploitation inflicted by the profit-making enterprises. In any case such motivation is relatively weak, because the profits are spread, like fine rain, over a large number of persons, and therefore act only as a feeble incentive, while in a capitalist enterprise they are reserved in large sums for a privileged few, for whom they provide a strong, even over-strong, incentive.

But man also aspires to expand his personality, to make his mark or create something in the world, to devote himself to work which is liberating and constructive, which can give his life greater meaning. There is a moral sense which leads him to evaluate existing human

situations, to desire to maintain or modify them and their connected social structures—provided he can think sufficiently deeply to identify their causes. We might call this the 'higher motivation'.

This higher motivation, which does not exist everywhere in the movement, but is particularly strong in the pioneer or ideological organisations, has played a decisive role in the movement which could never have developed under economic motivation alone. It is founded on revolt against social injustice, *judged in the name of social conscience*.

It is therefore absolutely vital, not only not to thwart or discourage this motivation but to cultivate and strengthen it together with the social conscience which feeds it—all the more so since the economic motivation has weakened.

## 2. The Origins of the Co-operative Social Conscience

At the basis of the co-operative social conscience lies the judaeo-christian ethic: "You have but one Master, and you are all brothers." It came into practice in the Middle Ages, in a missionary spirit, in the regulations governing relations between patrons, employees and apprentices in the corporations and guilds.

But when these latter degenerated into nests of the privileged, and when the Churches—linked to the ruling classes—began to neglect the Christian social ethic, their place was taken by the workers' associations, which became their heirs and the transmitters of their ideas.

Detached from its religious origins and laicised, this ethic, first in England and then in the 18th century in France, inspired the democratic ideal, its prac-

tical application in the political field.

- Later, with the economic problems posed by the industrial revolution, it became the ethos of the working class and inspired the early forms of socialism. It was in this milieu that co-operation was born.

Buddhists, Moslems, and very many others, easily accept this social creed as coming very close to their own convictions.

### 3. The Workers' Ethos

This implies first of all *respect for the individual*, for his personal dignity, equality among all, even the poorest. The exploited and alienated condition of the workers called for emancipation. But this could only begin with self-help, a reaction against the 'dull and despairing resignation' of the proletariat at the beginnings of industry: let us make a stand, we will not allow ourselves to be cast down and trampled upon, we will take our fate into our own hands. This ethos also involved the possibility of training, of personal fulfilment, of taking on responsibility.

*Work* and the honour due to it, conscientiousness and pride in workmanship, form an essential part of the workers' traditions, and call for great changes, especially in industry.

The sense of *brotherhood* and *solidarity* are fundamental. A worker well knows that by himself a man can do very little, and that no one can truly develop except in the company of others and in harmony with them. Solidarity is primarily collective action for a common aim: each for all: co-operation.

Solidarity is also mutual help: the whole group assisting any member in difficulty: mutuality: all for each.

The need for *justice* is equally important. There are two concepts of justice. The first is *commutative* justice, which provides for equal value in exchanges, but does not touch existing inequalities; this is the concept preferred by the bourgeoisie, since it regards economic life as consisting mainly of a gigantic network of exchanges of all kinds.

Without rejecting this concept, the workers' concept of justice goes much further: it admits of *distributive* justice. It wants to cut out all exploitation. It sees the totality of production as the fruit of a vast collective effort, destined to satisfy the needs of the whole population, and to be shared equitably. There are three possible rules for achieving this:

- to each according to his work, measured by its length, its grading, its difficulty, its usefulness or its drudgery;
- equal shares, a literal translation of the fundamental equality in dignity of all men;
- to each according to his need, the most daring form of solidarity, which boldly tries to correct natural inequalities.

Or a combination of these three.

The workers' ethos is not the only constituent element of the co-operative ethos, because co-operation also developed in other social areas; and because, since every co-operative is an enterprise, the ethical problems natural to enterprises will inevitably arise.

### 4. The Peasant Ethos

The peasant also honours labour, but considers work on the land to be the

noblest form because it is collaboration with nature.

The family is one of his basic values, and around this is built a solid attachment to the whole traditional morality. Peasant individualism is really a sort of family nationalism. Solidarity belongs to the family, or within the framework of other 'natural' groups: the village, the nation. It operates less easily for voluntary associations.

### **5. The Business Ethos**

If the workers want to deprive the middle classes of their privileges and take them to themselves, to avoid catastrophe they will also have to take over their functions, their responsibilities—and their virtues to enable them to meet them.

For the bourgeoisie also has its ethos, or rather its ethics. In fact, what we are here interested in is business ethics, many of whose aspects are valuable and even necessary, especially the factors contributing to the success of an enterprise.

First and foremost, responsibility: the entrepreneur is bound to remunerate suppliers of goods and services, to meet his liabilities. It is the awareness of this responsibility which creates the personal dignity of heads of enterprises; and to achieve this kind of responsibility requires a whole cluster of skills and rules, which constitute good management.

The puritan ethic played a large role in the success of the middle classes: work was honoured, provided it was managerial or intellectual; expenditure must be carefully controlled; thrift as a virtue dates from then. But in the 'consumer society', that aspect of the bourgeois ethic is in decline.

The synthesis achieved by the co-operative ethos from elements of the working man's social conscience and middle class ethics is delicately balanced. The exigencies of the social conscience are not always fully compatible with business efficiency, and produce the tensions within co-operatives between 'ideological' and 'managerial' leaders. The balance must be maintained, and these problems faced.

## **II. THE CO-OPERATIVE DECLINE**

### **1. External Causes**

There is a decline in co-operative morale at the present time, first because conditions in the industrialised countries today have become less favourable to its growth, due to the improvement in living conditions achieved by capitalism over the past 25 years.

This has been achieved by the new techniques, which co-operatives have also been obliged by competition to adopt. The 'scientific' organisation of

labour, automatised, undermine the camaraderie of labour which strengthens workers' productive co-operatives. Vast self-service stores reduce the human contacts which help consumers to feel themselves part of an association. Following the example of their competitors, and in spite of their principles, co-operatives have often had to abandon members who became too costly to serve: consumers on low incomes and without cars; customers who ran into debt;



small farmers too far away or with minimal deliveries.

The high productivity of modern methods often enables a capitalist enterprise to offer better prices than those offered by co-operatives who distribute their profits to their members. Recourse to co-operatives no longer appears so necessary.

The harshness of the competitive struggle has forced some co-operatives out of existence, and even—at one go—the greater part of the Dutch consumer co-operative movement. Others have allied themselves with capitalist enterprises under agreements which could become dangerous, or have abandoned the dividend.

## 2. Internal Causes

However, internal causes also account for this decline of the co-operative movement. The men and women of our so-called 'consumer society', flattered but also conditioned by advertising, have become very individualistic. An Association with frightening obligations and responsibilities holds little attraction for them. Television keeps them at home and makes meetings and community life difficult.

The increasing size of co-operatives and their subordination to their central organisations tend to deaden democracy.

The dividend was the principal reason both for joining and then remaining loyal to the co-operative, the proof of its superiority over the capitalist enterprise. Its reduction or suppression relegates the condition of the members, and hence their psychology, to those of mere customers, employees or suppliers.

Co-operatives are less and less considered as enterprises 'different from the

others', not only because of their physical appearance but also because of their method of operating. There has also been a psychological change, which is to be seen in all human associations and institutions: the founders of a co-operative work with enthusiasm because of the joy of creating and constructing something, but the second and later generations are entering upon something 'ready-made', something which they take for granted. And management is less interesting than creation.

Although the goal for which an organisation is created may be a bold one and of great moral value, various processes must be set in operation, and often various intermediary stages provided for. In the heat of action, one can become so absorbed in the difficulties that the final aim appears to be dwarfed by the intermediary objectives and the organisation itself, whose defence and reinforcement become aims in themselves, and may appear to require measures contrary to the original final goal. Churches and political parties are good examples of this phenomenon. It happens also to co-operatives.

Finally, if we look at the personal level, there have been more moral failures, often serious. At the lower level it may be petty theft in the shops, cheating on deliveries of products for sale. At the top, the leadership may be tempted to allow themselves advantages, either financial or in kind, often clandestine, and of which the grassroots—whether worker or peasant—would disapprove. Purchasing departments are certainly begged to 'accept bottles of wine', gifts from suppliers. We now know, thanks to the scandals which have erupted in several countries, how wide-

spread is this practice in the capitalist business world. But do co-operative buyers always refuse these offers?

If the top sets a bad example, it can easily spread right down to the bottom; a manager, himself not beyond reproach, does not have the necessary authority to effectively reprimand a subordinate.

Occupied by their economic struggle, co-operatives no longer give sufficient weight to their ethical aims.

It follows from all this that, in the more industrialised countries, many no longer dare to hope that co-operatives will completely take over the economy. The

ideologists of the co-operative movement are worried. The mainsprings of co-operative action, which rest on the conviction of fighting for a cause for the progress of humanity, and which are the source of zeal, loyalty, and even of sacrifice if required, grow weaker. The moral capital of co-operatives is declining. And since personal motivations have also weakened, this could be dangerous.

In the co-operative movement, then, there are problems of ethics which call in some cases for improvement and in others for redress. A later article will attempt to explore the possibilities of what can be done.

Tr: M.B.

## **Co-operation as an Instrument for Rural Development**

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# Problems of Rural Co-operatives in Guyana\*

by

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## I. INTRODUCTION

In February 1970, Guyana adopted a co-operative economic system. The basic objectives of this system are to provide for equitable income distribution, participation in decision-making, unity, and economic self-dependence.<sup>1</sup> Co-operatives were to become the major vehicle for the promotion of economic development and it was intended to use the co-operative spirit as a philosophy, a way of life, a working system, and to bring about the creation of a major sector for the total involvement of the masses, for eradication of the economic and social injustices created during the period of colonial rule.

As such then, a number of co-operatives were formed and the spirit of development through co-operatives gained significant momentum in the economy. However, like any new concept or operational policy, some problems were encountered along the way. These problems arose primarily from institutional shortcomings and a somewhat benign neglect of the co-operative movement by the Government of Guyana. In this paper, we first examine the problems encountered by the rural co-operatives and secondly, we advocate some strategies for strengthening these co-operatives in Guyana.

## II. THE NATURE OF THE PROBLEMS

Co-operativism and co-operative socialism in Guyana have, so far, had a positive socio-economic impact.<sup>2</sup> However, there still remain factors limiting the growth of the movement.

With respect to rural co-operatives, these limitations arise primarily out of lack of inter-co-operative relations at the national level. As such, the quantified objectives of Guyana's rural co-operatives have not been carefully defined, particularly with respect to national objectives and policy. This has further resulted in a great proliferation of rural co-operatives

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\*While this article refers specifically to Guyana, its findings could equally well apply to co-operatives in other developing countries.—*Ed.*

with their activities concentrated in those areas where resources are inadequate and where numerous incidental expenses are incurred.

There exists also a lack of trained personnel with sufficient managerial skills to adequately run the various rural co-operative societies. This has brought about a situation where there is no distinct and recognisable division of responsibilities among the members of the co-operatives. Hence, there is no mechanism for interpreting and implementing the desires of the membership; and, moreover, there is no mechanism for co-ordinating and integrating resources, controlling, evaluating, and appraising performance so as to know when and how to initiate remedial action.

Another fundamental problem is that of inadequate statistics. This problem is characteristic of most developing countries regardless of their socio-economic system. However, without the necessary information in the form of currently relevant data, it would be virtually impossible for the government and the rural co-operatives to construct and implement satisfactory plans for co-operative development. The statistics that are currently available are obsolete, difficult to compare and of questionable usefulness.

One of the misleading ideas in the development of rural co-operatives in Guyana is that a co-operative is mainly a local organisation. The emphasis has therefore been on organising individual agricultural thrift, credit, and village societies. But the management of a financial system—the planting, harvesting, manufacturing and distribution of products—most marketing and other functions—are much too big in scale for a

local co-operative unit. These operations must be organised on a regional or national level. This means, therefore, that there must be some form of functional and vertical integration which will reduce total operational costs of the co-operatives and bring about a greater degree of equity.

Closely related to the problem of the prevailing local co-operative unit is the problem of the size of the rural co-operatives. It is generally accepted that the optimal economic size of rural or agricultural co-operatives is determined by the most favourable ratio between volume of business required by the members and the cost per unit of transaction.<sup>3</sup> Thus, economies of scale can be achieved by operating at a size which allows the lowest cost per unit. Yet in Guyana, the rural co-operatives tend to be the same size as the village or local community, which might comprise not more than 20 or 30 families. Undoubtedly there is some advantage in having a co-operative as a social organisation based on the size of the existing communities, but the volume of business is inevitably too small to be viable in Guyana.

One of the major constraints on co-operative development in practically all developing countries is the lack of any concrete or well defined government policy pertaining to the various types of co-operative societies. In Guyana, this is manifested in the government trying to promote rural development without providing the support and services needed by farmers, particularly the smaller farmers. It is only through government supervision and inspection that a pattern of co-operative development can be guided without suppressing local auto-

nomy and initiative. The deficiency in government support and supervision of rural co-operatives in Guyana results not from inability of the government to perform such functions, but rather from a reluctance to intervene on behalf of the mass of members of rural co-operatives. This reluctance has created significant structural limitations to the growth and development of rural co-operatives in Guyana since it negates the vital principles on which co-operatives are promoted and used as instruments of change, not only to improve the well-being of their members but the nation as a whole.

It is axiomatic that every business organisation needs a system to guide its investment planning, some way of studying in advance the economic and technical feasibility of possible investments. Such techniques are used by co-operatives in Japan, Israel and Tanzania, but they are rarely used by Guyana's rural co-operatives, the two reasons, of course, being the lack of trained co-operative managers acquaint-

ted with such techniques and the minimal involvement, by the government, of co-operatives in national development plans.<sup>4</sup>

Along with this lack of a systematic approach to investment planning, there is also the problem of a lack of financial and economic discipline in the financing of rural co-operatives. Credit programmes are regarded as a kind of 'poor relief' because the Agricultural Development Bank and the National Co-operative Bank seem to believe that small farmers are too poor to save money. But rural co-operatives in Guyana require funds for three purposes: individual loans for farmers, working capital, and fixed investment in facilities. Hence, any problems encountered in obtaining these funds will create inadequacies in capital accumulation for the rural co-operatives.

The foregoing discussion in this section has set out the basic and primary problems which plague Guyana's rural co-operatives. We will now move on to discuss some strategies for strengthening these co-operatives.

### III. STRATEGIES FOR STRENGTHENING RURAL CO-OPERATIVES IN GUYANA

Apart from the intended policy thrust and role of co-operatives in Guyana, rural co-operatives are important instruments for promoting rural development—an area that has been always neglected in Guyana. Here we take rural development to mean, in broad terms, the far-reaching transformation of social and economic institutions, structures, relationships and processes in any rural area. It conceives the cardinal aim of rural development not simply as agricultural and economic growth in the narrow

sense, but as balanced social and economic development—including the generation of new employment; the equitable distribution of income; widespread improvement in health, nutrition and housing; greatly broadened opportunities for all individuals to realise their full potential through education and a strong voice for all the rural people in shaping the decisions and actions that affect their lives.<sup>5</sup>

Thus the rural development effort presumes active and willing participation

of rural peoples in the development of their rural communities. Such participation requires that these people not only share in the distribution of the benefits of development, whether material benefits of increased output or other benefits which improve the quality of life, but that they share also in the task of creating these benefits, and this in essence is what the co-operative movement is all about.

Rather than being surprised by the appearance of a co-operative, the rural community should be a part of the organising action. Rural community leaders and representatives of all possible resource organisations need to be fully informed about the intent and purpose of the proposed co-operative before its official structure is set up. It is difficult for a new organisation to emerge without community-wide support.

One of the better ways to attract community support is to organise a development organisation that can assess total community needs. Such an organisation can identify and solicit leadership, obtain financing, and in some instances acquire facilities. A new co-operative has difficulty achieving identity and credibility. A development organisation has these assets built in if its membership is properly constituted. Members should come from those who would benefit as co-operative members, business and community leaders, educators, and professionally trained technicians such as rural agricultural officers. These people, in turn, can make contact with Government agencies that can result in strengthening the validity of the proposed co-operative.

In Guyana, there are currently approximately 290 registered rural co-operatives. There is, however, insuffi-

cient data on the operation of these co-operatives and the recently organised Ministry of Co-operatives is in the process of compiling the necessary information to be released shortly. However, from currently available information, Guyana's rural co-operatives need to be re-stimulated and brought back into the mainstream of genuine economic activity.

Rural co-operatives have an almost universal image as economic institutions through which farmers can improve their lot in life and protect themselves from exploitation. In the past two decades, the less developed countries have expanded this image by regarding the rural co-operative as an institutional bridge between subsistence and modern agriculture, particularly for small farmers. The principal organisation used to involve small farmers in a flexible system, capable of responding to both domestic and export markets, and giving the farmer some control over his own destiny, has been the rural co-operative. There are not many developing countries in post World War II experience whose small farmers are doing well without viable rural co-operatives.<sup>6</sup> Therefore, the activities of any newly formed co-operatives and also of the existing ones should be directed to developing new as well as previously abandoned economic areas where adequate resources and support could be expected. This will help to prevent any great proliferation of rural co-operatives, and thus assist only in the formation and promotion of societies which will have a real economic impact.

Thus Guyana's rural co-operatives should be formed only after careful preparatory work has been done. It has

been pointed out that there is a great failure rate for co-operatives that have been set up without a thorough study, beforehand, of their needs and of the conditions in which they will have to function.<sup>7</sup> Investigation preliminary to the setting up of co-operatives is nothing new. The Rochdale Pioneers devoted a full year to discussing the prospects of their store before they started it. Moreover, in various countries there are various methods adopted for this preliminary investigation. In Jamaica, for example, as a preliminary to the launching of co-operatives of various types, study and savings unions of the prospective members are formed.<sup>8</sup>

Prospective co-operative members, in sufficient numbers, must be canvassed to determine if they have a genuine interest in improving their standard of living and have the necessary minimum resources. In the rice projects, resources were readily available in the communities and were fully utilised. Similar circumstances prevailed for livestock co-operative members. In both instances major efforts went into identifying potential co-operative members, providing training to produce a quality product, and assigning to the co-operative the functions of assembling, grading, and packaging in adequate volumes at a central point for marketing.

With respect to the levels of capital formation by the rural co-operatives, a definite plan is needed for the fostering of capital formation. Without any such plan, the growth of deposits and investment in share capital will continue to be far below that needed for financing the services required by co-operative members. It has been shown that rural co-operatives can save and build up capital

as in Japan, Taiwan and Korea. In Taiwan, for example, the farmers' co-operatives by 1968 were financing four-fifths of individual loans from their own resources.<sup>9</sup> A similar situation exists also in Japan and Korea.<sup>10</sup>

Capital formation in the above-mentioned countries resulted from programmes to induce deposits of savings and idle cash by members, long-term plans for building member investment in share capital, and reinvestment of surpluses from business operations. The same can be done in Guyana.

Rural co-operatives in Guyana need to be vertically integrated. This means that the operations of the co-operatives should be organised at national and regional level so that economies of scale can be realised from management, production, distribution and marketing. It has been actively demonstrated in the rural economic areas that the more integrated a co-operative activity becomes, the more powerful and successful it is in the market mechanism.<sup>11</sup> Further, evidence and examples have shown that co-operatives only become really effective when they form part of an integrated system.<sup>12</sup> This is so, primarily, because isolated rural co-operatives find it difficult to give full support to their members.

This brings us then to a discussion of the size of rural co-operatives. The size of rural co-operatives is very important in Guyana if they are to function as viable rural enterprises and generate sufficient economic activity. Rural co-operatives in Guyana are weakened not only by lack of strong federations but also by their own small size. Most are actually too small to be potent enterprises. The need to maintain a certain minimum size of

operations has too often been ignored wherever rural co-operatives have been organised in individual villages, which is the common practice in Guyana. Such co-operatives have, therefore, been too small to finance needed facilities and, as such, incapable of really serving their members. They have limited resources with regard to capital, trained staff and educated members who understand the functioning of co-operatives and who are able to perform the necessary function of self-determination. Clearly, without adequate resources and facilities, rural co-operatives in Guyana will be co-operatives in name only.<sup>13</sup>

Rural co-operatives are not separate businesses but an extension of the farmers' production operations. In Guyana most farmers must learn how to plan, manage, and invest in their own farms as they build co-operatives because few of them have had any exposure to a system for modernising agriculture. This brings us, therefore, to the role of the government. The most important aspect of this is planning. A serious attempt should be made by the government to involve rural co-operatives in national development plans. Though overall emphasis has been placed on the co-operative order in Guyana and the need to be self-sufficient in food production, no particular mention has been made of an all-embracing programme for the total involvement of the rural co-operatives. By contrast in some countries, such as Taiwan, the government insists that all farmers' associations should prepare annual programmes of work, together with budgets, and ensure that they are satisfactorily carried out.<sup>14</sup> If violations of performance standards should ever occur, the government can

enforce compliance through a variety of sanctions including, if necessary, de-registration of the society.

Government policy must be directed to building a strong agricultural sector and strong rural co-operatives able to withstand the impacts of economic, social and political forces, with a rural co-operative system that has developed a leadership capable of taking the initiative in formulating policies that reflect the needs and interests of members. With such conditions prevailing, the government will find it advantageous to continue to support and encourage further development of rural co-operatives as the most effective way of implementing agricultural policies.<sup>15</sup>

Furthermore, co-operation is a form of business organisation and co-operatives operate not in isolation, but in the wider social, economic, and political context. If, as has been espoused by the government, the objectives of state policy are to ensure social justice and give preferential treatment to the weaker section of the community, the co-operative must follow a course of action that is correlated with government policy. Given the prevalence of the existence of the co-operative spirit, then the role of the government must be to render the needed support in order that Guyana's rural co-operatives may develop into a strong and tall edifice.

As the rural co-operatives develop, government influence can withdraw. Good examples of this process can be seen in the farm credit and rural electricity co-operatives in the United States. Both these vast programmes began with maximum financial and operating guidance from the United States government. This was necessary, also, because



sufficient experienced leadership or finances did not exist outside government to guide and develop either programme.

Finally, it is necessary that we advocate specific measures to overcome what may be the main constraint on co-operative development in practically all developing countries—the lack of managerial skills. Investment in human skills in the form of managerial training, therefore, constitutes perhaps the most important prerequisite for the development of rural co-operatives. As long as there are insufficiently trained managers, very few recommendations to improve operational methods, policies and procedures can be implemented successfully in Guyana.

Previously, the manager was expected to be something of a good group leader or a book-keeper. Now he must combine both qualifications and be even more. Co-operative managers will have to be trained, therefore, in a different manner

from before. In Guyana's case, this training must also include some orientation toward the principles of 'co-operative socialism' as it is interpreted for promoting growth and development in the country. As such, it is necessary for management training cells to be established. The Kuru-Kuru Co-operative College, the Agricultural Development Bank, the National Co-operative Bank, and similar institutions should collaborate in establishing and running suitable training facilities. Of course, it would be even better to promote mass co-operative education to encourage mass social participation in co-operative development. This means that co-operative education and training should reach the general public, which currently does not receive accurate information, if any at all, about co-operation and co-operatives, and whose support, in a society promoting the co-operative doctrine, would constitute an important asset for the co-operative movement.

#### IV. SUMMARY AND CONCLUSIONS

Rural co-operatives in Guyana have been shortchanged and handicapped in their efforts by a number of institutional and structural problems. This paper has advocated some measures for bringing the rural co-operatives back into the mainstream of co-operative economic activity. It should be pointed out that although this paper deals specifically with rural co-operatives, some of the problems encountered and, hence some of the proposals for strengthening the rural co-operatives, are applicable to other co-operative societies as well.

The co-operative system has proved to be the most suitable one in developing

agriculture, generating structural transformation, and promoting economic independence.<sup>16</sup> It is a system that can be found in almost every developing country today. It is a system that must be safeguarded and supported, be more sensitive to economic developments, and properly planned and directed.

The co-operative movement in Guyana shows signs of an overall decline. Significant attempts, therefore, should be made by the government to revitalise this concept and system, within the framework of the original objectives, if any net benefits are to be derived in the future.

- <sup>1</sup>Kempe R. Hope, 'A Note on Co-operative Socialism in Guyana', *Annals of Public and Co-operative Economy* 44 (July-September 1973) pp 233-234.
- <sup>2</sup>For a thorough analysis of 'co-operativism and co-operative socialism' and their resulting socio-economic impact in Guyana see previous papers by the author: 'A Note on Co-operative Socialism in Guyana', *Annals of Public and Co-operative Economy* 44 (July-September 1973), pp233-240; 'Co-operative Socialism and the Co-operative Movement in Guyana', *Review of International Co-operation* 68, No. 2 (1975), pp56-65; 'National Co-operative Commercial Banking and the New Development Strategy in Guyana', *American Journal of Economics and Sociology* 34 (July 1975), pp309-322; 'Co-operativism and Co-operative Socialism in Guyana', *Yearbook of Agricultural Co-operation 1976*, pp171-189; and 'Co-operativism and the Economic Development Process in Post Colonial Guyana', *Review of Black Political Economy* 7 (Fall 1976), pp53-66.
- <sup>3</sup>N. J. Newiger, 'Prerequisites for the Development of Agricultural Co-operatives in Developing Countries' in Plunkett Foundation for Co-operative Studies (ed.) *Yearbook of Agricultural Co-operation 1973* (Oxford: Basil Blackwell, 1973), p43.
- <sup>4</sup>For the five year period (1972-76) in the Government of Guyana Second Development Plan, co-operative investment was only expected to total G\$75.5 million out of a total projected expenditure of G\$1,150 million See Government of Guyana, *Second Development Plan 1972-76* (Georgetown: Ministry of Economic Development, 1973), p120. For an assessment and criticism of the Plan, see Kempe R. Hope, Wilfred L. David and Aubrey Armstrong, 'Guyana's Second Development Plan 1972-76: A Macro-Economic Assessment', *World Development* 4 (February 1976), pp131-141.
- <sup>5</sup>Philip H. Coombs and Manzoor Ahmed, *Attacking Rural Poverty: How Nonformal Education Can Help* (Baltimore: Johns Hopkins University Press, 1974), pp13-14.
- <sup>6</sup>Advisory Committee on Overseas Co-operative Development (AC OCD), *Farmers' Co-operatives in Developing Countries* (Washington, DC, AC OCD, October 1971), p11.
- <sup>7</sup>ILO Committee on Work on Plantations, *Promotion and Development of a Co-operative Movement for Plantation Workers—Report II* (Geneva: ILO, 1961), p25.
- <sup>8</sup>*Ibid.*
- <sup>9</sup>Joint Commission on Rural Reconstruction, *Nineteenth General Report* (Taipei, Taiwan, 1968), p100.
- <sup>10</sup>See Mary Jean McGrath (ed.), *Guidelines for Co-operatives in Developing Economies* (Madison: International Co-operative Training Center, University of Wisconsin, 1969), pp72-76.
- <sup>11</sup>Allie C. Felder, Jr, 'Adapting Co-operatives to Underdeveloped Areas: The Professional Leadership View' in Kurt R. Anshel *et al* (eds.), *Agricultural Co-operatives and Markets in Developing Countries* (New York: Praeger, 1969), p240.
- <sup>12</sup>United Nations Research Institute for Social Development (UNRISD). *A Review of Rural Co-operation in Developing Areas* (Geneva: UNRISD, May 1969), p331.
- <sup>13</sup>To lend support to these arguments on integration and size it may be worthwhile to point out here that the Royal Commission on the Co-operative Movement in Ceylon (Sri Lanka) recommended that the number of village agricultural societies be reduced by about 90 per cent by merging 'from five to ten, and often more, existing rural societies to form one viable unit'. See *Report of the Commission* (Colombo: Government Publications Bureau, 1970), p71 and pp164-168.
- <sup>14</sup>Min Hsieh Kwoh, *Farmers Association and Their Contribution Toward Agricultural and Rural Development in Taiwan* (Bangkok: FAO, 1964), p10.
- <sup>15</sup>M. A. Abrahamsen, 'The Role of Co-operatives in Implementing Government Policy' in Plunkett Foundation for Co-operative Studies (ed.), *Yearbook of Agricultural Co-operation 1973* (Oxford: Basil Blackwell, 1973), p55.
- <sup>16</sup>Ali Mansour Vuai, 'The Concept and Strategies of Economic Independence', *Economic Analysis and Workers' Management* 10, Nos. 1-2 (1976), pp116-117; and John S. Saul, 'The Role of the Co-operative Movement' in Lionel Cliffe *et al* (eds.), *Rural Co-operation in Tanzania* (Dar es Salaam: Tanzania Publishing House, 1975), pp206-211.

# Fifty Years of the Co-operative Centre— Producers' and Services Co-operatives in Israel

by

L. Losh

Editor of *SHITUF*\*

## Background

The General Labour Federation (*Histadrut*) of the Hebrew workers was founded at the end of 1920, by agreement between two labour parties which had been active in this country from the beginning of the century. At its foundation, the General Labour Federation had 4,433 members (from about 50,000 Jews then in the country). At the foundation conference it was decided:

- to defend and advance the professional and social interests of the workers;
- to work for the national rebirth of the people of Israel in an independent state; and
- to establish a workers' society on the principles of justice, co-operation and mutual help, brotherhood and the liberty of man.

Thus the *Histadrut* adopted at its foundation the universal principles of

co-operation, and at its second conference in 1923 it was decided to establish an economic division, specifically for the purpose of founding co-operative enterprises in all the branches of the economy, with the aim of establishing a co-operative labour society throughout the country.

At the third conference (1927) the *Histadrut* decided to found a special institution to deal with producers and services co-operation in the urban settlements, and charged this institution with the establishment of workers' co-operatives in the industrial and artisanal sectors and in the public services, to train, direct and supervise them in organisational, administrative and social matters and to help them with their economic and financial needs.

At its foundation, this Co-operative Centre affiliated approximately 40 co-operatives (with about 600 workers)—in transport, haulage and various producers' and services branches—which had been established previously by different agencies dealing with the

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\*The organ of the Central Union of Industrial, Transport and Services Co-operative Societies in Israel.



*The repair and restoration of the co-operative ship Agur in the Port of Haifa.*

absorption of pioneers who came to this country at the beginning of the century.

At the same time the first co-operatives for agricultural settlements in rural regions were founded (the Kibbutz and Moshav), and producers' and services co-operatives were established in urban settlements. The principle of *co-operation in production* was to link and unite all those enterprises in the villages and cities. Everywhere the social motive characteristic of co-operation throughout the world was emphasised, as defined by the economist co-operator Herman Schultze-Delitzsch when he said that solitary individuals, who are weak economically and financially, need union and co-operative action in order to fulfil their economic and social desires.

In our case there was a national motive alongside the social motive: to build up our country by the power of self-labour and self-management and to rebuild our land on the basis of co-operation, fraternity and peace, equality and mutual help.

Thus the Producers' and Services Co-operative Movement was founded within the General Labour Federation and has worked with it during the last 50 years, alongside other co-operative sectors—agriculture, consumers, housing, credit, etc—which constitute together the economic division (*Hevrat Haovdim*) of the General Labour Federation.

Simultaneously with the trade unions in the Histadrut, interesting forms of



*The co-operative Kalid repairs typewriters and calculating machines in Tel-Aviv.*

administrative and co-operative labour economy were founded—where the financial and labour aspects refrain from conflict since they strive for a common aim. In the producers' and services co-operatives, which are built from the start on self-capital, self-labour, self-management—where the members are the employers as well as the employees, the background for struggles between these classes has disappeared, although the co-operatives employ hired workers as well (approximately 30 per cent).

The producers' and services co-operatives are organised and operate in accordance with the regulations laid down in 1934 based on the Co-operative Associa-

tions Order published by the British mandatory government in 1920 and the supplementary regulations which it established at the beginning of the thirties.

During the 20 years 1928-1948, the co-operative movement was active under the mandatory government and penetrated deeply into the various producers' and services branches in the national economy. At the foundation of the State of Israel (May 1948) there existed about 90 producers' and services co-operatives, employing some 4,000 members and hired workers. In the course of the past 30 years important developments have occurred in this co-operative movement.

## Producers' and Services Co-operation in Israel

It is doubtful if statistical data (in absolute figures) can reflect the real meaning and significance of the above-mentioned developments, since one should not forget that this happened in the State of Israel, which at its foundation had a population of only about 600,000 Jews and even now has only about 3 million. Nevertheless I will present first the structure and data for producers' and services co-operatives in absolute figures (as at the end of 1976) and after-

wards I will explain and clarify the figures as to their economic significance and social implications for the national economy and the way of life in this country.

The three sections of the Co-operative Centre (producers, transport and miscellaneous services) include more than 20 different branches and professions and extend to 142 co-operatives scattered throughout the whole country, employing more than 20,000 workers (about 70 per cent of which are members) who support and provide for about 100,000

<i>The section and the branches</i>	<i>number of co-operatives</i>	<i>number of workers</i>	<i>annual income* (million Israeli Pounds)</i>
<b>I. Producers</b>			
Metal and electricity .. .. .	10	955	180
Wood industry .. .. .	12	435	60
Building materials .. .. .	6	230	60
Printing and paper .. .. .	12	310	28
Clothing and footwear .. .. .	6	150	5
Bakeries .. .. .	23	650	85
Other industries .. .. .	4	110	12
<b>Total producers .. .. .</b>	<b>73</b>	<b>2840</b>	<b>430</b>
<b>II. Transport and Haulage</b>			
Passenger transport .. .. .	3	13000	1150
Haulage .. .. .	19	1500	380
<b>Total transport and haulage .. .. .</b>	<b>22</b>	<b>14500</b>	<b>1530</b>
<b>III. Miscellaneous Services</b>			
Distribution of meat, kerosene, etc.	7	175	15
Building sand, earthworks .. .. .	8	200	18
Schools and cinemas .. .. .	7	135	4
Laundries .. .. .	3	75	4
Restaurants .. .. .	6	250	10
Cleaning, security and maintenance	6	1000	20
Other services .. .. .	10	550	14
<b>Total of miscellaneous services .. .. .</b>	<b>47</b>	<b>2385</b>	<b>47</b>
<b>Total of the three sections .. .. .</b>	<b>142</b>	<b>19725</b>	<b>2045</b>

\*Note: In 1976 the nominal value of the US Dollar was about 8 Israeli Pounds.



*Co-operative Haargaz, Tel-Aviv, which produces chassis for buses*

persons. The total turnover of all these co-operatives in 1976 was over 2 billion IL and their share in the national income was estimated at 1.5 per cent.

But the rate of penetration of these co-operatives in the branches they represent is much larger than would appear from the figures. There are producers' and services sectors where the co-operatives are prominent, i.e., in the bakery sector co-operatives produce about 20 per cent of the standard bread output, in building materials about 20 per cent of the tiles output, about 15 per cent of gravel output, and about 12 per cent of beef processing and distribution.

In the metal and wood sectors there are co-operatives which specialise in bus chassis, in construction and production of building components, in the modelling of office furniture, in the production of

packing-cases for fruit and vegetables, in the development of electronic instruments, in the improvement of house and kitchen utensils—and their products are recognised and sought throughout the country. The co-operative printing presses in the three large cities are among the longest established and best equipped in this sector, as are the co-operative bakers scattered in about 20 settlements throughout the country among the best established and developed in their sector.

The co-operatives for public transport operate on all the urban and interurban lines throughout the country and constitute about 85 per cent of the communications system in the state. The whole transport system (about 5,000 modern buses with stations and garages, offices and other buildings) is owned by two



*Co-operative Alhut—production and servicing of radio and television sets in Natanya*

co-operatives, *Eged* and *Dan*, which over the years grew out of the merger of many small co-operatives which had been operating in the cities and different areas of the country. These two co-operatives decided at the beginning of 1977 to unite, to become one of the largest and most important enterprises in the national economy—and possibly the largest co-operative transport enterprise in the whole world.

The co-operatives for haulage are a remarkable and important power in the sector—their share in the transport of heavy freight and agricultural products is more than 50 per cent of the total tonnage in this field.

'These achievements of the producers'

and services co-operatives during the existence of the State have been attained with assistance given by the government. This assistance has been granted to the co-operatives mainly in order to absorb new immigrants and to help discharged soldiers to settle. Even though about half of the co-operatives founded by the Co-operative Centre for this purpose have since been dissolved, the mere fact of this co-operative experiment had positive implications for our economic and social life. In the programmes of productivisation and co-operativisation performed by the young State, thousands of new immigrants and discharged soldiers without either profession or money were absorbed; had it not been for the initia-





*Co-operators from developing countries attend a seminar at the Central Union*

tive to organise them in co-operatives, they would have remained outside the constructive frame of work.

Thus Producers' and Services Co-operatives in Israel have proved that the organisational and social basis for participation, responsibility and mutual assistance, self-employment and autonomous management can benefit the worker personally as well as the general public.

This conclusion is very important for any young country in the world seeking ways and means of building its economy and establishing its society. Israeli co-operation in the branches of producers, transport and various services is taken as a model by the developing countries in the Third World who send delegates to Israel to see and learn everything, or

invite experienced instructors to their countries in order to hear and be taught by them.

### **The Future**

In spite of the positive findings described above, the motives which previously encouraged the hired worker to strive for economic and social independence within the co-operative framework have weakened during recent years. The automatisisation of industry and the modernisation of services limit more and more the establishment and development of productive enterprises and co-operative public services; their basis of capital and development is in any case limited to start with and is not strong enough to compete with the pressure of

capitalistic power, which is taking control of the economy. The basis for the establishment of new co-operatives and the terms on which members can join existing co-operatives are becoming more restricted, and thus the contribution of co-operation to present socio-economic developments is diminishing.

But it seems that the conflicts which arise and are becoming more and more serious in the neo-capitalistic economy—unemployment, strikes and the shrugging off of responsibility—will bring people back to the principles of co-operation, to seek there the solution to the ills of centralisation. The spirit of independence and responsibility which has reigned in the co-operative movement from its beginning, might heal the wounds created by the technocratic system which has taken over the world. Israel, in spite of being a young developing state, has been scarred during the last few years by the same shortcomings that afflict the developed, rapidly-

changing world and by what is happening to co-operation in that world.

It is amazing that Co-operation, in its continuous fight to hold its socio-economic image, finds itself—everywhere and at any time—ignored, and must prove again and again its uniqueness as an efficient economic system and its advantages as a universal social movement.

Any form of progress and advance, especially in the path of vision and action which is characteristic of Co-operation, brings those who walk it to a crossroads and obliges them to make new experiments and decisions. In spite of the economic and social difficulties which are heaped in its way, Co-operation continues to show action and initiative, strengthens the yearning for equality and social justice and carries into practice the sublime ideals of co-operation and mutual help, brotherhood, friendship and peace.

# Trade Unions and Co-operatives in Partnership: The Danish Example

by  
Leonora Stettner\*

*Interest in workers' co-operatives appears to be at a new peak throughout the world, in both developed and developing countries. One example of this was the recent ICA Open Conference on Industrial Co-operation held in Rome in October 1978 in which some 400 delegates from 37 countries participated. Another is the considerable number of research studies on workers' co-operatives which have been initiated in the last few years.*

*A major point which seems to be emerging from these various discussions and studies is that the full potential of workers' co-operatives can only be realised if they are viewed as an integral and vital part of the labour movement as a whole. This in turn implies wholehearted commitment—as in Denmark—to the concept of workers' co-operatives on the part of trade unions as well as substantial technical and financial support from them.*

Denmark is unique in respect of the relationship there between the trade union and the co-operative movements. In no other country except Israel is this relationship so close, and even in Israel its origin and structure are very different from that in Denmark.<sup>1</sup>

## OBJECTIVES

In the latter part of the 19th century Danish "workers in industry were battling for security and the improvement of their standards of living and did

not at first make use of co-operatives in this battle. It was not until later that the workers realised that they could use co-operatives in their struggle for economic independence since co-operative activity could be both a price regulatory factor plus a lever in the battle for shared

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\*This article is based on material collected and personal interviews conducted by the author in the course of her current research on workers' co-operatives which is financed by the British Social Science Research Council and sponsored by the Co-operative College, Loughborough.

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<sup>1</sup>See *The Role of Co-operatives in Israel*, Leonora Stettner, Review of International Co-operation, International Co-operative Alliance, No. 2 1977.

responsibility and better working conditions.”<sup>2</sup>

The turning point was in 1907 at a meeting in Oslo of the Nordic Labour Movement. This Congress stated that the co-operative movement should be considered as an important instrument in the workers’ class struggle and that the co-operative enterprises, along with political and trade union organisations created by the working classes, should operate as a means of giving workers insight into management of production and trade, and increase their capacity to take over this function.

Since that time the Danish labour movement has seen itself as comprising three wings with shared objectives. As they see it, it is the purpose of *trade unions* to organise workers to bargain with employers for better wages and working conditions. It is the purpose of the *Social Democratic Party* to exert political pressure with a view to bringing about economic reforms and social security for workers who constitute the majority of the population. And it is the purpose of *co-operatives* to provide a form of economic organisation, alternative to private enterprise, through which workers can achieve their various economic objectives.

These objectives are varied. They include:

- preservation of jobs and security of employment: through industrial co-operatives workers can create their own employment;
- control by workers over their jobs: through industrial co-operatives workers can take over the management of

enterprises and thereby achieve industrial democracy and a greater influence over their own destinies and those of society;

- greater work satisfaction: through industrial co-operatives workers can cultivate their common interests and warm human relationships in the work place, ensure optimum working conditions, develop their skills and individual potentialities and infuse their daily routine with interest and meaningfulness;
- increased productivity: through industrial co-operatives workers are motivated to rationalise production, harmonise industrial relations, minimise bureaucracy and become more receptive to inevitable technological changes;
- higher living standards: through industrial co-operatives workers can ensure that the greater share of the fruits of their labours flows to them rather than to investors of capital;
- opportunity to learn the techniques of industrial management and industrial democracy: workers’ co-operatives provide workers with a laboratory for experimenting with forms of control that create a balance between different group interests in business and society;
- support in the struggle against multinational corporations: workers’ co-operatives provide their members with security against being taken over by private industrial giants;
- protection of consumer interests: workers’ co-operatives enable their members to ensure the production of quality goods at reasonable prices.

<sup>2</sup>Peter Mortensen, in *The Danish Co-operative Movement*, edited by Clemens Pedersen.

## ORIGINS AND STRUCTURE OF THE DANISH WORKERS' CO-OPERATIVE MOVEMENT

Highlights in the history of the Danish workers' co-operative movement can be briefly sketched as follows:

- 1870s — Formation and demise of several workers' co-operatives which failed for lack of training and of capital.
- 1884 — First co-operative bakeries set up to break the monopoly of master bakers.
- 1896 — First co-operative dairy.
- 1899 — (the year of the biggest labour battle in Danish history with the lockout of 40,000 workers) — Setting up of first workers' co-operatives in the building industry by skilled house painters, joiners and carpenters.
- 1907 — Decision of the Trade Union Federation (LO) to promote workers' co-operatives.
- 1912 — Formation of Workers' Co-operative Housing Association.
- 1913 — Formation of Workers' Co-operative Building Association.
- 1919 — Formation of Workers' National Bank.
- 1922 — Formation of the Danish Federation of Workers' Co-operatives (DkF).
- 1936 — Formation of the labour movement's Economic Council.
- 1949 — Agreement between LO and DkF on working conditions in workers' co-operatives.
- 1953 — Formation of labour movement's Co-operative Financing Fund (AKF).
- 1968 — Agreement between LO and DkF on constitutional principles for economic democracy.

1975 — Establishment of the Joint Secretariat by LO and DkF.

The Danish Federation of Workers' Co-operatives (DkF) is an umbrella organisation whose functions are to represent the interests of the movement to the government, Parliament and other public bodies and also internationally; to spread public knowledge and understanding of co-operation; to provide workers' co-operatives with information and advice on legal, administrative, economic and technical problems; and to provide education and training for members and officials in the movement.

One-half of the wages of DkF staff are paid by the State. Both the LO and the Social Democratic Party have seats on the DkF Board, and the DkF is represented on the economic committee and the steering committee of the Social Democratic Party.

In Denmark there is no co-operative legislation and co-operatives register under company law; accordingly members of co-operatives are free to formulate their own rules. However membership in the DkF entails adherence to certain standard rules prescribed by it. Currently there are 684 member societies. Of these 509 are housing societies, 72 are building co-operatives, 49 are canteens, 19 are bakeries, 5 are oil and fuel co-operatives and 30 special societies.

### **Housing Societies**

The National Association of Co-operative Housing Societies is the apex organisation for the co-operative housing movement. Although affiliated with the

workers' co-operative movement, the housing societies are actually, as one commentator put it, "consumer co-operatives whose only ware is housing."<sup>3</sup> Operating on the principle of rentals at cost price they administer over 300,000 flats, more than 3,000 shops and a wide range of shared facilities such as recreation and youth clubs, nursery schools and ball grounds. They employ some 3,500 full-time and 2,500 part-time workers. A National Building Fund, administered by the National Co-operative Housing Association, the National Association of Tenants and the Ministry for Housing, makes loans to finance building projects, rent reductions and resident share payments. Its funds are derived from compulsory rent increases and from State loans.

### **Building Co-operatives**

The National Association of Building and Construction Co-operatives is the apex organisation for the building co-operatives. It has 65 constituent companies in the fields of brick-laying, contracting, water - ventilation - sanitation, painting, carpentry, joinery and electrical installations as well as two architect - engineer - planning concerns which serve all of the housing and building co-operatives, and a complex of companies providing concrete components, kitchen units, etc. In all some 5,000 workers are employed. Some of the societies have federated and a few operate nationwide.

### **Canteens**

The National Association of Catering Co-operatives originated after World

War II with workers in large firms who wanted to control the delivery and pricing of goods in industrial canteens on a non-profit basis, and also to improve conditions of sanitation, safety and rest facilities. Most purchase consumer durables at large discounts for sale to workers, as well as some goods for further processing. Some have bought holiday homes for workers. The 49 member organisations employ 250 workers serving some 20,000 employees; the latter are members either directly or through their local trade unions.

### **Co-operative Bakeries**

Some 19 bakeries commanding 27 per cent of the market and employing some 800 workers constitute the National Association of Co-operative Bakeries.

### **Fuel Co-operatives**

The purpose of the five fuel co-operatives is to ensure a supply of fuel at reasonable prices to consumers. In pursuit of this objective they have founded a co-operative company, Danish OK-OIL, which imports oil from the Swedish co-operative OK refinery and then retails through some 600 shops mainly attached to consumer co-operatives.

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### **Special Co-operatives**

Finally there are some 30 individual service societies attached to DkF which cater to the whole labour movement as well as occasionally to private enterprise. These include an auditing institute, two insurance companies, printing works, newspaper and book publishers, book binding, a computer centre, a project and architect department, purchase organisations, the Bank and a workers' theatre movement.

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<sup>3</sup>Peter Mortensen, *op. cit.*

# ADMINISTRATIVE MACHINERY FOR COLLABORATION

## The Economic Council

Founded by LO and DkF in 1936, the Economic Council is the top economic organisation of the labour movement. Its function is to represent the views of the labour movement on various policy issues to official bodies in industry and agriculture. The Council comprises representatives from trade unions, workers' co-operatives and the Social Democratic Party. It meets annually and its executive committee meets monthly.

## General Agreements Between LO and DkF

The trade union attitude to co-operatives was most clearly expressed in a foreword to an agreement in 1949 between the LO and the DkF:

*“The co-operative idea and form of enterprise have played an important role in the development of the labour movement. In their efforts to achieve a democratic economic order, co-operatives reflect endeavours to the benefit of consumers—to which trade unions are committed. Throughout its history the trade union movement has co-operated to promote a co-operative movement, ideologically and practically, which benefits the population both from the viewpoint of the consumer and of production, and the trade union movement is therefore deeply interested in strengthening co-operation and increasing its competitiveness. Acknowledging that the chief prerequisite for development of co-operation is maintenance of its competitiveness, and that the disruption of production and trade must be avoided, the trade union movement is in full agreement that greater demands con-*

*cerning wages and working conditions should not be posed than for private firms.”*

Co-operatives for their part fully recognised in this agreement the efforts of trade unions to promote the best possible working conditions and they committed themselves to establishing in their own enterprises as good wages and working conditions as possible.

Another agreement was concluded in 1968 concerning democracy in the workplace. This specified, *inter alia*, that:

- management and employees in a workers' co-operative have common interests which can best be achieved through collaboration;
- the interests of other groups, notably consumers, must also be considered;
- increased powers should be given to works committees;
- there should be better planning and preparation of meetings, and procedures should be developed for this purpose;
- all employees of a workers' co-operative should be involved in meetings, and to this end agenda should be circulated in advance, the agenda should not be finalised until considered by discussion groups, and workers should be permitted to add to the agenda if they wish.

## The Joint Secretariat

In 1975 the LO and the DkF set up a common secretariat for certain purposes including tasks directly related to the efforts of both organisations to influence economic and industrial policies; co-ordination of a whole range of tasks;

representation of the two movements in various councils and committees; information and propaganda; and advice to particular groups. The Secretariat comprises representatives from DkF, the Economic Council, the Co-operative Financing Fund, the building co-operatives, the canteens and the labour movement's Educational Fund.

### **Local Councils**

In 11 of Denmark's major cities there are local co-operative joint councils which are in effect small central unions bringing together various local leaders interested in promoting co-operation, and they include workers' co-operatives, consumer co-operatives, the Workers' Educational Association, members of the Social Democratic Party, local trade unions and other local organisations in

the labour movement. These councils take the initiative in supporting existing co-operatives and starting new ones.

Their functions include contacts between co-operatives; local organisation to support national campaigns; discussion and encouragement of new co-operative initiatives; mobilising local investment funds for assisting co-operatives; contacts with local authorities on local business issues; publicity and information on co-operatives.

The activities of local councils are supervised and co-ordinated by the DkF which holds an annual conference of local councils. Also local councils are authorised to send voting delegates to the annual general meeting of DkF. They are financed by contributions from workers' co-operatives and local trade unions.

## **ECONOMIC DEMOCRACY**

Workers' co-operatives are looked on by the Labour movement as major instruments for achieving economic democracy. The principles which underwrite economic democracy are written into the constitution or model rules to which co-operatives must adhere in order to become members of the DkF.

These principles are of three kinds: those which ensure representation of workers' interests; those which ensure representation of consumers' interests; and the so-called 'parity' principle which ensures against speculative capitalistic gains for co-operative shareholders.

### **Workers' Representation**

A central theme in the collaboration between trade unions and co-operators in Denmark is the concept of under-

writing the influence of workers over the management of the enterprises in which they are engaged, and thereby their influence on society as a whole. The objective of workers' co-operatives is not to create pockets of 'workers' capitalism' which would split the interests of the labour movement and alienate the trade unions. It is rather to promote the general welfare of working people and thereby the solidarity of the labour movement.

This is one reason why DkF has committed its members to fully recognising trade union efforts to promote the best possible working conditions. It is also why the trade unions and the co-operatives have agreed on a system of workers' rights based on the principle that every disagreement in a co-operative



enterprise should be resolved by negotiation and not through strikes and lock-outs. And it explains why the DkF encourages workers to hold shares on a collective basis through a members' investment club or through a federation.

Above all, this is why the standard voting rules promulgated by the DkF are designed to ensure democratic worker control of enterprises. In primary societies (in which members are individual shareholders) this is achieved through the principle of one member, one vote. In secondary societies (in which members are organisational shareholders—workers' co-operatives, trade unions, consumer organisations, and public authorities but never shareholders who represent private capital), voting bears a relationship to number of shares held *but* it is stipulated, in order to avoid domination by any one group, that no organisation may exercise more than 40 votes or more than 25 per cent of the total votes. Similarly, worker influence on the executive Board is safeguarded by the requirement that one-third of the members of the Board, both in primary and in secondary societies, shall be elected directly by the workers in a separate meeting. The other two-thirds are elected by the general assembly, half to represent shareholders and half to represent consumers or the general public.

### **Consumer Representation**

Concern for the interests of consumers has been a primary motivating force in the development of Danish workers' co-operatives, and clauses relating to the provision of quality goods at reasonable prices have been written into most of the official documents which

make up the constitution of the DkF and the model rules for its members. In large measure this has been due to the influence of the trade union movement which has consistently since 1907 recognised the significance of co-operatives not only for workers as producers but also for workers as consumers. The LO has underlined this theme in all its public statements over the years.

The consumer principle is formally incorporated in the DkF standard rules by the provision that one-third of the members of the executive Boards in both primary and secondary societies must be elected by the general assembly as representatives of consumers. In this context any of the following can be considered to represent consumers: co-operative firms which purchase the products of workers' co-operatives, other co-operatives, consumer organisations, trade unions, public authorities and the general public.

Perhaps equally important is the support which the LO gives the DkF in its negotiations with the consumer co-operative movement (FDB) on issues relating to consumer interests. In theory and in official statements the DkF and the FDB are of one mind on such issues, and they have long-standing formal arrangements, including half-yearly meetings, for regular consultation. However, sharp differences in view have emerged, particularly in recent years. At the 1978 annual meeting of DkF these tensions erupted into an open and very frank, even sharp, debate between the chief officials of the FDB on the one hand and the DkF and LO on the other. The crux of the argument was the accusation by the DkF and LO that the 'technocrats' in the consumer co-opera-

tive movement in their drive to meet the competition from the modern world of retailing, have pursued rationalisation and centralisation to a point which seriously threatens member democracy. This in turn has led them to override the interests of the DkF enterprises which formerly were major suppliers to FDB, and in the process to become increasingly non-political, that is politically out of tune with the broader labour movement.

### **Limited Return on Capital**

The third facet of economic democracy which is jointly stressed by LO and DkF is that shareholders in workers' co-operatives should not be permitted to reap 'speculative capitalistic' gains from the operations of the enterprises.

In part this is achieved through the co-operative principle of limited return on capital. It is written into the standard

rules that interest on shares should not exceed national bank rate plus 2 per cent; any remaining surplus after payments to legal and other reserves should be used for the Co-operative Financing Fund or for education, or for such social purposes as holiday funds.

An additional safeguard against speculative gains is the 'parity' principle. Co-operative shares are redeemable only in the event of death, liquidation or if the shareholder no longer fulfils the requirements for being a shareholder, and permission to redeem can only be granted by the Board. Moreover the parity principle states that shareholders may only take out of the co-operative the value of their original investment (with no account taken of inflation). Thus there is no incentive to wind up the enterprise in order to realise the assets which have grown in value over time.

## **FINANCIAL SUPPORT FOR WORKERS' CO-OPERATIVES**

From very early days it was recognised that the capital requirements for industrial co-operatives are beyond the resources of the worker members, and trade unions have contributed to the financing of practically all workers' co-operatives in Denmark.

In part this contribution is made at the local level by the individual trade unions most closely involved. Primarily, however, trade union finance is channelled through financial institutions at the national level.

The Workers' National Bank set up in 1919 has as shareholders: trade unions, the LO, the DkF, the labour movement's political organs, and individual wage earners. With 36 branches and 700 em-

ployees it is the country's sixth largest bank.

In 1953 the Labour Movement's Co-operative Finance Fund (AKF) was started with contributions from the LO, the DkF and the Workers' National Bank. Its purpose is to promote workers' co-operatives through investment of risk capital and to provide a co-ordinating link through its representatives on the enterprises which it finances. The Fund also provides assessment and monitoring services for co-operators with the help of economic and financial advisers drawn partly from the Joint Secretariat, the Co-operative Auditing Institute and the Workers' National Bank. It is essentially a revolving fund based on the principle

that loans should be repaid to the Fund within ten years. As a non-profit organisation it is exempt from income tax. In 1977 the Fund had assets of 19.9 million kronor of which 77.3 per cent was contributed by trade unions and 22.7 per cent by co-operatives. Some

16.6 million kronor were invested in approximately 40 firms; of these the construction industry accounted for 77.5 per cent. AKF loans are variable in size ranging from 8,000 kronor in the smallest firm to 3 million kronor in the largest.

## JOINT POLITICAL EFFORTS

Collaboration between workers' co-operatives and trade unions also takes place in an arena much broader than that of support to individual industrial enterprises. It is a major influence in the joint efforts of LO, DkF and sometimes the FDB to achieve the political aims of the labour movement as a whole. Currently there are a number of issues which are engaging the concerted attention of these organisations.

Since 1973 the movement has been urging the enactment of the *Wage Earners' Investment and Dividend Fund Bill* which would require all Danish employers to pay a prescribed percentage of their wages bill to a fund which would eventually result in a majority of shares being held by wage earners. Under the recent coalition government, however, the emphasis has been shifted to

legislation for pure profit sharing schemes.

Also since 1973 legislation has been under consideration which would give wage earners representation on the Boards of Danish companies as well as strengthening their rights to participate in general meetings.

In addition, the LO and DkF are collaborating on a drive to encourage and support workers' takeovers of private firms threatened with closure, and in this connection they are jointly supporting a Bill proposed in 1978 on *Promotion of Employment*, which would, *inter alia*, provide State support for such takeovers.

The DkF is actively backing the LO in its legislative proposals for measures to curb the influence of multinational corporations.

# Natural Disasters in the Third World— Could Co-operatives Help?

by

Frank Long\*

## Introduction

A spectre haunts agriculture in the Third World—the spectre of natural disasters. In general terms, natural disasters tend to emphasise the lack of agricultural self-sufficiency in a large number of developing countries in Africa, Asia and the Americas. This is so because agriculture in the Third World is the sector most vulnerable to the effects of disasters. It follows that rural welfare and basic needs can be tackled positively if the effects of such disasters are controlled or mitigated. Concern has been expressed by the international community over the Malthusian crisis affecting a large cross-section of Third World countries, and the associated problem of rural poverty. Little analytical work has been done in terms of the role natural disasters play in this. This paper is concerned with aspects of institutional mobilisation through co-operatives as a technique for dealing with agriculturally related problems of natural disasters in the Third World.

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## Natural Disasters—Data\*\*

Natural disasters are defined as geophysical and climatological phenomena such as cyclones, tornadoes, earthquakes, droughts, floods, volcanic eruptions which exert a negative effect on human living conditions. Despite lack of consistency in natural disaster accounting procedures, and a corresponding disparity in the number of disasters recorded by different organisations, the statistics generally reveal that developing countries, on balance, account for over 90 per cent of disasters occurring globally.

During the 51 year period from 1919-71, 272 disasters were recorded, a yearly average of five, which is much smaller than is indicated by more recent data. One important explanation for this discrepancy is the improvement in recording natural disasters in recent years. The main natural disasters during this long term period were floods, earthquakes, and cyclones which together accounted for 90 per cent of the disasters recorded. The main disaster regions were again those where developing countries are mainly located—Asia 89; Americas 49; Middle East 38; Africa 33.

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\*\*Statistical data are contained in a note at the end of this article.

It is estimated that 90 per cent of these disasters were in developing countries.<sup>1</sup> Further, an analysis of the 1919-71 data, shows that the overwhelming majority of disasters listed as having taken place during this period, occurred between 1951-71.<sup>2</sup> This latter period accounted for 222 of the sum total of disasters. Roughly speaking, this doubles the 1919-71 mean. Again during this latter period—1951-71, developing countries in Asia, the Middle East, the Americas and Africa experienced an overwhelming number of disasters, compared to the rest of the world. Available data from another source have specified to some extent, the ratio of increase of disaster types, on a weighted average basis, between 1919-71 and 1968-71. In the latter period there was an eightfold increase in the incidence of droughts, a threefold increase in volcanic eruptions and a twofold increase in cyclones, epidemics and floods.<sup>3</sup> In this context, disaster occurrence in developing countries has been showing a rising trend over the years.

### **Disasters in the Third World—A Case for Concern**

The United Nations Disaster Relief data indicate that the major impact of natural disasters is concentrated among 60 developing countries, mainly in Asia and Africa where agriculture is the main form of economic activity.

The United Nations has estimated that damages caused by natural disasters in disaster-prone developing countries “far exceed, in absolute terms, the external and multilateral assistance received by these countries”.<sup>4</sup> As far as Central American countries go, the United Nations Commission for Latin

America has estimated that, between 1960-74, the loss caused by natural disasters amounted to an average of 2.3 per cent of gross national product.<sup>5</sup> The areas most affected by such disasters were those involved in agricultural production. In other words, it is fair to say that the incidence of the 2.3 per cent annual loss of GNP fell mainly on that sector.

Data available from the Economic and Social Commission for Asia and the Pacific (made up of 32 developing countries which are mainly primary producers) show that between 1961-74 total cumulative damages caused by natural disasters were at least US \$30 billion at 1974 market prices.<sup>6</sup> Because the data are not complete commentators argue that it is likely that the full impact of natural disaster loss in the economies concerned was underestimated. Again, however, the most seriously affected sector was agriculture. Nearly 200 million acres of arable land under cultivation were flooded causing huge but inestimable losses to farmers.

In the Sahel region of Africa natural disasters, especially drought, are regarded as a major obstacle to agricultural viability. Likewise, in the Caribbean, India and Pakistan, floods tend to be a major factor affecting agricultural development.

The foregoing situation has led to the conclusion by UN Disaster Relief experts, that the effects of natural disasters in disaster-prone developing countries tend to cancel out real economic growth in these countries.

### **Could Co-operatives Help?**

In economics, natural disasters are regarded as ‘exogenous’ variables affect-

ing output. If this position is taken, there is little one can do to alleviate the consequent problems of agricultural development in the Third World. Experience in the field of development, however, is enough to reveal the naivety of that standpoint. For example, one of the main reasons why disasters strike more heavily in developing than in developed countries is that the latter tend to have a more adequate infra-structure which takes into account the 'effects of nature' on the environment. What one is talking about is not necessarily the elimination of natural disasters as such, but the alleviation or control of its effects on the human condition. The Dutch, for instance, have had a successful record in controlling disasters caused by floods, which were a significant obstacle to economic development there. Over the years they have been able to develop adequate flood prevention systems (including irrigation and other forms of water control, land reclamation etc) and have now effectively overcome the problem of floods. Similar successes in disaster control abound in developed countries.

The problem of controlling natural disasters, however, is not as easy for developing countries. They often lack capital, technology and expertise to mount effective disaster prevention programmes. In other words, there is a resource gap problem. For this reason international co-operation is indispensable. In most of these countries, rural co-operatives can be of special help in dealing with the problems caused. Such co-operatives constitute a valuable human and institutional potential which could help in the mobilisation of grass roots efforts, initiative, and support for the control of disasters in the Third World.

Consider the case of China's success in disaster control. China historically suffered severe losses from natural disasters, especially the flooding of the Yangtze, Hua and Yellow rivers. China recognised that natural disasters were a grave threat to its policy of 'Walking on Two Legs', and coined the slogan: 'Be prepared against war, be prepared against natural catastrophes'. Over the years, China developed a number of techniques for dealing with, if not controlling, natural disasters. In the case of floods, the main rivers were charted throughout, and elaborate dyke control and afforestation schemes put into operation. Meteorological services have also been drastically improved. In connection with earthquakes, a number of programmes for predicting events and controlling after-effects have also been implemented. Prediction techniques range from high-powered seismological work to the analysis of animal behaviour, water pressure in wells etc. To deal with hail storms, special hand-made rockets have been developed for use by communes (co-operatives) to mitigate crop damage. The idea behind the rocket technique is to diffuse hail drops so that these reach the ground with the reduced force of ordinary rain. In this context, crop-preservation measures have been introduced to prevent widespread damage to agriculture.

The central feature of China's disaster-control strategy has been mobilisation of the rural population for mass action. The central instrument of this has been the commune or the equivalent of co-operatives. Communes are educated in the practical techniques of disaster management and the preparation of emergency operations. Control measures include

alertness signals, and special communication networks set up to warn and mobilise human resources for action. Whilst it is true that disasters have not been eliminated in China, the country has been able to make an impressive reduction in their impact. Yet here is a country which is by no means developed.

We have argued elsewhere that one of the problems which characterise co-operatives in developing countries, is that they do not seem to be mobilised for the purpose of meeting special developmental problems, such as technology transfer and development, basic needs etc.<sup>7</sup> The same applies to natural disasters. Yet it seems obvious that human resources could be readily mobilised here simply because rural livelihoods are seriously affected by such disasters, so that a clear incentive would seem to exist for the pooling of human resources through co-operative effort.

Under a co-operative type programme, governments could furnish capital and other forms of equipment to co-operatives, as well as supply them with the skills necessary to deal with highly tech-

nical areas of disaster control. Co-operatives could supply rural labour and by so doing help to reduce the costs of launching programmes. Because co-operatives are likely to include farmers who have been exposed to disaster problems, they constitute a useful source of 'grass roots' expertise. Further this could lead to grass roots participation in rural planning: it is often claimed by international organisations such as the Food and Agricultural Organisation of the United Nations, and the International Labour Organisation that rural participation is a necessary feature of any effective rural development programme.

Perhaps disaster prone countries could benefit from the Chinese example. The greater the delay in setting up disaster control measures, the greater is the danger of loss to agriculture and rural welfare in the Third World. The success of any meaningful programme for controlling natural disasters depends to an important extent on the support it obtains from the community or communities directly involved. Hence the relevance of rural co-operatives.

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### STATISTICAL NOTE

In 1969, the United Nations Educational, Scientific and Cultural Organisation (UNESCO) recorded 759 disasters. Disaster prone regions, with corresponding breakdowns, were as follows: Pacific 467, Atlantic 68, Mediterranean 67, Africa and Indian Ocean 63, Asia 61, Europe 17 and Antarctica 1. Natural disasters, according to the breakdown, seem to occur mainly in regions where most developing countries are found. One drawback of the data from UNESCO is that they deal with disasters as purely physical occurrences. Also, the data deal only with geophysical phenomena, e.g. earthquakes, storm surges, and volcanic eruptions. Disasters of a climatological nature such as hurricanes, tornadoes, floods, droughts and so on, are excluded from the data.

Data obtained from the United Nations Economic and Social Council (ECOSOC) indicate that between 1961-70 there were 112 natural disasters with adverse socio-economic consequences. More than half of these were caused by floods and earth-

quakes, with hurricanes accounting for an important share of the remainder. Developing countries in Africa, Asia and Latin America together accounted for nearly 90 per cent of these. Asia showed the greatest vulnerability—40 per cent of the world total.<sup>8</sup> Since ECOSOC's data incorporate appeals directed to one source, namely the League of Red Cross Societies, it is likely that their data probably under-represent the real occurrence of natural disasters during the 1960s-70s.

Compare these with the following. The United States Agency for International Development (USAID) during the three year period (1968-70) recorded 194 natural disasters worldwide (excluding the US). Asia, Africa and Latin America together accounted for 187 or over 90 per cent of these. The breakdown was as follows: Asia 68, Latin America 64, Africa 55 and Europe 7. Floods, hurricanes and drought accounted for over 90 per cent of the disasters during this period<sup>9</sup>. USAID data do not include disasters taking place in the Soviet and socialist bloc countries and therefore do not make the picture wholly complete.

Another source, the Smithsonian Institution, conducted a worldwide survey of natural disasters during 1968-71 and recorded 168 short-lived disasters<sup>10</sup>. Between 1970-72, alone, 110 natural disasters were recorded by the Natural Hazard Research Group in the United States of America<sup>11</sup>. In both cases, developing countries accounted for over 90 per cent of recorded total disasters.

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<sup>5</sup>Ibid

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# The Times —a Co-operative Solution?

by

Paul Derrick

*The Times* and the *Sunday Times* are two of the UK newspapers most respected in the world. At the end of November 1978 the management of Times Newspapers Limited suspended publication because of continuing discord with the trade unions about the introduction of new technology which would have made substantial numbers of compositors, members of the National Graphical Association, redundant. The argument has been about the introduction of a 'direct input' system of computer-based typesetting and editing, which would give editorial staff access to equipment enabling them to create a newspaper on their own without the need for a specialist composing room. The compositors see this kind of change as threatening their very existence. On the other hand modified forms of the new technology, consisting essentially of the computerisation of the composing room, have been introduced in many UK provincial newspapers—as at Wolverhampton, Peterborough, Portsmouth and Sunderland—while the introduction of the new computer systems has recently been agreed at the *Observer*, the *Express* and the *Mirror*. The savings from using the new computerised system in the composing room are not as great as those of a 'direct input' system; but they are substantial.

There was much discussion of these

matters between the management and the trade unions at *The Times* before the suspension of publication of both *The Times* and the *Sunday Times* by the management in November; and there had also been much interruption of production. Suspension naturally resulted in large losses both for the company and for the workers and both hoped that publication would be resumed as soon as possible. Soon after suspension *The Times* 'chapel' (or local union organisation of the National Union of Journalists) commissioned a study\* by the consultants Job Ownership Ltd on the possibility of the paper running more smoothly if it were reorganised on a co-operative basis. This study was published in the middle of March 1979 and was cautiously optimistic about the possibility of a co-operative system working better if agreement could be reached with both the company and all the trade unions.

*The Times* is owned, through Times Newspapers Limited, by the huge Canadian based Thomson Organisation which owns numerous newspapers in many countries and has extensive oil, travel and other interests. Times Newspapers Limited, however, does not own the plant on which the newspaper is

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\*"Co-operative Possibilities for Times Newspapers Ltd." N.U.J., 40 Chatsworth Way, London SE27. £1.

printed. There is a complex relationship with other Thomson companies such as Times Publications Ltd, Newspaper Archives Development Ltd, Thomson Newspapers Ltd, Thomson Newspapers Production Ltd and the Electricity Supply Pension Fund which owns New Printing House Square where *The Times* is printed. The possibility examined in the trade union study is whether *The Times* and the *Sunday Times* could be taken over by agreement at net book value by a workers' co-operative in order to improve the prospects of the paper being produced without interruption.

The study is based on the experience of three French newspapers organised on a co-operative, or more or less co-operative, basis for the last 35 years: *Le Monde* with a national daily circulation of 450,000, *Le Courrier Picard*, based on Amiens, with a daily circulation of 80,000 and the *Yonne Républicaine* in the Département of Yonne with a daily circulation of 45,000. *Le Monde* was formed as a *Société à Responsabilité Limitée* on the initiative of journalists at the premises of the defunct *Le Temps* in 1944. It was reorganised on a more nearly co-operative basis in 1968 with shares being held collectively by the journalists to the extent of 40 per cent and the rest by the middle management, by the office and clerical staff and by certain individuals, and the return paid on share capital being limited to 6 per cent. The print workers decided against coming in as joint owners. Plans are in hand for the introduction of photo-composition. The Editor, M. Jacques Fauvet, is elected by the workers grouped according to their function. Surplus earnings, when available, are distributed to workers in membership of the *société* in proportion to pay.

*Le Courrier Picard* and *Yonne Républicaine* are both formally incorporated as co-operative productive societies and affiliated to the Confédération Générale and through it to the ICA. *Le Courrier* employs about 280 people; the print workers are members of the co-operative and have half the seats on the board; but only half the journalists are members. It ran into difficulties in the 1960s as a result of distributing too large a part of its profits and not ploughing back enough but under new management it is now prosperous and a change to photo-composition is taking place over the next two years. The *Yonne Républicaine* was started as a consumers' co-operative and converted to a productive society in 1954. All the two hundred or so workers have to become members after they have completed four years' service; and the co-operative undertakes some general printing.

The study makes a passing reference to Mexico City's main daily paper, *Excelsior*, founded in 1917 and converted into a co-operative in 1932. It had a circulation of 300,000 in 1974—rather more than *The Times*' 294,000 in the first half of 1978—and employs about 1,300 people compared with the just under 1,800 or so people employed by *The Times*, excluding the *Sunday Times*. According to Professor Torres\* of the University of Wisconsin bonuses on wages paid by *Excelsior* range from three months' wages to nine months' wages and average five months' wages. *La Prensa*, a Mexican tabloid daily which has at times had a larger circulation than *Excelsior*, is also a co-operative. Mexico

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\*'Success in Smallness: a Plan for Developing Areas', reviewed in Vol. 71 No. 3 1978 of this journal.

City has a population of 12 million, considerably more than London.

The study notes that *The Times* sets about 660,000 letters and numbers in each issue and that the *Financial Times* and *Le Monde* set slightly fewer. At the same time it notes that *The Times* employs from 25 per cent to 50 per cent more people than the other two papers and concludes that the number of *Times* employees will have to be reduced if the paper is to survive. It argues, however, that this reduction can take place gradually in agreement with the trade unions rather than drastically in collision with them. It notes that the trade unions at *The Times* recognise that there is some overmanning and that some reductions in the number employed will have to be made; and that relations have been so bad that negotiation has been difficult and has resulted in the suspension of publication.

The study calculates that if *The Times* and the *Sunday Times* were to be taken over by a co-operative it would mean that all those employed agreeing to become members would need to find about six months' wages to provide the capital necessary, as newspaper publication is a labour intensive industry. It inclines to the view that instead of forming a single co-operative it might be better to form two: one for the journalists and others responsible for the contents of the papers and one for the print workers printing by contract; or even four co-operatives with the journalists and print workers of *The*

*Times* and the *Sunday Times* organised separately but collaborating closely. It suggests that it might be wise, from French experience, for certain editorial and managerial people in such a co-operative or co-operatives to be protected by service contracts.

Whether a conversion of this kind will ever take place depends very much upon whether the Thomson Organisation is willing to agree to it, whether the trade unions concerned would welcome such an arrangement and whether their members employed by *The Times* would be prepared to produce the needed finance and accept responsibility for the paper. Times Newspapers Ltd announced in March that they hoped to resume publication on April 17th after new negotiations with the trade unions but this did not happen. The company has insisted repeatedly that publication will be resumed some time; and if it is resumed by the company that does not necessarily rule out a co-operative solution to the paper's problems at some future date. The company has often insisted that the paper cannot afford the constant interruptions to which it has been subjected under conventional ownership—losses on *The Times* without the *Sunday Times* in the 1970s may have been £15m. A co-operative with close links with the Thomson Organisation could be a more acceptable solution than selling the paper to the highest bidder, and the NUJ Chapel are continuing to study the possibility of a co-operative solution.



# The British Co-operative Movement



The 1979 meeting of the ICA Central Committee  
will be held in Manchester (UK)  
from 1st to 3rd October,  
and as is our custom,  
we have devoted a section of this *Review*  
to the co-operative movement  
of the host country.

The coat of arms of the City of Manchester  
is reproduced by kind permission of  
the City Council



# THE CONSUMER CO-OPERATIVE MOVEMENT

The British Consumer Co-operative Movement is the oldest in the world and the second largest. As Great Britain is primarily an industrial country with most of its population concentrated in cities and towns, it is not surprising that consumer retail Co-operation is the predominant form of Co-operative activity in this country. Many societies originated in the 19th Century when there were few consumer protection laws and the working-class tended to be exploited by unscrupulous private shopkeepers who sold adulterated goods or served false weights and measures. Working people formed consumer retail Co-operatives to ensure a supply of wholesome food and reliable goods, justly weighed and measured, and in general to provide a fair trading service. Consequently, the Consumer Co-operative Movement in Britain is regarded as the country's oldest consumer protection organisation.

Of course, other important branches of Co-operation have also developed in Britain—agricultural co-operatives, fishery co-operatives, housing co-operatives, productive and workers' co-operatives etc, and these will be referred to later.

Consumer retail societies are the most important element in the British Co-operative Movement judged by public support, financial strength and continuity. These societies in February 1979 numbered 201 and nearly all are members of the Co-operative Union.

Among the most important points to notice are (1) the number of societies is being steadily and deliberately reduced through amalgamations and mergers; (2) societies vary considerably in size;

(3) societies are involved in many different businesses.

Observing the principle of open membership, it is easy to join a British Co-operative society. The overwhelming majority of societies now operate the dividend stamp system under which arrangements are usually made for the minimum number of shares to be paid up from the dividend stamps accrued by the members. Dividend stamps may be cashed or used to purchase other goods and are issued to all customers, but those who are members of a society usually receive an additional bonus which is credited to their share account.

## Scope and Organisation of Co-operative Trade

Total retail turnover in the Co-operative Movement in 1977 amounted to £2,787 million — by retail societies £2,714 million; by retail/wholesale agencies, superstores etc, £11 million; and national federations — direct retailing £62 million.

Every consumer society is engaged in the food trade which is estimated to account for about 74 per cent of total retail society turnover. In addition to supplying food, the larger societies supply milk, clothing, footwear, household goods, furniture, pharmaceutical and toilet requisites, and also provide services such as hairdressing, laundry and funeral furnishing. More recently, some societies have been catering for "do-it-yourself" enthusiasts, and have started garden centres and house-warming centres. Some of the services are arranged through federal societies, formed by groups of neighbouring consumer so-



*Left: Holyoake House, Manchester, the headquarters of the Co-operative Union of Great Britain*

*Below: The British Co-operative College, Stanford Hall, Loughborough, in its parkland setting*





cieties. Turnover of these 22 federal societies amounted to £122 million in 1977, covering milk processing, baking, laundering and dry-cleaning, fuel distribution and funeral furnishing.

The list below is an indication of the wide range of trades and services provided by some consumer societies:

Ballrooms  
 Catering  
 Chiropody  
 Farming  
 Footwear Repairing  
 Furniture Removals  
 Hotels  
 Jewellery  
 Monumental Masonry  
 Motor Coach & Car Hire  
 Motor & Petrol Trade  
 Optical  
 Painting & Decorating  
 Photographic  
 Plumbing & Electrical  
 Sub-post Offices  
 Travel Bureaux  
 Wines & Spirits

The number of consumer society shops has been reduced considerably in recent years and this deliberate policy is still continuing. Small shops are being closed and the trade concentrated into larger, more economic and attractive units.

In 1966 there were about 27,000 shops but by the end of 1977 the number had decreased, according to Co-operative Union computations, to around 11,000 comprising:

#### FOOD

Supermarkets .. .. .	1,613
Specialist shops .. .. .	6,146
	—
	7,759
	—

#### NON-FOOD

Department stores .. .. .	276
Other general stores .. .. .	807
Specialist shops .. .. .	1,359
	—
	2,442
	—

#### OTHERS

Superstores (Hypermarkets) ..	24
Off-Centre stores .. .. .	32
Specialist units .. .. .	841
	—
	897
	—

In 1977 the co-operative share of the retail trade in the United Kingdom was 7.0 per cent and when the last official Census of Redistribution was taken in 1971, 3.25 per cent of retail establishments were Co-operative.

#### Largest Societies

As mentioned earlier, the number of societies is being steadily and deliberately reduced through amalgamations and mergers. Already 80 per cent of the Movement's retail trade is conducted by only 50 societies out of a total of 200.

Thirty societies have a combined membership of 7,612,000. At the other end of the scale, however, there were still in 1977 21 societies each with under 1,000 members.

The largest consumer retail society is Co-operative Retail Services Ltd with annual turnover of more than £356 million and a membership of 1,469,000. This society, however, is unique in that unlike other consumer societies, which are on a local basis, it is national in character—operating in various areas throughout England and Wales through 23 branches.

The 1928 Co-operative Congress

resolved that the Co-operative Wholesale Society should undertake retail trade in areas where there were insufficient local facilities to do so. Consequently, the CWS created the "CWS Co-operative Retail Society Ltd" to develop Co-operative trading in "desert" areas. Subsequent events, however, necessitated an extension of its functions as originally envisaged and in addition to the establishment of Co-operative shops in undeveloped areas the CWS Retail Society began to embrace societies which had come under the supervision of the CWS through adverse economic circumstances. In later years, consumer societies have sought admission to enable them to secure the fullest development of their trading potential. The Society was renamed Co-operative Retail Services Ltd (CRS) in 1957.

Whilst the structure of CRS allows a great deal of local initiative and democracy, its national character secures advantages of bulk buying and national merchandising, national technical assistance is available and capital can be made available to region/branches for approved modernisations and developments.

In Scotland, the former Co-operative Wholesale organisation—Scottish Co-operative Society Ltd—operated retail branches. The merger in 1973 of the SCS with the CWS means that the CWS now has a large interest in retail operations in Scotland.

There are two other Co-operative retail organisations operating on a national basis in England and Wales—National Co-operative Chemists, with 99 branches and an annual turnover of over £8 million, and Shoefayre operating a chain of 125 footwear shops with a turnover of £7,891,000.

## **Retail Society Employees**

Retail societies employed 130,789 workers in 1977 and personnel costs amounted to £377 million. All these workers are members of their appropriate trade unions, and wages are determined nationally by the Co-operative Employers Association in negotiations with the trade unions.

## **Financial Structure**

Withdrawal and investment facilities for members' share capital make retail societies virtually the bankers for a large section of their membership. They also act as agents for the Co-operative Bank and operate their own small savings banks.

The principal sources of finance for societies are (1) share capital (which amounted to £151 million in 1977) subscribed by members; (2) loan capital (£183 million) the larger portion of which consists of loans from employees' superannuation funds and a small part is subscribed by members; and (3) collectively owned capital in the form of reserve funds (which amounted to £224 million in 1977). The average rate of interest paid on share capital is approximately 3½ per cent. Reserve funds now exceed share capital by more than £70 million.

Consumer societies have extensively developed credit facilities. Members can obtain medium term credit through hire purchase and credit sale agreements and short term credit through trading clubs and budget accounts. It is estimated that total turnover on credit amounted to £100 million in 1976.

## **Surplus**

Net surplus after providing for share

Right: *The  
modern British  
Co-operative  
Wholesale  
Society (CWS)  
administrative  
block in  
Manchester, New  
Century House*



Below: *The  
CWS tea  
operations  
centre at Crewe*



interest was £62 million in 1977, of which almost £33 million was returned to members by way of dividend and dividend stamps. This figure represents 1.2 per cent of total turnover. Dividend stamps have now virtually replaced the conventional method of distributing dividend to members. They are issued by approximately 180 societies covering over 90 per cent of Co-operative retail turnover.

### **Control of Societies**

Each retail society is controlled by a part-time board of directors (sometimes called a management committee) elected by the members. The voting is on the basis of one member, one vote. The professional managers are responsible to the board and are appointed by them.

In addition to boards of directors, many societies have education or member relations committees and/or departments. Lectures, film shows and classes in Co-operation, economics, technical and social and cultural subjects are organised by the societies.

There is no special Co-operative law applying only to Co-operative societies in Britain, which are registered under the Industrial and Provident Societies Acts. This legislation, which dates back to 1852, was consolidated in the Industrial and Provident Societies Act 1965. The 1965 Act reduced the range of societies which may register under the Act to *bona fide* Co-operative societies and to other societies working for the benefit of the community.

Societies are registered with the Chief Registrar of Friendly Societies as is the case with trade unions and other associations other than companies. There is no Government Co-operative Department.

The law does not prevent Co-operative societies trading with non-members. No individual member by law may hold more than £5,000 share capital in a society, but there is no limit on the investment of one society in another society (e.g. in the Wholesale Society).

### **Co-operative Union Ltd**

The national federation of consumer co-operative societies in the British Isles is the Co-operative Union, Manchester, established in 1869, of which wholesale, productive and special societies are also members. The annual meeting of the Union is the Co-operative Congress. Subject to Congress, the Union is governed by its Central Executive Committee.

The Union does not engage in trade, except for the sale of publications.

Member-societies cannot be compelled to conform to decisions of the Union. Members have, however, a moral obligation to conform.

The Union provides advisory services, is the centre of co-ordination for the consumer Co-operative Movement, and marshals societies for the solution of national problems and framing of international and external policy. The main departments of the Co-operative Union are:

- Secretarial
- Legal
- Taxation
- Information
- Education
- Finance
- Labour
- Economic & Research
- Parliamentary
- Political

For administrative purposes the Union

is divided into seven areas called Sections, each with its own Sectional Secretary.

The Union's principal committee is the Central Executive which consists of nine retail society representatives from the Sections, and from Ireland, eight representatives from the CWS and two from Scotland.

The large representation (by decision of the 1970 Congress) of the Wholesale Society on the Central Executive reflects the need felt by the Movement to co-ordinate the national policies of the Wholesale and retail societies and for the co-operative federations to speak with one voice on national co-operative affairs.

The Central Executive is assisted in its work by three sub-committees—general purposes, economic and finance, development. Special committees are appointed to deal with specific questions.

There is a separately appointed Parliamentary Committee consisting of representatives of the Central Executive, the Sectional Boards, the CWS, the Co-operative Press and the Co-operative Party. This Committee scrutinises proposed national and local legislation affecting co-operative interests.

The Parliamentary Committee is serviced by its own Department—the Parliamentary Office which is in London. Directed by the Secretary of the Parliamentary Committee, the Parliamentary Office maintains liaison between the Movement and Government in all its aspects and is an agency for consultation between the Co-operative Union and other trade associations and organisations.

The Union is a member of the National Council of Labour in equal

partnership with the Trades Union Congress General Council and the Labour Party.

The Union is also a founder-member of the International Co-operative Alliance.

The Co-operative Employers Association, which is financed and serviced by the Co-operative Union, negotiates wages and conditions with the trade unions for employees in retail societies through an elected National Wages Board. There is also a National Conciliation Board for the settlement of disputes.

### **Regional Plan**

The Co-operative Union in 1968 launched a revolutionary Plan for the creation of 50 large, powerful regional societies in England and Wales by amalgamations among the 467 societies then in existence. The Plan was devised to deploy resources more effectively through large scale operations and so improve the co-operative retail service and competitiveness. Considerable progress has been made in most areas towards the Plan's fulfilment. A Regional Plan for Scotland announced in 1971 envisaged the formation of five societies from the present 63 in existence.

A second Regional Plan approved by Congress in 1974 was launched because the regional societies envisaged in the 1968 Plan, even if not already formed, were regarded as being inadequate in present day circumstances and in planning for the future development of co-operative retailing. Regional Plan 2, which covers Scotland as well as England and Wales proposes that the number of Regional Societies be further reduced through amalgamation and re-grouping to about 26.

## **Education Department and Co-operative College**

Services to staff and member education are available from the Co-operative Union Education Department and Co-operative College, Stanford Hall, Loughborough, Leics.

The Education Executive is responsible for member education and youth work and for the Co-operative College, and the Training Executive for co-ordinating activities in staff training. The Education Executive is both a committee of the Co-operative Union and the Executive of the National Co-operative Education Association which brings together all retail societies engaged in educational activity and has an Annual Convention at Easter at which a report is reviewed and policies determined.

The functions of the Co-operative Union Education Department are: provision of syllabuses; correspondence courses; examinations and awards in Distribution and Management, and for Social and Co-operative Studies; publication of study material, provision of conferences, short courses and summer schools; advice on staff recruitment and training; representation of Co-operative Education in relations with Government and voluntary organisations.

The Co-operative College, which accommodates 110 residential students, offers medium and short courses addressed to the needs of professional service in societies and of co-operative democracy. Longer term courses include Management Studies; social studies for a University of Nottingham Diploma; and courses in Co-operative Development overseas, both for a certificate awarded by the College and for the

Diploma awarded by the Loughborough University of Technology.

## **Co-operative Auxiliary Groups**

The Co-operative Women's Guild, the Scottish and Irish Women's Guilds, together with the National Guild of Co-operators for both men and women, provide social, cultural and educational activities for Society members. The Auxiliaries are self-governing bodies with their own National, Section, District and Branch Organisation. Total Guild membership is about 34,000.

The Woodcraft Folk, and the Co-operative Youth Movement (with a combined membership of 23,000) similarly provide activities for children and young people.

Many societies also organise a wide range of cultural, educational and social facilities for members and their families through their Education or Member Relations Committees. These activities include the Guilds, youth clubs, senior citizens' clubs, young wives' groups, brass bands, adult and junior choirs, athletic groups, classes, hobby and interest groups.

## **Co-operative Politics**

The decision to enter politics was taken by the Co-operative Movement at the Swansea Co-operative Congress in 1917. Later that same year, a Conference was held at the Central Hall, Westminster, which was attended by over 900 delegates representing more than 500 retail Co-operative Societies. At this Conference, the blueprint for Party organisation and policy was drawn up. The first Co-operative Parliamentary Candidate was returned to the House of Commons in the 1918 General Election.

In the 17 General Elections which have been held since 1918 the Co-operative Party has sponsored 145 Parliamentary Candidates and of these 60 were elected. There are also seven members of the Co-operative Parliamentary Group in the House of Lords. In addition, many hundreds of Co-operative Party members sit on the Councils of Local Authorities.

Because of the influence of national and local government on so many spheres of the distributive trade and business life in general, the British Consumer Co-operative Movement is active in politics in order to defend its interests and indeed fulfil its role as a consumer protection organisation. This political role has existed for more than 60 years and arose out of necessity rather than for any ideological or doctrinaire motive—it began during the first World War when a great deal of discrimination and unfairness was shown to the Movement by official authorities both at national and local level.

Because of their similar aspirations and ideals, friendly relations exist between the Co-operative Party and the Labour Party. In 1927, the Co-operative Union and the Labour Party signed an Agreement which, among other conditions, provided for the affiliation of local Co-operative Parties to Constituency Labour Parties. Agreement signed by the two organisations regularises the manner in which Co-operative candidates should be selected through the Labour Party machinery.

With the predominance of the Labour and Conservative Parties in British politics, this alliance with the Labour Party has enabled the Co-operative

Movement to have a larger and more influential representation in Parliament.

### **Co-operative Wholesale Society**

The Co-operative Wholesale Society, Manchester, founded in 1863, is the central organisation set up by the retail co-operative societies in the United Kingdom to meet their trading needs by acting as their major supplier and manufacturer. This single Wholesale Society, serving the whole of the nation, resulted from the merger in June, 1973, of the Co-operative Wholesale Society Ltd and the Scottish Co-operative Society Ltd (the title of the former wholesale society for Scotland which was founded in 1868).

Amalgamation of these two central trading organisations is, unquestionably, the most important merger to have been effected this century in the British Co-operative Movement.

In fulfilling its purpose, the CWS has become a many-sided body. It is a trader, importer and manufacturer and provider of many services, such as banking, travel, insurance, architectural, shop-fitting, engineering, etc, either by itself or through subsidiaries.

The CWS, apart from being engaged in wholesale trade to the extent of £1,443 million in 1977, is the largest co-operative productive organisation in the United Kingdom. Its production in 1977 was valued at £423 million. Share capital of the organisation, which is contributed by member societies on a transferable basis, amounted to £36 million. Loan capital in 1977 totalled £46 million, and the Society had reserves of £127 million. It has 26,000 employees.

The control of the CWS is by an elected part-time board of 35, plus the



*Left: The head office of the Co-operative Insurance society (CIS) is the tallest commercial building in Manchester*

*Below: An attractive store of the Norwest Society in the shopping precinct at Stretford, Manchester*





remaining members of its former full-time board. Meetings are on a monthly basis. A Chief Executive Officer, a Deputy Chief Executive Officer and four principal controllers heading the food, non-food, finance and retail and services divisions are responsible for the day-to-day management of the organisation.

### **Co-operative Bank**

Established in 1872 as a CWS department, the Co-operative Bank originally served the financial requirements of the developing Co-operative Movement. From 1876, as the 'CWS Bank', it gradually developed its business and attracted funds from outside the Movement.

In 1919 the Bank pioneered the concept of 'in-store banking', a development which has led to the present countrywide network of some 700 'Handybanks' and over 3,000 'Cash-at-cheque' points, which provide banking facilities for Co-operative Bank customers during normal shopping hours, including Saturdays.

In 1947, the Bank was recognised by the Treasury and the Bank of England as an 'Authorised Bank', and in 1969 began a sustained expansion drive building up the Bank Group, comprising a merchant-banking subsidiary, Co-operative Commercial Bank Ltd, a majority holding in FC Finance Limited, a publicly-quoted Hire Purchase and Leasing Company and, most recently, an insurance-broking subsidiary, Co-operative Bank (Insurance Services) Ltd.

In 1971, the Co-operative Bank Ltd was set up as a wholly-owned subsidiary of the CWS by the Co-operative Bank Act of that year. In October, 1975, the Bank became a member of the Bankers'

Clearing House, the first institution to accede to this status for almost 40 years.

The Bank has considerably expanded its branch network in recent years, and now has 64 branches throughout the United Kingdom. Its strong consumerist approach has been typified by the provision of banking facilities in retail society premises, and by the pioneering, in 1974, of Free Banking—the abolition of all bank charges for personal account holders remaining in credit and 'Truth in Lending'—a requirement now embodied in the Consumer Credit legislation.

As well as expanding business among personal customers, the Bank has a substantial market share of trade union, local authority and club business, and a particular interest in the problems of small and medium-sized firms. With now over half a million customers, Co-operative Bank is the fifth largest and the fastest growing bank in Britain. In 1977 the Co-operative Bank Group had assets of over £360 million, and the annual rate of growth in numbers of current accounts was in excess of 20 per cent.

The Co-operative Bank has also strong international links. Apart from its membership of the 'Eurocheque' scheme, which allows holders of its cheque guarantee cards to encash cheques at any of 17,000 locations throughout Europe, the Bank is also a member of the Association of Co-operative Savings and Credit Institutions of the EEC, a body which groups the national or central organisations of the Co-operative savings and credit seeker within the European Community. In addition, the Bank is a member of the International Confederation of Popular Credit, a Paris-based organisation which

aims to bring together banks and other financial institutions with special interest in encouraging the development of small and medium-sized firms. The Bank also has a shareholding in the International Co-operative Bank, based in Basle.

### **Co-operative Insurance Society**

The Co-operative Insurance Society, which celebrated its centenary in 1967, is one of the major insurance organisations in the country transacting both life and non-life insurance.

Its chief office, in Manchester, is the city's tallest building and it has 257 other offices spread throughout the United Kingdom.

The CIS plays an important role in the activities of the International Co-operative Insurance Federation, is affiliated to the International Co-operative Alliance, and assists in the establishment of insurance Co-operative societies in the developing countries.

The Society's share capital of £52,500 is owned by the CWS. Apart from interest at a fixed rate paid on its share capital the whole of the Society's profits are used for the benefit of its policyholders.

In 1977 the total assets of the CIS exceeded £853 million and the annual premium income was over £206 million, of which £113 million was for life insurance and £93 million for non-life insurance.

### **Co-operative Press**

The principal Co-operative journals in Britain are published by a separate national society, the Co-operative Press Ltd, Manchester. This society publishes the *Co-operative News*, the national weekly, with a separate edition for Scot-

land. The *News*, established in 1871, is the oldest Co-operative newspaper in the country. *Co-operative Marketing and Management* is published monthly for the guidance of members of Co-operative societies' management committees and officials.

*The Co-operative Review*, official organ of the Co-operative Union, is now issued monthly as an independent supplement in the *Co-operative News*. The Co-operative Union also publishes the *Co-operative Gazette*, containing mainly information on Government requirements and official co-operative notices.

The Co-operative Union Education Department issues *Education—Today and Tomorrow* and a *Member Education Bulletin*. The Society for Co-operative Studies issues a quarterly bulletin.

The Co-operative Party issues its own newspaper *Platform* bi-monthly both separately and as an independent supplement in the *Co-operative News*.

The Central Council for Agricultural and Horticultural Co-operation, London, publishes *Farming Business* quarterly, the Welsh Agricultural Organisation Society publishes *Farmer Business in Wales* quarterly, and the Irish Agricultural Organisation Society, Dublin, publishes the *Irish Co-operative Review*.

### **International**

On January 1st, 1971, the World Co-operative Movement, through the ICA, designated the years 1971-80 as a Co-operative Development Decade designed to stimulate and co-ordinate the efforts of Co-operators, governments and international organisations in promoting Co-operatives in developing countries as a contribution to the goals

of the UN Second Development Decade. The British Movement has contributed substantially to the Development Decade, having raised funds to provide a mobile education unit which goes out to villages in Tanzania and to establish a model store there. Further projects have included the provision of textbooks for Co-operative College libraries in a number of countries, and the provision of scholarships for overseas Co-operative students to attend the Co-operative College in Britain.

Another area of international associa-

tion for European Co-operative Movements is membership of the European Community of Consumer Co-operatives (Eurocoop). Since the entry of Britain into the Common Market, the British Co-operative Union has become a member of Eurocoop and is represented, along with the British CWS, on the Eurocoop Management Committee. The Union is also represented on Eurocoop's Political Committee which deals with a whole range of matters but specifically with consumer protection, legislative proposals and social questions.

\* \_ \* \* \* \*

In its own development and in its relations with other forms of Co-operation, the Consumer Co-operative Movement is adapting itself to rapidly changing conditions. But doing so will in no way alter the basic principles of the Movement, which will continue to protect the consumers of Britain as it has done for over a century. The Co-operative Movement can speak on behalf of half the nation's families on such a wide range of practical matters as what they eat and drink, what they wear, and what they use in their homes. No matter how the Movement evolves, its primary aim for caring for and sharing with the consumers of Britain will remain unchanged.

\* \* \* \* \*

## **AGRICULTURAL AND OTHER FORMS OF CO-OPERATION**

The first agricultural Co-operatives were formed to supply their farmer members with farm inputs, and from the beginning stress was laid on the quality and purity of goods. The first Co-operative outside London was the Aspatria Society, which was formed in Cumberland in 1870, because farmers found themselves the victims of fraudulent fertiliser sales: the society is still in existence.

There was fairly rapid development up to the 1920s, but the failure of the central association, coupled with the very difficult economic situation for farmers, restricted further development. The Marketing Acts of 1931 and 1933, which established the Milk Marketing Board, turned Co-operatives away from marketing to requisites supply as their main business. From the early 1950s and particularly since the establishment of

the Central Council for Agricultural and Horticultural Co-operation in 1967, there has been a steady development in marketing Co-operatives. This has been very marked since the supermarket chain stores have changed not only the shopping habits of the public, but the buying system for vegetables, fruit and meat. The buyers of these organisations are now making direct contact with agricultural marketing Co-operatives, and eliminating the middlemen.

The total number of agricultural Co-operatives, including requisite or supply, marketing and services Co-operatives, in 1976/77 was 560. Their membership totalled 332,000 and total turnover was £1,121million. Owned capital amounted to £94 million.

There is a central organisation for the United Kingdom, **The Federation of Agricultural Co-operatives (UK) Ltd**, which has its offices in London. In membership of FAC are various national agricultural organisations for England, Wales, Scotland and Northern Ireland and specialist agricultural organisations.

FAC is a member of COGECA, which is the agricultural Co-operative organisation for the EEC and representatives of various Co-operatives attend meetings in Brussels on behalf of agricultural Co-operatives. It represents its members to Government and to the **Central Council for Agricultural and Horticultural Co-operation** which was formed in 1967, as a result of the Government White Paper, *The Development of Agriculture* (1965), and it has three functions:

(a) To promote and develop the formation of agricultural marketing and production Co-operatives.

(b) To advise the Minister on matters affecting agricultural Co-operation.

(c) To operate a scheme of grant aid for agricultural Co-operatives.

It has its own Regional Officers who work very closely with the Central Organisations of each country: there is constant contact and communication at all levels, to ensure co-ordination and avoid overlapping of functions. In the four years ended 1975, the Central Council had issued 729 grants totalling £4.1 millions of which £2.8 millions was to help better marketing of fruit and other vegetables.

**The Irish Agricultural Wholesale Society** operating from Dublin has annual sales of £47 million, 415 employees, £202,000 share capital and reserve funds totalling £1,259,000. There were 305 pest control Co-operatives in 1976-77 with a total income of £371,000: these have been formed mainly for the elimination of rabbits, and other pests.

**The Federation of Women's Institutes** has 84 market stalls in small market towns in various parts of the country. They normally operate on one day each week, and they sell only the home-grown or home-made produce of members: these range from cakes to all types of vegetables and fruit. The sales in 1976-77 were £1,704,000, and the produce is of high quality.

**The Land Settlement Association** manages 10 estates distributed throughout the country; they cover 3,900 acres and consist of 535 small-holdings. These small-holdings are geared to intensive horticultural production, predominantly of salad crops. The Land Settlement Association has its own



Above: *Fengrain Ltd—a grain marketing co-operative in Cambridgeshire with about 175 members. The co-operative has its own central store for 27,000 tonnes.*

*(Photo: Central Council for Agricultural and Horticultural Co-operation)*

Below: *East Kent Packers Ltd, a top fruit marketing co-operative in Kent. EKP has 58 members with very sophisticated packing and storage facilities for apples and pears.*

*(Photo: Central Council for Agricultural and Horticultural Co-operation)*



national organisation to ensure effective marketing.

**The Plunkett Foundation for Co-operative Studies**, Oxford, provides facilities for the study of Co-operation, principally in the agricultural sector, throughout the world. The Foundation's Reference Library has more than 26,000 books, pamphlets and periodicals in many languages and is open to anyone interested in Co-operation. Research is undertaken into many aspects of Co-operation. Education is directed towards the less developed countries in the form of correspondence courses, overseas seminars and management training courses.

The **CWS** farms approximately 37,000 acres and a number of consumer Co-operative societies are also engaged in farming—an unusual field of activity for consumer organisations.

### **Fishery Co-operation**

The Fisheries Organisation Society Ltd (FOS), with its headquarters at North Cheam, Surrey, has approximately 6,000 commercial inshore fishing members in 125 affiliated trading or service registered societies, including marketing or association-type federals and non-trading associations covering ports in every coastal county of England and Wales.

The 64-year old national Society has a wide representational role as well as responsibility for formation and advisory services to Co-operative or trading groups. The Society also has nearly 800 group and individual direct members. A sister Society in Scotland, the Scottish Federation of Fishermen's Co-operatives in Edinburgh, has 18 member-

societies and an associated national bulk trading organisation.

Nearly one half of the UK fish Producer Organisations, operating EEC Common Fishery Policy rules, are now formed on Co-operative lines. The FOS and SFFC provide one representative each to the COGECA Specialist Fisheries Committee in Brussels through the Federation of Agricultural Co-operatives (UK) Ltd and nationally represent the United Kingdom inshore fishing industry on EEC Advisory Committees.

The FOS also carries its Co-operative liaison role into international fields in serving on the United Kingdom Consultative Committee on International Fisheries matters and providing an adviser for the UK to the NE Atlantic Fisheries Commission. Assistance is given in the training of overseas Co-operatives' fisheries personnel in conjunction with the Plunkett Foundation and the Government's Overseas Development Branch.

### **Housing**

Consumer societies themselves long ago recognised the importance of housing for their members and many societies built houses for rent or purchase. Other societies granted mortgages at advantageous rates. There are various housing associations operating on a philanthropic basis for people actually engaged in building their own houses, for employees of firms, and there are Co-operative associations. There is a social group not eligible for local government housing nor able to purchase houses of their own through building societies which can be provided for by Co-operative housing societies or associations. The development of these associations is being en-

couraged by the Government through the Housing Corporation which was established to lend part capital to these organisations. Building societies also provide funds for the development of co-ownership associations under the Housing Corporation's Scheme, and consumer societies have also assisted these associations.

Three types of Co-operatives have been recognised by the Government, namely management Co-operatives, where the tenants collectively control the management but do not have a freehold or a leasehold interest in the estate; par-value (or non-equity) Co-operatives where ownership does rest with the Co-operative but where no share of the equity accrues to individual members; and equity sharing Co-operatives where rents are much less subsidised but where the member, when he leaves the estate, is entitled to a payment which includes a share in the increase in the value of his dwelling while he has been in membership of the association.

Since the late 1950s the Co-operative Party has campaigned for Government recognition of housing Co-operatives and a legal and financial framework for them. The legislation now on the statute book is due largely to its efforts.

### **Productive Societies**

In addition to consumer retail and

wholesale societies, a group of British Co-operative societies operate on a co-partnership basis, a type of Co-operation which had its origin in Owenite ideas and the sentiments of the Christian Socialists. There are 17 such societies, mostly members of the Co-operative Productive Federation. These societies are engaged mainly in clothing and footwear manufacture and printing, whilst several are engaged in miscellaneous trades. These societies are associated with the Co-operative Union. A large part of their products go to retail societies. They have 1,600 workers and their trade amounted to over £9,500,000 in 1977.

### **Credit Unions**

Until recently there were no special credit societies in Britain as on the Continent and in the USA where Co-operative organisations exist to loan money to members at low interest rates. However, Co-operative Credit Societies are now emerging in this country, in some cases due to the influence of immigrants who had experience of these organisations in their former countries. There is a Credit Union League of Great Britain with headquarters in Skelmersdale which is an association of Co-operative Credit Unions. The UK Parliament has recently passed the first British Credit Unions legislation.

\* \* \* \* \*

As we said earlier, the Co-operative Union is primarily an organisation to provide information and advice for consumer Co-operative Societies but it takes a friendly interest in new forms of Co-operation which are emerging in

Britain including workers' co-operatives, housing co-operatives, credit co-operatives, food co-operatives and other common ownership enterprises. Where possible and appropriate it has tendered advice and information to such societies

e.g. on legal and constitutional matters, the preparation of rules and registration procedures.

The 1977 annual national Co-operative Congress approved a resolution calling upon the established Co-operative Movement—that is, the Co-operative Union and its member-societies—to give all practical advice and assistance, within the limits of their resources, to support the formation of new co-operatives in all fields where these appear to have merit.

The Government has established a Co-operative Development Agency whose functions include the identification and recommendation of ways in which the establishment, development and evolution of Co-operatives might be facilitated; the identification and recommendation of projects which might usefully be undertaken on a Co-operative basis; and the provision of advice to

Co-operatives, to persons seeking to establish Co-operatives and to other persons seeking its advice.

The Agency's governing body includes a number of eminent Co-operators from the Co-operative Party, the CWS and the Co-operative Press. The chairman, Lord Oram, was himself a former Co-operative representative in the House of Commons and a former officer of the ICA.

Thus there are significant links between the established Co-operative Movement and new forms of Co-operation which are now emerging.

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For other aspects of the British Co-operative Movement, see also: *The Co-operative Development Agency—A Decade of Campaigning*, by Peter Clarke; *New Co-operatives in Scotland*, by George Brown and Rita Rhodes both in Vol. 71, No. 4 1978 of this journal. ED.



# Recent Books

by

**Anne Lamming**

ICA Librarian

The books listed should be ordered  
direct from the publishers.  
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**CONFEDERATION NATIONALE DE LA MUTUALITE, DE LA COOPERATION ET DU CREDIT AGRICOLES (CNMCCA): Histoire du Mouvement Mutualiste et Coopératif Agricole français**

*Paris? CNMCCA? 1978. 84pp; photos.*

A short history which demonstrates the role played by the agricultural mutual, co-operative and credit organisations in the evolution of agriculture in France.

**CO-OPERATIVE HOUSING AGENCY: CHA Directory of Housing Co-operatives, 1978.**

*London (UK), CHA, 1978. 97pp.*

**DECOURSELLE, Gérard: Le Crédit Agricole—Banque ou Institution?**

*Paris, Editions Topaze, 1978. 275pp; tabs; graphs.*

A global study of *Crédit Agricole* with an analysis of its place in the overall banking context in France.

**DIGBY, Margaret: Co-operative Housing.**

*Oxford, Plunkett Foundation (Occasional Paper No. 42) 1978, 251pp.*

A handbook intended to answer the questions of persons interested in co-operative housing as a solution to their own accommodation problems. There are two parts, the first dealing with practical and legal aspects of setting up, financing and running a housing co-operative. The second part is an historical review of the housing co-operative position in 29 countries.

**HETTLAGE, Robert: Genossenschaftstheorie und Partizipationsdiskussion.**

*Frankfurt am Main, Campus Verlag GmbH, 1979. 447pp; bibl.*

This book discusses the ideas of co-operative democracy in the light of present day endeavours to bring about a greater element of participation in the economy.

**INTERNATIONAL CO-OPERATIVE ALLIANCE: Research Register of Studies on Co-operatives in Developing Countries and Selected Bibliography, Bulletin No. 6, 1978.**

*Budapest, Co-operative Research Institute, 1978. 161pp.*

This sixth issue of the Bulletin contains over 200 entries, including published works and unpublished documents concerning co-operatives in Africa, Latin America, Asia and Oceania.

**INTERNATIONAL CO-OPERATIVE ALLIANCE: Regional Office and Education Centre for South-East Asia—Library Catalogue, UDC 335-379.**

*New Delhi, ICA, 1978. pp488-715.*

**LEDUC, Murielle: Les coopératives d'Habitation—Nouvelles expériences et perspectives de développement.**

*Montreal, Editions du jour, 1978. 232pp; tabs; bibliogr.*

A study of co-operatives in Quebec which have been established to buy and rehabilitate multiple occupation housing. The author tries to identify how such societies emerge and develop. The book includes 17 short case studies on housing co-operatives of this type.

**LEGA NAZIONALE DELLE COOPERATIVE E MUTUE: Turismo e cooperazione.**

*Rome, Lega, 1978. var.pag; photos; tabs.*

**MAKUCH, N., PEYRE, J., PRUNET, P.: Le Crédit Agricole.**

*Paris, Berger-Levrault, 1978. 403pp; tabs.*

An in-depth study by three writers on the history, law and practice of the Crédit Agricole in France. From its origins as a credit institution started by and for farmers, it now has ten million depositors and is one of the largest banking institutions in the world.

**McGRATH, Mary Jean (Ed): Co-operatives, Small Farmers and Rural Development.**

*Madison (Wis.), University Center for Co-operatives, 1978. 132pp; bibl. (mimeo).*

A report on a project of a series of workshops, culminating in a seminar held in the USA in April 1978, to obtain information on how co-operatives could most effectively contribute to helping the poor.

**NATIONAL CO-OPERATIVE UNION OF INDIA: Report of a Group appointed by the NCUI to Work Out a Practical Definition of Small Farmers.**

*New Delhi, NCUI, 1979.? 68pp; annexures; appendices.*

**NIGERIA, FEDERAL REPUBLIC OF: Government Views on the Report of the Review Panel on Co-operative Principles, Laws and Regulations in Nigeria.**

*Lagos, Fed. Ministry of Information, 1978. 14pp.*

**SURRIDGE, B. J. & WEBSTER, F. H.: Co-operative Thrift, Credit, Marketing and Supply in Developing Countries.**

*Oxford, Plunkett Foundation, 1978. Study Series No. 1 (Revised Edition). 88pp.*

Written for the use of agricultural leaders in countries interested in developing co-operative thrift, credit and marketing, this book is intended for persons already acquainted with the basics of co-operation.

**THORNLEY, Jenny: Workers' Co-operatives in France: How capital availability and state intervention affect production.**

*London, Centre for Environmental Studies, 1978. 40pp; tabs.*

A review of the growth and prospects of workers' co-operatives in France, including comparison with the UK situation, with information on internal and external sources of capital (includes a section on co-operative law).

**UNESCO: Suicide or Survival? The Challenge of the Year 2000.**

*Paris, UNESCO, 1978. Insights Series, No. 1, various authors. 192pp; biographical notes.*

The theme is reflected from a variety of viewpoints—economic, social, political, cultural, ethical, etc., as the matters dealt with are closely interrelated.

**WORLD BANK: 1978 World Bank Atlas, Population, Per Capita Product and Growth Rates.**

*Washington (DC), The World Bank, 1978. 32pp.*

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# Book Reviews

**Consumer Owned: Sweden's Co-operative Democracy** by W. T. Lundberg. *Consumers Cooperative Publishing Association, 4294 Wilkie Way, Palo Alto, Cal. (USA), 1978. \$2.73 inc. postage. Qty. discount.*

There are no economic monopolies in Sweden. Nor any slums. For decades unemployment has never exceeded 3 per cent. Her people's health care is assured. Real poverty hardly exists.

Why is this so?

Lundberg tells why in this eye-opener book.

People in the United States—especially members of American co-operatives—have a general idea about the strong consumer co-operative movement in Sweden. But few of us have the intimate knowledge of the intricate structure, the effective integration of that movement which the book portrays. Nor have understood the full impact on the total Swedish economy which Kooperativa Förbundet (KF), the co-operative union, and its affiliates have achieved.

Still fewer of us imagine that the Swedes had any problems—Lundberg opens eyes about that, too. He shows how those problems have been typical ones common to almost all very large co-operative organisations and especially those achieving outstanding economic strength. They have been problems—largely in recent years—on declining democratic participation and strained member relations.

The author traces the origins of the Swedish movement from its roots in the Social Democratic party and the labour movement—pointing out that some 65 per cent of consumer co-operative members have always been blue collar workers. He shows how some of the older committed Socialists became unhappy as the policy of KF shifted from an earlier hope for a complete 'co-operative common-

wealth' to a drive to become so powerful a segment of a mixed economy as to be able to protect consumers' interests by its competitive impact.

But the author shows how organisation of the consumers' congress and other measures revitalising member participation in decision-making have allayed most of the dissatisfaction as well as the concern about 'KF becoming too powerful'. A good deal of member apathy still persists but, as explained in the words of a Swedish co-operative editor in terms of the economic success of the movement: "It functions well," say these inactive members, "so why put energy into it?"

Lundberg's frank discussion of these problems gives added strength to his main thesis which is: that participating democracy and a big efficient business can be compatible. The author states: "The example of the consumers' congress shows that a large and complex consumer co-operative organisation can be effectively controlled by its members through a system of innovative democratic structures, commitment to member education, and a careful analysis of where and how democratic process can be applied."

If the author set out to prove that thesis, he does a thorough and convincing job of it.

The book is mainly a saga of the remarkable economic success of an essentially mass popular movement. It is the story of the successful *organisation* of the one economic asset which everyone in a society possesses—namely basic human needs and the buying power, however small, to meet those needs. The book tells how this effective organisation of the needs and buying power of half the Swedish population has built a consumer co-operative business structure that today controls 20 per cent of all retail trade, produces 10 per cent of gross national product, and has destroyed monopoly

power wherever it was exploiting consumers. No less than a dozen such monopolies have had their 'teeth extracted' as KF has entered their field of enterprise in competition with them.

KF and its affiliated local societies constitute with their manufacturing plants and wholesale operations the largest single business in all of Sweden. Annual business volume is equal to some four billion dollars. This in a small nation of 8 million people.

For this reviewer the master key to this remarkable success has been internal financing, which the author describes in his chapter entitled 'Capitalisation'. He prefaces that chapter with the following quotation from Albin Johansson, the man who contributed more than any one person to the building of KF and the movement as a whole. Johansson once said: "If our movement has to depend on borrowing money from external sources, the slightest tremor in economic life will deal the movement such disastrous blows as to make it utterly worthless."

Mr Johansson spoke from experience for when KF undertook its first venture in monopoly busting against the margarine trust all the banks in Sweden boycotted KF. This occurred in 1908, just nine years after KF was founded.

Hence the policy of internal financing which has provided 85 per cent of all the capital of the co-operative institutions. Here is how the author explains it.

First, all members of local societies must subscribe to a minimum of \$46 worth of shares in the local co-op. Until this amount has been invested half of the member's patronage refunds are applied to his share purchases.

Second, the rest of the patronage refund is deposited to the member's credit in his personal account with his local co-operative. He may withdraw from this account but for every 1000 kronor accumulated in the account an additional 100 kronor is credited to his account. So there is a strong inducement to leave the account as intact as possible.

Third, in every co-operative there is a

savings bank which enables members to make their savings within the movement. The savings so deposited draw interest at a somewhat higher rate than the going average paid by ordinary savings banks. As of 1976 these savings banks had some \$230 million on deposit.

Fourth, this method of capital accumulation within each local co-operative enables the local societies to invest in KF as their wholesale and manufacturing agent. The total of such investments is a very substantial amount. The author does not tell us how much but it has been enough to enable KF to take advantage of opportunities to purchase whole manufacturing plants—some 50 of which, the author tells, it now owns.

Thus it is that KF has been able to carry out with telling effect its policy of breaking the hold of every monopoly that has been exploiting Swedish consumers. In each case—whether it was margarine, rubber footwear, electric light bulbs, bathroom fixtures, soap, washing powders or bread—KF was able to destroy the monopoly by either buying out its facilities or building some of its own and thus achieving full scale competition with the monopoly, underselling it and ending its power to control prices.

In addition, the author points out, the Swedish movement has pursued an active price policy, whereby it has deliberately under-priced the general market to the extent it safely could. This has meant lower patronage refunds to members. But also that the benefits of consumer ownership have been passed on to all Swedish consumers and to the nation's economy as a whole.

One especially interesting part of the book and one which should serve as example for large American co-operatives is the author's description of the structure of the Swedish movement.

Each local society, except the very small ones, is divided into geographical districts. The districts are small enough to make possible active participation by individual members. District meetings elect delegates to a congress which in turn

elects the board of directors of the local society.

The district meetings also elect delegates to regional meetings of all societies in a geographical area of the country. Regional meetings then elect delegates to the national assembly and it in turn elects the board of directors of Kooperativa Förbundet. The majority of that board consists of ordinary members of local societies.

The author describes in detail the structure of KF itself. He tells how it began in 1899 as a 'co-operative union'—which is what Kooperativa Förbundet means in Swedish—and engaged at first only in communication, education and promotional activities. In 1904, however, KF began wholesale services and it has been, ever since, both the educational and the economic focus of the entire consumer co-operative movement. Thus there have been available from the successful economic operations ample re-

sources for the very complete education and training programmes which have been so vital a source of strength for the great Swedish consumer co-operative movement.

Towards the end of the book the author briefly sketches the other national co-operative organisations—in oil and automobile service, housing, insurance. And he tells of the outstanding contributions of the Swedes in international co-operation and aid to developing nations.

Only occasionally does the author modestly suggest a 'moral' for American co-operatives to be learned from the Swedish experience. But those 'morals' are implicit throughout the book and this, as well as its inherent interest, should make it 'must' reading for anyone concerned for the more rapid and sound growth of US co-operatives which is so critically needed in our country today.

JERRY VOORHIS

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**Manual de Educación Cooperativa** by José Carlos Espinosa.\* *Ediciones INTER-COOP, Buenos Aires, Argentina. 206 pp.*

"I am absolutely convinced that if Co-operation had not had education as its basic principle, it would never have attained its present level of development", states the author in his introduction.

The *Handbook of Co-operative Education*, which fills a gap on the subject of education in co-operative bibliography, deals with the importance of education in the co-operative system and places before readers many reflections and experiences on this subject. Methodologically, the book is divided into four chapters (education, co-operation, co-operative education, and educational planning) and two appendices (model for a social balance sheet, and a co-operative anthology).

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\*The author has a degree in Philosophy and Pedagogy and is Chief of Training in the Argentine Co-operative Association.

Under education proper are included certain basic trends which are more and more finding support among educators and which, as fundamental principles, should not be ignored in co-operative education. Thus, for example, the links of education with existing conditions, with development and with urban culture, are stressed.

In the section on Co-operation as a philosophical system, the marks which historical evolution has left on the co-operative movement are analysed and the author explains his personal view on these.

The section on co-operative education identifies specifically the objectives to be attained and some norms for the exercise of the educational process.

Finally the fourth chapter is devoted to co-operative educational planning, and offers suggestions and ideas which, if practised, can bring about a substantial

qualitative improvement and transform education into a genuine permanent investment.

In the first appendix, the author presents a first attempt at a model social balance-sheet to be applied to our co-operatives which, in addition to pioneering the subject, points to the necessity that the economic/trading and human aspects should grow equally in the day-

by-day operation of co-operatives.

The second appendix contains selected quotations from present and past co-operative personalities, and shows the eclectic spirit of the author.

Its style and documentary value make the book enjoyable and recommended reading.

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# Review of International Co-operation



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*The ICA is not responsible for opinions expressed in signed articles.*



# The ICA Director reports

## **Canada**

At the invitation of Yvon Daneau, member of ICA's Executive Committee, I visited Canada accompanied by Alf Carlsson, Director, Swedish Cooperative Centre, Stockholm, partly in order to discuss with CIDA officials the possibility of their providing increased support to Co-operative Movements in the third world and also to attend a meeting of the Board of Directors of the Co-operative Union of Canada to explain, with the assistance of Yvon Daneau, ICA's new subscription formula.

## **United Nations**

On the way back I stopped over in New York for about two days to discuss with a number of top UN officials matters of common concern to the Alliance and the United Nations. On February 1st I called on the Secretary General, Dr. Kurt Waldheim to emphasize the role which co-operatives are playing in the development of the third world and to reinforce relations between the world-wide co-operative movement and the United Nations in order to accelerate the development process. The Secretary General invited his Under-Secretary General for Economic and Social Affairs, Jean Ripert, to the discussions. Dr. Waldheim expressed his warm esteem for the co-operative movement and emphasized the participatory nature of co-operatives. I made particular reference to the recently held ICA World Conference in Rome on "Development and Industrial Co-operatives" to which he had sent his greetings, and I informed him of the follow-up discussions I had with Dr Khane, the Director General of UNIDO in Vienna. It may be added that the Executive of our Workers' Productive Committee discussed in Paris on March 30th the ways in which some of the recommendations of the Rome Conference are to be implemented.

In a later discussion, Dr. Ripert emphasized the extensive

programmes of co-operative development which the FAO, the ILO and the UNIDO have as a permanent part of their work. The UN Capital Development Fund and the Habitat Centre in Nairobi also support activities which are organized on a co-operative basis. A new and important area of interest to the UN is that of consumer protection and I was able to inform Dr Ripert of the long standing interest of the ICA in that field. The Organisation for Co-operative Consumer Policy, an auxiliary body of the Alliance currently headquartered in the premises of the FDB in Copenhagen, is deeply concerned with this vital subject and the United Nations is now seeking the advice of the ICA on issues in this field. The matter was to come up for discussion within the ECOSOC in Geneva in the spring of this year. I also pointed to the fact that co-operatives are at present discussed in many areas of the UN structure and suggested that a focal point would ensure continuity of policy, co-ordination and accuracy of information on UN initiatives affecting Co-operative development.

On January 2nd I hosted a luncheon in the UN Delegates Dining Room for those delegates who had been especially

*A discussion with Dr. Waldheim and  
Mr Glenn Anderson, President of CLUSA.*



helpful to the co-operative cause within the Economic and Social Council in connection with the recently adopted report on Co-operatives. In welcoming my guests, I took the opportunity of informing them of the global activities of the Alliance.

Responding to my remarks on behalf of the Diplomatic corps, H. E. Mr. Anders Thunborg, Ambassador of Sweden to the UN, pointed to the fact that the international network of co-operatives had in a way become an important counterpart of the UN and helped to provide a significant dynamic to the development programmes. In his own country, Ambassador Thunborg went on to say, he was a member of a housing co-operative, a consumer co-operative and an insurance co-operative. The Ambassador praised the UN system, especially its work for peace and development, and condemned the vast sums spent on defence budgets and on the production of armaments while millions starved. The Hon. Mr. Peter M. Marshall, Minister for Economic and Social Affairs at the UN for the U.K., pointed out that Great Britain was the birthplace of the co-operative movement and that the ICA, comprising co-operatives world wide, constituted the oldest and largest non-governmental organisation working with the United Nations. Dr Shashank, First Secretary at the Embassy of India, described the co-operative movement as the peoples' movement and as a technique for involving people in development. Dr. Peter Freyberg, Counsellor of the Embassy of Poland, drawing on the vast experience of co-operatives in his own country, described the movement as an important element in social and economic change; for the individual citizen, the co-operative gave meaning to planning. Dr. Klaus Sahlgren, Director, UN Centre for the Study of Transnational Corporations, said he came from a country where the co-operative movement was very strong and had penetrated almost all aspects of life; it was a movement with its feet on the ground and its sights on the horizon.

During the many hours of my meetings at the UN, I also had the opportunity of calling on Bradford Morse, Administrator of the UN Development Programme. As the major funding agency within the UN system, the UNDP has provided finances for technical assistance to various types of co-operative in the fields of agriculture, electricity supply, housing, insurance, finance, consumer and fisheries. The UN Capital Development Fund, of which Mr. Morse also serves as the Chairman, has provided long term, low interest loans or grants for co-operative projects in several developing countries and is looking for more

practical projects, a fact which Mr. Lev Obolensky, Director of the UNCDF later reiterated.

A special highlight of the meetings was a round table discussion on international development and co-operatives arranged at the request of Mr. Bradford Morse. In a wide-ranging review which concentrated on ICA's work and activities, I was able to exchange views with about 20 representatives of the UNDP, the World Food Programme and the UNCDF.

All in all I had two most stimulating discussions and was able to acquaint the leading officials of the UN with ICA's work and its objectives many of which constantly overlap with those of the UN itself.

Throughout my visit to the United Nations, I was accompanied by our permanent representative at the UN, Wally Campbell and the President of CLUSA, Glenn Anderson, who provided invaluable support.

## **West African Regional Office**

The long-standing request by the West African co-operative movements to have an ICA Regional Office finally came to fruition when on March 31st a small and distinguished audience heard M. Niangoin Oka, President of the Chambre d'Agriculture, M. Roger Kerinec, President of the ICA, Chief Babatola of Nigeria, Chairman of the Regional Council, and His Excellency Mr. Denis Bra Kanon, Minister in charge of Co-operatives in Ivory Coast, talk about the need for intra-regional exchange of experiences and the instrumentality of the Regional Office through which such exchange would be accomplished. The ceremony was held in Abidjan at the premises of ICA's member organisation, the Chambre d'Agriculture. The same evening at a small dinner, ICA's President handed the Rainbow Flag to H.E. Mr. Bra. Kanon.

Earlier, the series of activities started with a Seminar which the ICA, in collaboration with the Co-operative Federation of Nigeria, had arranged on the subject: "The Role of Co-operative Unions in Co-operative Development" at the University of Ibadan's Conference Centre from March 26th to 30th. Under the direction of Dominique Gentil, of IRAM, Paris, the Seminar discussed in group and plenary sessions the role of co-operative unions and, where such organisations did not exist, the pros and cons of having such representative bodies. In preparing for the seminar, a questionnaire on the subject had been circulated to movements in the Region in order to establish the factual position with regard to the geographical spread of such organisations.



*Some of the participants. Second from right: Chief Babatola, Chairman of the Regional Council.*

The response had shown the existence of a large number of bodies ranging from purely voluntary organisations to partly or totally government sponsored agencies. A brief historical background revealed that in most cases, the initial push came from outside agencies, such as the Christian missions in the case of thrift and credit, and other agencies of technical assistance. The tardy development in some countries was seen as the result of weaknesses in the primary societies, in turn caused by the lack of training of staff and members, inadequacies of financial resources and the hostility of the socio-economic environment. The activities of Unions and other similar bodies are confined mainly to thrift and credit, marketing and consumer activities although there are examples of co-operatives in the fields of transportation, building, handicraft, fisheries, horticulture and processing. The replies to the questionnaire established that the movements requested assistance from the ICA in the fields of

education, management, technical assistance, financing, trading outlets and research.

Unfortunately, I was able to participate in the Seminar only on the last two days and I used the opportunity, as was expected of me, to present in detail the organisation and activities of the Alliance focussing at the end of my intervention on a number of issues I felt the group needed to consider in deciding upon the work, finances and composition of the Regional Council, the body which will advise on ICA's work in the Region, as in the case of the Regional Offices for South East Asia and East and Central Africa where the Councils are composed of outstanding leaders from the movements served by the particular office. In my presentation I suggested, in keeping with the directions of the Co-operative Development Committee, that three separate sources of finance should be considered: project costs to be met from external sources, mainly bilateral agencies and ICA's member organisations; cost of the Regional Director and other senior officers to be a charge on ICA's Central Budget; and local costs with regard to junior staff and costs involved in hosting regional activities to be met by the member movements in the Region. In the event it was agreed that co-operative movements of countries to be served by the Regional Office should contribute a sum of £750 per annum to a pool to meet the local costs.

A broad programme of inter-related activities for the Office was agreed upon. Its three main components would be as follows: (i) an assessment of the existing situation of the co-operative movements in the various countries through research to be undertaken in collaboration with co-operative movements and to be initiated not later than six months after the setting up of the office; (ii) top priority to be given to education and training in order to raise the efficiency levels of the movement and within this programme, special attention to be given to the training of trainers, managers and board of directors of national apex organisations; and (iii) accelerating exchange of experiences through, inter alia, study tours, seminars, publication of a bulletin and conferences.

The representative gathering consisting of 50 leading co-operators from Benin, Cape Verde Island, Ivory Coast, Gambia, Ghana, Republic of Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo, Upper Volta with resource persons from France and Kenya and observers from Canada, France, the U.K., Sweden and Nigeria,

agreed that there should be two representatives on the Regional Council from each country, one from the Movement and the other from the Government. It was also agreed that a smaller body was necessary and an Executive of the Regional Council was elected consisting of Chief Babatola (Nigeria) as the Chairman, Ivory Coast and Cape Verde Islands representatives as the two Vice Chairmen, and Niger, Guinea, Liberia, Mali, Togo and Gambia as members. The tenure of the members would be for a period of two years and the principle of rotation was accepted.

— It was very heartening to see the atmosphere of friendship prevailing in the group, the far-sighted manner in which the programme of work was drawn up and the realistic way in which the Regional Council and the Executive were appointed. Efforts are now in hand to appoint a Regional Director and to give an early push to a sustained programme of education. It should also be mentioned that the other activities which followed from the 1975 Functional Literacy Seminar in Ibadan will now come within the comprehensive range of activities envisaged for a regional programme.

Special mention should be made of the contribution of John Musundi (Kenya) who, as a member of the ICA Executive Committee and also as a member of the Regional Council for ICA's office for East and Central Africa, represented the Alliance until the time I reached Ibadan on March 29.

## **Co-operative Tourism**

At the invitation of the Comité de Concertation Intercoopératif Belge, the first International Conference on **Tourism and the Co-operative Movement** was held in Brussels 3-4 April, 1979. Thirty participants, from eleven countries and two international organisations, BITS and IFPTO, attended.

In a programme packed with lectures and intensive discussions, the participants looked at the present situation of co-operative tourism, tried to identify the major financial requirements of tourism both in market and planned-economy countries; traced the growth of tourism in the agricultural co-operative movement in Japan from its early modest dimensions to its present size; discussed the various ways of saving which would facilitate the flow of tourism; emphasised consumer protection aspects of tourism, especially relative to touristic advertising and the provision of essential services needed to make tourism a success such as insurance etc; surveyed the wider cultural aspects of tourism and the ways in which it reinforces



the liberating tendencies in our modern age and, finally, listened to the initial efforts now being made to encourage tourists to Malaysia and the generally constricting factors which inhibit the growth of tourism in the developing countries.

In welcoming the participants to the conference on behalf of the ICA, I made a reference to the Resolution on Co-operative Tourism adopted by the 26th Congress in Paris which led to the formation of the Working Party, the phenomenon of leisure which, especially in advanced countries with the possibility of a shorter working week, deserves careful study and planning. As a double-edged weapon, leisure when utilised carefully can re-create the individual and make life richer and more vivid, but can also lead to inertia and other problems. At the same time, even a modest estimate of the numbers and finances involved shows that the figures are staggering – nearly 1,000 million individual movements, 230 million going abroad and 600 million visiting within their own countries, involving a total layout of a little over 57,000 million dollars during 1977!

Out of the multiplicity of ideas and problems presented, it is not easy to pick out the items of greatest interest or which aroused the most lively discussion. But perhaps the following may be mentioned as some examples:

First, it was noted that the amount of investment required is high and the profitability ratio low because of the seasonal nature of the demand, which makes tourism not a particularly attractive investment for financial institutions; at the same time there are difficulties in generating self-financing. There are no doubt available in some countries grants from Ministries in charge of sports and leisure, especially where social tourism is emphasised, such as the loans granted by special bodies at concessional rates on 20-25 year terms in France. It is in this context that the recommendation was made for setting up a group to look into financing and investment of co-operative tourism with M. Thiercelin (*Coop Loisir*, France) as the moderator and to include George Ganneby (*Reso*, Sweden).

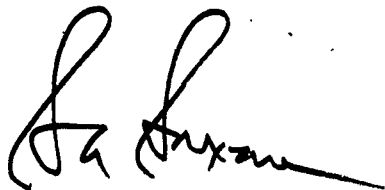
A second subject which aroused a great deal of discussion was the Reka (*Caisse suisse de voyage*) practice of issuing what are known as Reka cheques which are the basis of all Reka activities. Issued in denominations of 5 and 10 francs, they are bought at a reduced price by a large number of groups for their personnel, such as employees' associations for their members, co-operative stores for their clients and direct from *Caisse de voyage* by

members of Reka. The reduction is of great advantage and is determined by the office of sale. Above everything else, it forces the habit of saving and planning well in advance so that a holiday is seen as a necessary part of the annual schedule of events and money set aside for that purpose.

Finally, throughout the conference emphasis was laid on the fact that the aspect of tourism can only be truly seen and served by active inter-sectoral collaboration within the co-operative movement. The Conference had the advantage of listening to the Chairman of the ICIF, Paul Reymond, who explained the facilities available from his own organisation *La Prévoyance Sociale* in Belgium and also from sister member organisations of the ICIF and an international organisation, SOS based in Copenhagen, whose initials define the purpose for which it stands.

Two other groups set up by the Conference are (i) to study possibilities of travel exchange, to be chaired by Dina Rinaldi (Lega, Italy) and (ii) to define the rights of consumers in the field of Tourism (Chairman J.-P. Champeaux, FNCC, Paris).

The Conference participants were guests of the Foreign Minister of Belgium at an informal dinner, and the Conference was excellently chaired throughout by Roger Ramaekers, the Chairman of the ICA's Working Party on Co-operative Tourism.

A handwritten signature in black ink, appearing to read 'S. K. Saxena', with a long horizontal flourish extending to the right.

Dr. S. K. SAXENA  
*Director, ICA*

# The Co-operative Ethos

by

**Prof. Georges Lasserre\***

University of Paris (France)

## III. THE PRACTICAL APPLICATION

### **The alternative aim**

The pioneers who founded the co-operative movement, its leaders, its ideologists, its thinkers, have never seen the role of co-operatives as confined to the economic benefits they procured for their members. Co-operation also has a moral aim which is, at base, to create a better human relationship between individuals in their economic life, than that of the cruel jungle which is capitalism.

What kind of relationship? Harmony? Yes, but with respect to acts, attitudes. I think that a better answer to this question would be: mutually trusting collaboration. This type of human relationship is at the same time the most favourable climate for individual development, the pleasantest in which to live, and the most conducive to technical and economic efficiency for groups and organisations.

It is also the one which will characterise the better society which we imagine and long for; the one which we dream daily of finding or inaugurating among the various human groups of all kinds in which we pass our lives.

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\*This is the conclusion to Professor Lasserre's article printed in our last issue.

All the elements of the co-operative ethos examined in the previous article contribute to the setting up of this type of relationship. This aim has a universal moral value, valid for all time. It is worthy and capable of overcoming all spiritual, ideological and cultural differences.

There is a tendency, under the influence of the materialism of modern civilisation and the bitterness of economic strife, to forget it, to cease to talk about it, and at times, which is worse, no longer even to take it into consideration. We must resist this tendency. We must not be afraid to talk about this great aim when human and moral matters are in question. We must refer to it in our decision-making. And it goes without saying, we must apply this co-operative ethos in real life, otherwise all ethical discussion is worthless.

### **The Rochdale principles**

The Rochdale principles are the translation of the co-operative ethos into rules for the running of enterprises, and are incorporated in their most positive actions, notably the admission of members, the more important decision-

making, the distribution of profits. We find the equality of individuals in the rule: one man, one vote; the principle of "each for all" in the way the social capital is created; of "all for each" in the rule of open membership and in the social allocation of profits; and of commutative and distributive justice in the dividend.

It has often been thought that the rigid application of the letter of these rules was alone sufficient to create an authentic co-operative capable of success. This error has produced a smug and paralysing self-satisfaction.

But these rules have a negative aspect. They were created to make capitalist deviations in co-operatives legally impossible. They lay down certain things which must not be done, but do not exclude everything which might be contrary to the proper running of a co-operative, or to its fidelity to co-operative ethics. They do not lay down everything which should be done.

They do not govern the day-to-day operations: equal vote, the dividend, only apply once a year. But co-operative ethics, which inspired the Rochdale Principles, must be practised every day, in all the co-operative's actions and decisions. If this is so, how should a co-operative operate?

## Honesty

The co-operative must above all be *honest*. This is the most banal of all virtues, but without it the highest aspirations and the most generous actions are vitiated, not to mention the catastrophic consequences of its absence for the efficiency of our enterprises.

Mutual trust, an essential for good human relations, demands absolute

honesty: it builds slowly, and one dishonest action can fracture it almost irretrievably.

The "basic co-operative honesty" (*foncière honnêteté coopérative*) referred to by Marcel Brot<sup>1</sup>, exercised towards customers can be a factor of success. There are innumerable examples of this, where there is a systematic policy of furthering the true interests of customers, as well as many workers' productives where the professional conscience of their members accounts for high quality workmanship.

Honesty of the co-operative towards its members is imperative, especially in its accounting, and in everything that concerns the remuneration of managers and their particular advantages.

Honesty also towards the tax authorities, otherwise this is a denial of the assertion that co-operatives work for the general good.

But in many countries, in varying degrees, such honesty can prove difficult or even dangerous for co-operatives, because of the gross dishonesty which, in many guises and to a greater or lesser extent, prevails among their competitors. This often produces serious conflicts of conscience: co-operatives cannot always push their honesty as far as they would wish to.

A few comments on this complex problem:

The advantages of honesty are better assured when one sells to enterprises which are well qualified to judge the price/quality relationship, rather than direct to consumers, whose judgment is warped by advertising and by marketing tricks.

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<sup>1</sup>A former President of the International Co-operative Alliance.

Honesty may appear disadvantageous in the short term, while the advantages of a good reputation are apparent only in the long term.

If a co-operative is technically superior to its competitors, this will greatly reduce the period during which honesty is dangerous.

### **Dignity**

Respect for human dignity is evident in all properly functioning co-operatives. The role of members is not reduced to that of a tool used for increasing profits and then ignored when this becomes more convenient, as happens with profit-making enterprises. Because of their supreme power over their co-operatives, the latter treat their members with respect and make the effort to satisfy their often complex needs.

In addition, the co-operative movement has felt the need to bring to its members cultural as well as material benefits: professional training, specific co-operative education, human development and fulfilment. For many co-operatives, this is the key to success. It would be to the advantage of many others to do likewise.

### **Solidarity**

Solidarity in the sense of "each for all" thrives more easily in smaller groups. There is a team spirit: everyone understands the common aim and contributes fully. It is strongest in the co-operatives dealing in agricultural products, in Raiffeisen-type credit co-operatives, in small workers' co-operatives.

In large co-operatives the link is more abstract, and thus less strongly felt. It is a good idea to create small groups:

autonomous work teams, or local sections.

The other aspect of solidarity, "all for each", consists first of all in the services rendered to each individual through the actual operation of his/her co-operative. But the co-operative sector often goes further; you find many social institutions, financed out of profits, which achieve the redistribution of revenues according to need: help for aged members, for young households, for victims of misfortune; activities for children.

Mutual help also comes into play between co-operative organisations: collective assistance for co-operatives in difficulties; at world level, assistance through the International Co-operative Alliance for co-operatives struck by natural disaster or oppressed by totalitarian regimes; or again, in the Third World, where they must be launched, guided, strengthened.

### **Justice**

The need for justice is a fundamental aspiration of the social conscience. All injustice creates bad human relations and compromises solidarity. There are situations that any individual with any moral sense will find unjust. But the concept of commutative justice prevents definition of a just price or a just salary. Agricultural, workers' productive, consumers' co-operatives, all have different ideas. Commutative justice requires that the assignment of profits should be made to those who suffer the losses, which are negative profits. Without this, an enterprise would be a non-viable monster.

It is *distributive justice* which poses the real problem—excessive inequality—

and must govern the price and salary policies of co-operatives.

These play a well-defined, if modest, role: they protect many categories of the weak against domination and exploitation arising out of the sovereignty of capital. The dividend distributes the profits in a fine rain among a large number of members, instead of reserving it in large sums for a few owners. Many co-operatives pay their grassroot workers better, and their managers worse, than their competitors. But the need to recruit well-qualified personnel prevents them from pushing this difference too far.

Besides all these elements of an ethos of good human relations, the co-operative ethos includes also a business ethos, which is essentially the ethos of efficiency.

### **Responsibility**

Responsibility is fundamental for any enterprise. Essentially it is accountability towards its creditors, which imposes the necessity of being always solvent. Self-help, the basis of co-operation, implies the taking of this obligation seriously. So does democracy: in allocating the power to people and not to capital, co-operatives must also allocate this financial accountability. It is essential that co-operators realise that if the enterprise does not do well, their share of capital risks being reduced or lost.

Responsibility is a basic element of human dignity and a condition of mutually trusting collaboration, hence a factor in good human relations. For this it is necessary that the responsibility of each one should be clearly defined.

### **Good Management**

The need for good management is

practically and morally obvious. But it is an art that becomes more and more complex and difficult, because of the rapid progress in techniques and also in management methods, which themselves are becoming more and more scientific. A well-adapted internal structure, decentralised in large co-operatives, with delegation of power as far down the hierarchy as possible; careful choice of managers; strict attention to accounting and methods; continuous checking of efficiency, with rapid corrective measures—one could continue enumerating many more elements of good management, as now set out in numerous books.

Many co-operatives have been hesitant and slow to adopt modern techniques, and have thus fallen behind their capitalist competitors. Why? Perhaps because their managers are not overstimulated by profit-seeking, as is the case of their capitalist counterparts. Or perhaps they are too old. In some workers' productive co-operatives, skilled workers resist new machines which threaten to replace them. In agricultural co-operatives, peasants (particularly in France) may mistrust innovations. Not to lag behind is a fundamental duty of good management in a co-operative.

### **Co-operative efficiency**

But a co-operative must not slavishly imitate capitalist enterprises, even the best of them. The concept of efficiency, as applied, not to a particular machine but to the whole management, cannot be the same, because the aim is not the same. A capitalist or family enterprise aims at procuring maximum profit for

its owners; its efficiency is reckoned by the ratio:

$$\frac{\text{profit}}{\text{capital}}$$

A co-operative is formed with the aim of providing services for its members—not only economic, but also in the form of human satisfaction (security, freedom, dignity, fellowship, etc.). Its efficiency cannot therefore be measured by the same figures as those used for a capitalist enterprise; it is the ratio:

$$\frac{\text{satisfaction of all kinds}}{\text{total cost}}$$

which must be pushed to the maximum.<sup>2</sup> But human satisfaction can only be represented numerically in arbitrary fashion. Therefore it is essential that managers, and if possible members, should have a clear idea of the demands of the co-operative ethos, so that they neither award them too much importance at the expense of material gain, nor sacrifice them in the pursuit of such gain.

In its march forward a co-operative can often take measures which will benefit both economic efficiency (if the cost is not too high) and the humanisation or socialisation of its operations,

such as for example will increase the value of individuals; improving the quality of human relations (fair regulations, good information and communications procedures); training dynamic ideologists. Good working conditions can eliminate grievances and tension, can allow higher work motivations to take effect. It would be stupidity not to take such measures.

But there is a much larger number of possible measures which, while making important progress in one of the directions, only aggravate the situation in the other. In such case it is necessary to tread carefully: for example, an improvement in productivity which increases fatigue must be compensated by improvements in the social field, despite their cost.

All this demonstrates the importance of the development of individuals at all costs, if the co-operative movement is to make progress.

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<sup>2</sup>This difference does not exist in the case of co-operatives in a deficit situation, which are forced to follow a policy of reduction and elimination of losses, which are negative profits, and to use for this purpose the same means as any other form of enterprise.

#### IV. TOWARDS CO-OPERATIVE MAN

The co-operative ethos is not only a *social* system of behaviour with the aim of setting up better relations between individuals by laying down basic rules and duties for co-operative enterprises. It implies also a *personal* system of behaviour laying down the necessary duties and actions by individuals towards their co-operative.

The great majority of failures in the

co-operative movement have been caused by lack of the necessary qualities in individuals: not only lack of individual skills and professional competence in the performance of their functions, but lack of moral quality, which is what interests us here.

What sort of people should be the members—and even more so, the leaders—of a co-operative in order that it may

succeed not only economically but also along its way towards a social ethos?

### 1. A rough Portrait

This type of person has often been called a "good co-operator" or a "co-operative person", a person who understands the co-operative ideal, adheres to it and makes it part of himself. In him, the co-operative ideal becomes a personal co-operative creed. Numerous portraits and definitions of this co-operative person can be found in co-operative literature since its beginnings.

#### Honesty

He is above all an *honest* person: he refuses to lie, to cheat, to steal even indirectly. His deeds conform to his words, and his words conform to his thoughts.

Without such honesty, other virtues are worth very little.

#### Dignity

He is a person with a very strong sense of *the dignity of the human individual*, and of its existence in everyone, whatever the differences of capacity, situation, etc. He approaches everybody with no feeling either of superiority or inferiority. He avoids both authoritarianism and subservience towards subordinates.

He accepts criticism as useful, and if he must criticise others he does it discreetly, gently, as a form of brotherly help.

He respects and makes an effort to understand the opinions of others, accepts what is true in them and takes them into account.

#### A social person

He has a strong sense of solidarity, is sociable, does not avoid others.

He seeks to promote his personal interests wherever possible through communal action which will also benefit others, although his own circumstances might have improved faster had he acted alone.

He has the team spirit: when he takes part in collective action he adheres to the common aim, feels responsible with the others for the result, and gives himself unreservedly in close contact with them, with no regard for his own personal standing.

He seeks to knit friendships, to encourage good fellowship, to work for harmony and understanding.

He feels hurt by the misfortunes of others, and is ready to come to their assistance either through personal action or through collective action with others.

Nevertheless—and this is not against true solidarity—he must not abdicate his own personality to become one of the herd: a flock of sheep is not a good model for co-operation. The masses, crowds, are impulsive, unstable, irresponsible and unconstructive.

Therefore each must think for himself, and must express his opinion without hesitation, even where it diverges from the general view. A community must be able to recognise its errors before it is too late.

#### Justice

The co-operative person is a *just person*. He applies "commutative" justice: in his dealings with others he tries to ensure that both should benefit. He also applies "distributive" justice when it is his responsibility to decide on a division or allocation.

All this will tend to create within a co-operative the best possible human



relations. But there are other sides to the co-operative person: the qualities specifically necessary to the economic success of the co-operative enterprise: this is the ethos of efficiency.

### **A responsible person**

The most important is the *sense of responsibility*. This consists primarily of an awareness of the consequences for others of one's actions, of ensuring that one does not cause them harm, and of accepting the disagreeable consequences of any injury one does inadvertently and making amends. This is the negative aspect of responsibility.

Its positive aspect concerns the role one has been allotted or has assumed, generally for some personal advantage or because of its necessity for some required action. Others expect that one will fulfill such role correctly. Being responsible consists in not wanting to disappoint them and in doing everything possible to deserve their confidence. This is reliability, on which one can build.

In practice, responsibility within a co-operative appears in several forms.

Above all the *specific responsibility of the entrepreneur*, who ensures the solvency of the enterprise by providing it with the capital necessary to guarantee payment of its debts. Members of co-operatives are not always sufficiently aware of this responsibility and of the liability which they have assumed.

The sense of responsibility also involves less onerous but more routine obligations: the attitudes and behaviour necessary for the efficiency of the co-operative; *loyalty*—not dealing with other enterprises when one could deal with the co-operative; a certain *discipline*,

varying considerably according to the type of co-operative, but consisting primarily in the good quality of one's contribution, whether work or produce, or punctuality of payment or repayment, or response to enquiries; and finally, since the members have the supreme power, they also have the duty of being *good democrats*—keeping in close touch with the activities of the co-operative, taking part in meetings, in elections and decision-making (after taking careful thought), and yielding to majority decisions.

In addition, if members can also take account of the future, as for instance by accepting self-financing at the cost of a lower dividend; can think of the public interest beyond that of their co-operative; and finally can even take account of the needs of the third world—then they are accomplished examples of true co-operative man.

The leaders obviously bear a much heavier responsibility than the members, since success depends directly on their day-to-day decisions. For them the *duty of good management* is imperative. But the art of good management becomes more and more difficult as co-operatives expand their dimensions, and management techniques become more and more complex and reach higher scientific levels.

### **A person respected by all**

But the type of person which the co-operative movement needs must not be a person who is groomed for a specific co-operative enterprise—in the way that workers are often tailor-made for a specific function in a specific factory when their training is in the hands of their employers; nor has he anything in

common with the soldier-termite or the larder-ant, creatures whose form has been moulded by their specific function.

On the contrary, whoever will progress towards the kind of person I have summarily described, will experience a fullness and an expansion of his personality. And his attitudes as good co-operator will also be effective in all the other groups, organisations and social fields where life may take him, and will be greatly valued there also.

## 2. Education

But how should such a co-operative person be created?

Given that the qualities of a good co-operator are also those of a good citizen in a democracy, the State itself should take charge of his education. But the capitalist world trains the bosses and the employees which it needs in separate cells, as in a hive. As Ruskin said, it creates covetous machines: docile consumers, materialists bogged down in a false conception of happiness. On the other hand the secondary and higher education system in France creates savage individualists.

So the co-operative sector must itself take over the education of co-operative man, and this will often mean a disin-toxication process and the straightening out of deformed personalities.

### Conviction

This training will obviously consist in the first place of information, even teaching, in order to give co-operators the necessary facts.

But facts alone are not sufficient to influence behaviour; the will must intervene, and this requires motivation, that is attraction towards a goal, engendered

by a need for aspiration which demands satisfaction.

But as we have seen<sup>3</sup>, the motive of personal interest has been weakened. Only "higher motivations" will induce the devotion, and if necessary sacrifices, of the pioneers and ideologists indispensable for the development of the co-operative movement in its times of difficulty.

The will to defend oppressed or exploited social categories, the will to transform the economic system by introducing the social conscience which inspired the worker movement—these are the "higher motivations" which must be created in order first to attract our contemporaries to our co-operatives, and then to make good co-operators out of them. In fact, fortunately, these higher motivations only need to be awakened and strengthened, since they exist in a latent state in human nature in most civilisations and have already been introduced into their traditions and cultivated in various social organisations.

Human groups, in order to produce in their members behaviour favourable to their existence and their success, develop a system of ethics; and to obtain observation of the latter, they develop an ideology, that is a system of beliefs to act as the group's apologia and justify its ethics and the emotive means (rites, chants, feasts, assemblies, etc.) which mobilise and strengthen such observation.

### Ideologies and Doctrines

Both socialism in many of its forms and christianity, which contain certain ideological aspects, have played a big

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<sup>3</sup>Cf. Prof. Laserre's earlier article in the previous issue of the *Review*.

role in the origins and development of the co-operative sector. There has also developed what is called a "co-operative faith", an ideology peculiar to the co-operative movement. But we are speaking more of co-operative doctrine<sup>4</sup>, which has sought primarily to demonstrate the superiority of the co-operative enterprise, but which is currently attempting to analyse the difficulties undergone by the co-operative movement and to find remedies.

The role of co-operative doctrine in contributing to the training of "co-operative persons" must be, in our epoch when the economic advantages enjoyed by the members of co-operatives have decreased, primarily to draw attention to the social conscience which applies in co-operative life, and to show that this is a response, non-utopian and experienced practically, to the highest aspirations of our epoch towards a "new society".

But although doctrine can produce intellectual adherence to the co-operative ideal, it does not always create sufficiently strong motivation: certain individuals resist.

### Practice

On the other hand, *participation in the life* of a co-operative can be more effective. Many people have joined a co-operative purely from personal interest, and have gradually discovered its superiority in kind to profit-making enterprises, as well as pleasant human relations and fellowship. The events in co-operative life, the meetings, the discussions, the application of co-operative rules and

ethics, are "lessons in stones", teaching through practice, an appeal to join the action, a drawing in. The difficulties and crises are educative: they clarify important points and the fight reinforces the team spirit, the friendship. This tendency is even more marked when the co-operative is small. School co-operatives are the best example of this educational creating of co-operative personality through practice. If these childish practical exercises in co-operation could be extended through to adulthood, the whole population would be completely co-operativised.

### Contagion

But the most important education is through meeting and frequenting pioneers, ideologists, convinced co-operators devoted to their cause, to experience the radiance of their personality, the confidence they inspire, the example they give. Their actions give value to and confirm their words. Through them the co-operative ethos becomes no longer an abstract chain of big words but a living reality, visibly incarnated. It is their personality which gives to co-operative teaching, doctrine and practice their maximum effectiveness. They give out a "contagion", which makes people want to be like them, to join them. This is how the co-operative flame is handed on.

Therefore one solution is to bring this contagion fully into play. This means that as many as possible of those who desire the victory of the co-operative movement must take the decision to become, more and more fully, in all their actions, examples of co-operative man—even if this is at the cost of a personal revolution. In a wider sense, they will at the same time become examples of the

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<sup>4</sup>A doctrine differs from an ideology in that it attempts to be intellectually honest and logically coherent.

kind of person necessary for a better society, responding to the expectations of our contemporaries, becoming "contagious".

This is one of the best cards held by the co-operative movement in the implacable fight which it faces, which will improve its internal functioning, and can perhaps procure for it what managerial science calls "unknown productivity reserves". On the outside, the human quality of personalities is what attracts co-operators, more quickly and more strongly than the discovery of the value of the Rochdale Principles.

Are we ready to pick up the gauntlet thrown down by the co-operative situa-

tion and the present world disorder?

In order to do this, are we ready to become individuals who will serve to demonstrate that neither happiness nor the goal of humanity lie in the accumulation of wealth?—individuals who never cheat, who treat everybody as equals, who work as a team, and who, when necessary, put the common cause above their personal interests?

Are we ready to become individuals who maintain, because they have lived it, that it is possible to change, and who walk the path of a continuing personal revolution, knowing that thus they contribute to a New Society that is fraternal, just and free?

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# Banking— The International Co-operative Way

by

L. Lee

Chief General Manager  
of the Co-operative Bank Ltd, U.K.

**A paper presented at the ICA Executive Committee Meeting,  
in London (U.K.) on 1st March 1979.**

## **1. Organisation and Structure of the Banking Committee**

The Banking Committee brings together all co-operative banks and central co-operative credit organisations, whether established with limited liability or otherwise. This enables them to exchange information and views on banking matters, and also, through bilateral business links and the activities of the International Co-operative Bank, based in Basle, helps to keep Co-operative monies circulating within co-operative channels, to a large extent independently of the commercial banking system. These funds are available for the development of the co-operative movement.

Naturally enough, the financing of the development of national co-operative movements, as well as the international trade between these movements, is a very important part of the operations of the member-institutions of the Banking Committee, and in principle the entire work of the Committee is aimed at promoting and intensifying co-operation among its associated institutions.

The activities of the Committee are carried out through three main bodies, the Plenary Committee, the Executive Committee and the Secretariat.

\* \* \*

The Banking Committee meets in conference every four years, concurrently with the Congress of the ICA. Additionally, the Banking Committee meets in plenary session once each year, normally at the same time and place as the ICA Central Committee meetings. The full Banking Committee elects the Executive Committee, which is charged with the organisation of the Conference and the preparation of the agenda. The Executive Committee may have a maximum of ten members, who are drawn from both developed and developing nations. The Executive Committee also supervises the carrying out by the Secretariat of the decisions of the Conference.

Our most able Secretary, Mr Moshe Hess, is responsible for the co-ordination of information and the supply to the affiliated organisations of summaries of the various documents produced by and

for the Committee. The Presidency is held by Dr W. Hesselbach whilst I have the privilege of fulfilling the duties of Vice-President of the Committee.

The work of the Banking Committee, carried out through these bodies, is based on the principle of intensifying co-operation to which I have just referred. However, the forms of action in which this principle is implemented are naturally related to the economic and monetary framework within which the banks themselves have to operate.

In order, therefore, to place the work of the Committee within its correct context, I now propose to relate briefly the international economic developments of the past few years to the operations of the banking sector, with particular reference, naturally, to the co-operative banking sector.

## 2. International Economic, Social and Political Environment

The economic recession into which the world declined after the events of 1973 has been exceptional in both its depth and its duration.

That is well-known: more significantly for the future, this latest "Great Depression" appears to have formed a distinct watershed in the development of the world economy. The end of the era of cheap and abundant energy appears to have placed an effective check on the rapid economic expansion enjoyed by some nations since the 1960s, and by some, indeed, since the Second World War. Some figures illustrate this marked deceleration: between 1968 and 1972 industrial production in the OECD area rose by 21 per cent; between 1973 and 1977 only a further 4.6 per cent expansion was achieved.

Inevitably, the end of the growth era has imposed severe strain on national economies closely geared to (and in some cases virtually created on) continuously high rates of economic expansion. This has produced severe structural problems in many economies, generally characterised by exceptionally and chronically high levels of unemployment. Here again, some figures are highly illustrative.

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### UNEMPLOYMENT (Percentage of Labour Force)

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	1957-1973	1978
France .. ..	1.6	4.8
Italy .. ..	4.0	7.0
UK .. ..	2.2	5.5
USA .. ..	5.0	5.8
Fed. Rep. of Germany	1.4	4.2

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Sadly, on the basis of the latest projected output trends, unemployment in Europe is likely to remain very high for some time to come.

The social and economic disruption created by unemployment, especially among young people, has been made worse by its combination with persistently high levels of inflation. Whatever the underlying causes of inflation, and they have, of course, been extensively argued about, its extent is clear enough, as is the fact that it now is persisting at levels which would have been quite unacceptable less than ten years ago.

It is instructive, if depressing, to consider the table showing annual increases in consumer prices, which gives three rates of increase in consumer prices for a number of major nations.

ANNUAL INCREASES IN  
CONSUMER PRICES

		<i>Average</i>		
		1965-1973	1974	1978
France	..	5.0	15.2	10.5
Italy	..	2.9	25.3	12.7
UK	..	5.0	19.2	8.4
USA	..	4.3	12.2	8.9
Fed. Rep. of Germany		3.9	5.9	2.9

The first figure is the average annual rate of increase between 1965 and 1973; the second figure is the increase during 1974, when the world felt the full blast of the oil price rises and their ramifications; the final figure is the increase in consumer prices during 1978; it will be seen that inflation last year was above the average for the 1965-1973 period, with the exception of the Federal Republic.

Naturally enough, the combination of inflation and recession—an avowedly ugly situation—produced an ugly new word to describe it—"stagflation". Perhaps, in retrospect, the world should have been warned that things could no longer be as they were when such a situation could arise.

But in this case forewarned may not have been forearmed: the coexistence of recession and inflation made the remedying of either very difficult, since the

conventional economic wisdom was to spend out of a recession—which is inflationary—and to damp down inflation by putting the brakes on the economy's growth—which creates unemployment.

The situation was complicated even further because, quite apart from these internal constraints, the quadrupling of oil prices had produced massive shifts in international currency flows, creating enormous payments surpluses in the oil-exporting countries, and huge offsetting deficits among the oil importers. There was thus a very considerable balance-of-payments constraint on reflationary activity in most key countries (*see below*).

I have referred so far almost exclusively to the industrialised world, but if the post-1973 problems in the OECD were—and are—considerable, they probably bore even more heavily upon a new identifiable group—the non-oil producing LDCs, or less developed countries.

Like the industrialised world, the LDCs were also faced with higher energy costs, but they also had to contend with shrinkage, or even closure, of their markets in the industrialised world. With generally only small domestic markets (which often they are not equipped to supply from their own resources) the LDCs are heavily dependent upon exports for their financial viability.

INTERNATIONAL CURRENT ACCOUNT BALANCES  
(billions of US dollars)

		1973	1974	1977
OECD	.. .. .	+3.3	-31.8	-31.9
Oil-Exporting Countries	.. ..	+4	+65	+34
Other Developing Areas	.. ..	-2	-15	-15

As so often, this adversity has promoted greater unity: in recent years LDCs have been seen to be working more closely together, both formally and informally, through bodies such as UNCTAD and the Group of 77, in defending their interests against the often competing ones of industrialised nations.

The example given by OPEC has also helped the non-oil LDCs to appreciate more fully the extent of their own economic power where they are major producers of raw materials essential for industrial processes. The often stormy "North-South dialogue" has emerged.

The slowdown in the rate of growth of world output has inevitably affected the expansion of world trade: thus, between 1968 and 1972 the volume of world trade grew by 39.1 per cent, between 1973 and 1977 by only 16 per cent.

The problem here has been made the more severe by the spread of protectionism (in its various guises)—a natural, but not necessarily healthy attempt to protect domestic industries from the rigours of overseas competition. Additionally of course, this has been a further factor complicating the problems of economic management in the less-developed countries.

The continuing difficulties preventing a satisfactory conclusion to the so-called "Tokyo Round" of international trade negotiations give indication, perhaps, of the size of this problem.

These fundamental economic difficulties have been further exacerbated by the problems of the international monetary order. The system of more or less fixed exchange rates established at Bretton Woods in 1944 served the world well enough for about a quarter of a

century, but it relied heavily on the stability of the US dollar, which was itself tied to gold. When, in the early 1970s, the United States, for whatever reason, was no longer able to maintain the international value of the dollar, the system rapidly disintegrated.

In fairness, it should be said that the system was already under strain from the increasing divergencies in individual countries' economic performances before its final collapse, and these divergencies have, of course, become even greater since 1973.

Unfortunately the arrangements of floating exchange rates (if arrangements is not too strong a word) which have sprung up to replace Bretton Woods have not proved satisfactory: indeed, how could they when they have produced fluctuations in currency values of the extent seen recently, fluctuations quite unrelated to underlying economic performance. This has introduced an intangible but no less disruptive factor into the world economy: that of uncertainty. In its most basic function, money is designed to overcome the problems of uncertainty associated with a barter economy, because it is a store of value. Inflation, of course, erodes this value and creates uncertainty, and so too does violent fluctuation in exchange values.

This is a gloomy picture which I have briefly sketched, but I believe that the future is rather brighter. The new European Monetary System holds out hope of a greater stability in foreign exchange markets. Even if it will no longer be possible to return to a single world-wide monetary system, the creation of a single European zone is an evolutionary step for the international monetary order.



The European Economic Community has a powerful role to play in the stabilisation of the world economic system: this role will become even greater as the Community is further enlarged, and as relationships with the "third world"—including, of course, the People's Republic of China—are further concretised and translated into trading activities. Indeed, the opening up of formal links with China, crowned by the establishment of full diplomatic relations between the United States and China, symbolises the increasing interdependence of the nations of the world and, more importantly, suggests that this interdependence is being more widely realised.

Nowhere else is this realisation of increasing interdependence more eloquently illustrated than in the growing detente between East and West, where the confrontation of the Cold War has been replaced by an ever more open trading relationship. Many member-institutions of the ICA's Banking Committee have been active participants in the promotion and development of these growing trade links, particularly as our membership extends over all political boundaries. Indeed, there can be little doubt that the collaboration between co-operative financial institutions in East and West has itself played a significant role in the fostering of detente.

### 3. Impact on Banks, Especially the Co-operative Banking World

Clearly, these international economic and political developments have had a significant impact on both the nature and scope of banking activity, posing a number of problems it is true, but also, to look on the positive side, offering a whole range of new areas of potential

business opportunity.

Not surprisingly, the banking system did not avoid entirely the deep shocks triggered off in 1973, and a number of banks did fail—one thinks of Franklin National Bank in New York, or Herstatt (German Fed. Rep.). In the United Kingdom, a number of smaller, "secondary" institutions were unable to survive the crisis of confidence in the financial system at that time.

The main development of banking activity in the past few years has been in the field of international operations. I have already referred to the heavy imbalances of trade deficits and surpluses which have been experienced since 1973, and inevitably banks have had to contribute increasingly to the balancing of these international flows. It is principally through the so-called "Euro-markets" that the banking system has been able to make a significant contribution to the redress of these imbalances.

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#### EUROCURRENCY MARKETS: AMOUNTS OUTSTANDING

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*(billions of US dollars)*

1973	..	..	188·4
1974	..	..	215·2
1975	..	..	258·1
1976	..	..	305·3
1977	..	..	373·8

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In the past few years the Euromarkets have burgeoned rapidly into a highly sophisticated, although in many respects still rather mysterious, world-wide money market. The complexity, and the sheer size, of some of the demands for credit which are being made on banks throughout the world have necessitated much closer co-operation be-

tween individual financial institutions in different countries, with no one bank being able to command either the expertise or the funds needed to make a large-scale Eurocurrency loan. Consequently, there has been considerable expansion of joint operations in varying forms, whether loosely, through the formation of "banking clubs" or informal partnerships, or through the establishment of consortium banks—separate legal entities created specifically to operate in "wholesale" banking markets, with capital provided by a number of already established banks.

However, apart from the development of international syndicated lending activity, banks have naturally continued and even extended their involvement in the financing of international trade. Many banks have established subsidiaries or opened branches or representative offices in other countries during the past few years, precisely to facilitate this involvement in international trade. It must also be said that a further boost has been given to the development by banks of their overseas business because of economic recession in their domestic economies, which left much less scope for development of domestic banking operations.

Barriers to international business have everywhere been coming down, and nowhere has there been a more positive reaction than among Co-operative banks. By its very nature, the co-operative banking world was well-placed to respond to the demand for closer co-operation across national boundaries between individual institutions: the common membership of the Banking Committee of the ICA was an already existing bond uniting co-operative banks

worldwide, and made the further development of co-operation between banks so much the easier.

Both collectively and individually the co-operative banking world has responded quite admirably to these new challenges and opportunities.

The *International Co-operative Bank*, based in Basle, of which a number of the members of the Banking Committee are shareholders, has become increasingly active in recent years as a channel for worldwide co-operative funds. Beneath the umbrella of the Banking Committee, many institutions have shown impressive expansion of late.

Thus the *Banque Centrale des Co-opératives* of Paris increased its total assets by about 37 per cent during 1977 and by almost 200 per cent in the last five years: the branch network has been expanded and the recent opening of a new Head Office next to the Paris Bourse testifies to the strength of the Bank in commercial as well as co-operative financial circles.

Elsewhere in France, the *Union du Crédit Coopératif*, offering all types of credit and leasing facilities to non-agricultural co-operatives, mutual societies, welfare associations as well as to their members, has also strongly expanded its activities and now boasts total assets in excess of 7½ billion francs.

In Switzerland, the *Genossenschaftliche Zentralbank* plays a prominent role within the Swiss banking system, with a balance sheet total of about 3 billion Swiss Francs and a branch network covering the whole of the country.

*Bank Hapaolim* of Tel Aviv has grown by leaps and bounds over the past few years, into a truly international institution, with over 280 offices in nine

different countries, including five branches in the USA and three in Britain. Total assets are now over 11 billion dollars.

In Austria, the *Bank für Arbeit und Wirtschaft* has also recorded impressive growth: total assets grew by 25 per cent in 1977 alone and, following the easing of government restrictions, further expansion of the branch network has been undertaken.

As for the Federal Republic, it is not necessary to visit *Bank für Gemeinwirtschaft's* head office in Frankfurt to see that it towers head and shoulders above the rest of the German banking community. Indeed it is true to say that the BfG is a vital and integral part of the German financial system.

Outside Europe, the *Norinchukin Bank* ranks as the largest bank in Japan, placing it firmly among the top banks in the world.

I do not think it immodest to say a few words about my own bank. During the past few years the *Co-operative Bank* has recorded rates of expansion in some customer categories of over 20 per cent per annum; in 1975 the Bank became the first new member of the London Bankers' Clearing House for almost 40 years, emphasising its primary position within the British banking system.

Turning to the developing countries the growth of co-operative and commonweal banks in the third world nations such as Ghana, India, Malaysia, Mauritius, Nigeria and Latin-America has been an excellent example of the concrete results of active co-operation between the untiring efforts of the co-operators in those countries and the

assistance and technical help of co-operative and commonweal banks in the developed countries.

There are also other members of the Banking Committee based on different branches of co-operation, notably agriculture.

Thus in France the *Caisse Nationale de Crédit Agricole* stands as the largest bank in Europe, and third largest in the world; in the Federal Republic of Germany the DG Bank represents the interests of the many regional Volksbanken and Raiffeisen institutions; *Rabobank* of Holland holds 40 per cent of total domestic savings.

Many of these individual institutions have joined together in various associations to further promote the principles and activities of co-operative banking. Several of the most internationally-orientated European banks have formed the Unico Banking Group.

On a wider basis, the Paris-based International Confederation of Popular Credit joins together a number of institutions with particular concern for the provision of assistance to small and medium-sized firms, while the Association of Co-operative Savings and Credit Institutions of the EEC represents the interests of co-operative banks and their customers in Europe to the European Commission.

On these secure foundations, built up over many years, tried and tested and proven by the upheavals of the 1970s, I believe that the international co-operative banking movement can look forward with confidence to many more years of service to the ideals of co-operation.

# The Position of Workers' Productive Co-operative Societies in the Federal Republic of Germany

by  
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University of Marburg

## 1. Introduction

In October 1978 the International Committee of Workers' Co-operative Productive and Artisanal Societies (CICOPA) and the International Co-operative Alliance (ICA) organized a World Conference on "Development and Industrial Co-operatives" in Rome.

The Conference discussed the question of improved definitions. For the Federal Republic of Germany this task has already been carried out by research workers and leaders of the co-operative movement and the most competent and comprehensive statements on this issue are two papers prepared in 1958 by G. Albrecht<sup>1</sup> and E. H. Diederichs<sup>2</sup> for the Federal Ministry of Justice in connection with preparations for a reform of co-operative legislation. Both authors

came to the conclusion that industrial co-operatives and workers' productive co-operative societies are only of very limited interest for those in the German co-operative movement and in the German labour movement who are in charge of planning future development. Workers' productive co-operative societies play a marginal role in the existing co-operative movement and it is most unlikely that this form of organization will give a general answer to the problems of increasing workers' participation and co-determination in large scale enterprise or in bringing about more effective industrial democracy. Both the co-operative movement and the labour movement in the Federal Republic of Germany have opted for different approaches to improving the economic and social position of workers and craftsmen and, therefore, the formation and development of industrial co-operatives is not given any priority in their programmes.

In this paper an attempt will be made to present the reasons why workers' productive co-operative societies have

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Albrecht, Gerhard: Produktivgenossenschaften, in: Bundesjustizministerium, Zur Reform des Genossenschaftsrechts, Referate und Materialien, 3. Band, Bonn 1959, pp. 309-368.

<sup>2</sup>Diederichs, Erich H.: Produktivgenossenschaften, in: Bundesjustizministerium, Zur reform des Genossenschaftsrechts, op.cit., pp. 369-396.

not developed successfully in Germany. This will be done by:

- defining workers' productive co-operative societies as opposed to service co-operatives and labour contracting co-operatives;
- summarizing the concept underlying the development of workers' productive co-operative societies in Germany;
- elaborating the special problems inherent in this type of co-operative society;
- giving the most frequent reasons for failure of workers' productive co-operative societies;
- working out the main criteria for success; and
- presenting a brief survey of workers' productive co-operative societies as they exist in the Federal Republic of Germany to-day.

## **2. Workers' Productive Co-operative Societies compared with Labour Contracting Societies and Service Co-operatives**

There is considerable confusion over the definition of co-operative societies formed by workers with the aim of becoming independent of employers and working for their own benefit and at their own risk.

This may be documented best by quoting the Conclusive Document of the ICA World Conference on Development and Industrial Co-operatives, 1978, where it is said that "by normal convention, the enterprises corresponding to this aspiration (i.e. to manage industrial production and the relevant activities in a direct and responsibility-bearing manner) will be given the term

*Work Co-operatives*. But it must be understood that the terms *Industrial Co-operatives*, *Workers' Productive Co-operatives*, *Service Co-operatives* and *Artisanal Co-operatives* may be used throughout this document as covering different aspects of the same fundamental idea: that of the producers, united on a democratic basis to pursue common economic, cultural and social objectives by means of the organization in which they work".<sup>3</sup>

This way of using the terms 'industrial co-operative', 'workers' productive co-operative society' or 'service co-operative' indiscriminately as covering the same basic idea is due to the lack, not only of a generally accepted terminology, but of a clear definition of the different forms of co-operative societies and their characteristic features; this in turn makes it difficult, if not impossible, to analyse in some detail the specific problems of the various forms of co-operative and the conditions of success or failure of such co-operatives.

### *2.1 Service Co-operatives and Workers' Productive Co-operative Societies*

In service co-operatives the members' enterprises or households remain independent units. The members earn their living either as self-employed producers or traders or as employed workers. The co-operative enterprise renders promotional assistance to members in the form of auxiliary services, meant to strengthen the position of the members' enterprises or households.

In workers' productive co-operative

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<sup>3</sup>International Co-operative Alliance: World Conference: Development and Industrial Co-operatives, Conclusive Document, Rome and London 1978, p.3.

societies the members become collective owners of the joint enterprise and work in this enterprise as self-employed persons for their own benefit and at their own risk; they do not retain their own individual enterprises (in the case of craftsmen), nor are they dependent on an employer (in the case of workers). Members participate in workers' productive co-operative societies with their capital, with their labour and as decision-makers in all matters concerning the business of the joint enterprise. They depend for their living on the profit made by the co-operative enterprise.

Production of goods and/or services by service co-operatives has the object of promoting the members' own enterprises or households, by rendering auxiliary promotional services to members at near cost price.

In workers' productive co-operative societies production of goods and/or services is the main purpose of the joint activity, it is not a means to an end (as in the case of service co-operatives) but an end in itself. Workers' productive co-operative societies have the object of marketing their goods and/or services with a maximum of profit, like a commercial enterprise.

Service co-operatives, such as consumers' co-operatives, may have their own production units, e.g. a bakery; however, as a rule such production units do not come under the category of workers' productive co-operative societies, because the owner of such units is the co-operative society, the workers in such unit are employed by the co-operative society and the goods produced are used by the co-operative society to serve its members at prices near cost.

## 2.2 *Labour Contracting Co-operatives and Workers' Productive Co-operative Societies*

In labour contracting co-operatives labour is organized on co-operative lines as a separate function from the economic or financial management of an enterprise.

Labour contracting societies are organizations of workers having the object to promote the economic and social position of persons who are employed and who depend on an employer for their living by contracting collectively for the execution of works.

The task of a labour contracting society is similar to that of a service co-operative, namely, to promote the economic interests of the members by helping them to find employment with better pay and better (self-determined) working conditions which they would be unable to obtain as individual workers.

On the other hand labour contracting societies have some similarities with workers' productive co-operative societies, because the members work collectively under their elected leaders, the society assumes the role of a sub-contractor, which determines the conditions of work and the way in which well defined tasks are executed. However, there are some basic differences.

While workers' productive co-operative societies are formed with the object of eliminating the dependence of employed workers on their employer by placing the workers jointly in the position of an entrepreneur, labour contracting societies are based on the system of hired labour. They presuppose the existence of an employer with whom they can contract for the execution of work for a fixed remuneration to be paid by the

employer who also bears the risks of his undertaking.

From these definitions it can be deduced that workers' productive co-operative societies are a special type of organization which differs in its objects, its structure and the position of its members vis-à-vis the co-operative enterprise, from the ordinary service co-operative.

Labour contracting co-operatives can be placed in a position between the two categories, tending more to the type of service co-operative, although sharing some of the problems of workers' productive co-operatives.

### **3. Types of Workers' Productive Co-operative Societies**

There are three major types of co-operative which are usually referred to as workers' productive co-operative societies, namely:

- industrial co-operatives;
- artisanal productive co-operative societies; and
- agricultural productive co-operative societies.

Here again the term "worker" is used in a very broad sense, covering persons employed under a work contract, i.e. industrial workers, farm workers, as well as self-employed producers, i.e. craftsmen and farmers. Employed persons cease to be workers in the narrow sense of the word when forming or joining workers' productive co-operative societies, because they become independent of an employer, who is replaced by the co-operative organization.

#### **3.1 Industrial Co-operatives**

Industrial co-operatives can be defined

as co-operative societies formed by persons who decide to undertake industrial production collectively on co-operative lines. This can be done either by building up a new enterprise, normally difficult because of lack of initial capital and technical know-how, or by taking over an existing enterprise from the previous owners. This also involves serious financial problems, because such take-over usually takes place where the former proprietor of the enterprise is no longer interested in carrying on production because of lack of profitability or inability to meet competition, or because the enterprise faces liquidation. In all these cases the starting position of such an industrial co-operative is extremely difficult.

Still another way in which industrial co-operatives may come into existence is through the transformation of labour contracting societies into workers' productive societies when the co-operative changes from sub-contractor to entrepreneur, or by the transformation of artisanal productive co-operative societies into industrial co-operatives.

#### **3.2 Artisanal Productive Co-operative Societies**

Artisanal productive co-operative societies are distinguished from industrial co-operatives mainly by the qualifications and skills of their members and by the type of production carried out by using these vocational skills.

Artisanal productive co-operative societies are distinguished from craftsmen's service co-operatives (supply, marketing or credit) by the fact that the craftsmen who join a productive co-operative society have to give up their

individual workshops and pool all their resources (capital, machinery, tools, labour) in a joint enterprise for collective production. Such societies usually have a better starting position as compared to industrial co-operatives, because the members have something real to contribute to the joint undertaking, namely their vocational skills and their equipment. Furthermore, such artisanal productive co-operative societies can usually work without expensive technical equipment and installations because artisanal production is labour intensive and skilled craftsmen can carry out highly specialized production which gives them a favourable position on the market.

Artisanal productive co-operative societies may transform themselves into industrial co-operatives by changing from artisanal production to industrial production.

### 3.3 *Agricultural Productive Co-operative Societies*

Agricultural productive co-operative societies are co-operative organizations for collective farming.

Such co-operatives may either be created by landless farm workers in the course of a land reform, resettlement schemes or land development programmes on land handed over to the members by government, or by farmers who pool their land, capital, equipment and labour in order to carry out agricultural production collectively.

The best known examples of such agricultural productive co-operative societies are the Israeli Kibbutz (collective farming and collective living) and the Moshav Shitufi (collective farming).

## 4. **The Concept Underlying Workers' Productive Co-operative Societies in the Federal Republic of Germany**

### 4.1 *The Socialist Concept*

In the early days of co-operative development in Germany in the second half of the last century, workers' productive co-operative societies were seen as a means of putting an end to the exploitation of workers by entrepreneurs and capitalists. It was believed that private ownership of the means of production was the major reason for the exploitation of workers and that, accordingly, exploitation of workers could be stopped by transforming private ownership of the means of production into co-operative (collective) ownership in the hands of the workers.

The ultimate goal was to change the entire economic and social system of capitalism and replace it by a new, socialist system based on industrial democracy and collective ownership.

This concept was abandoned by the German labour movement and the social democratic party long before the second world war. In the Federal Republic of Germany the trade unions and the social democratic party opted for different ways and means of bringing about industrial democracy and social justice.

### 4.2 *The Concept of Schulze-Delitzsch*

In the co-operative programme of Schulze-Delitzsch, workers' productive co-operative societies were seen as the most perfect and advanced form of co-operative activity. However, Schulze-Delitzsch conceived productive co-operatives primarily as a means of protecting small- and medium-sized enterprises of



craftsmen against the competition of industrial producers. Unlike the socialist reformers, Schulze-Delitzsch did not aim at changing the prevailing economic system but rather wanted to give a limited number of highly qualified craftsmen the chance to remain independent producers by forming productive co-operatives. This was to be done on a strictly voluntary basis without government intervention or government assistance. According to Schulze-Delitzsch the necessary initial capital had to be raised by the members themselves, by forming thrift and savings associations before creating the joint enterprise.

This concept of productive societies as being an extraordinary form of organization mainly for craftsmen with special vocational skills, based on strictly voluntary association and business efficiency, without any ideological aspirations of transforming the prevailing economic system and without any call for government assistance, is still shared by the leaders of the co-operative movement in the Federal Republic of Germany today. The trade union movement in the Federal Republic of Germany has focussed its attention on problems of workers' co-determination, profit sharing and trade union owned non-profit enterprises. For trade unionists and social democrats, workers' productive co-operative societies appear to be of little or no practical interest as a means of achieving their objectives.

Agricultural productive co-operative societies were not included in the concept of Schulze-Delitzsch nor in that of Raiffeisen. The great majority of farmers are affiliated to or integrated in service co-operatives, which are the basic units

of a powerful nation-wide three-tier co-operative organization.

In view of this the following considerations will be limited to industrial and artisanal productive co-operative societies.

## **5. Special Problems of Workers' Productive Co-operative Societies**

Workers' productive co-operative societies are regarded as the most advanced form of co-operative organization, but also as the most difficult to put into practice. They have a number of special problems inherent in them, considered by research workers to be the cause of their frequent failure.

### *5.1 Formation of Capital*

Formation of initial capital is a problem for all types of co-operative societies, because, as a rule, members are financially weak and have little to contribute. However, for industrial co-operatives this problem has a special dimension. To establish an industrial production plant or to take over and/or modernize an existing factory requires an amount of initial capital which the members usually cannot provide, not to speak of the amount required to cover the operating expenses until the enterprise can make profits in competition with private commercial firms. Therefore, most industrial co-operatives are undercapitalized from the very beginning, which greatly reduces their chances of success. On the other hand, where government grants or soft loans are offered to newly established industrial co-operatives, artificial conditions for development are created, which often result in a permanent demand for subsidies by non-viable state-sponsored entities.

The situation is different in the case of artisanal productive co-operative societies. Artisanal production by definition is a production requiring workers with a high level of vocational skills. Input in qualified man-power usually exceeds the need for machinery and expensive tools and materials and, therefore, the amount of capital needed for the establishment of artisanal productive plant is smaller and thus more easily raised by the members.

### 5.2 *Internal Organizational Structure*

In all types of workers' productive co-operative societies there is the serious problem of reconciling the democratic structure of the co-operative group with the hierarchical structure of the joint production plant.

As members of the co-operative society all persons belonging to the co-operative group enjoy equal status and participate with equal rights in decision-making in general meetings. As workers of the joint production plant the members occupy positions corresponding to their ability and vocational skills. For the sake of business efficiency there has to be unity of command, a management which gives orders and persons who execute these orders.

The interests of the member in his capacity as worker, and the insight into the economic requirements for the stability and efficiency of the joint production plant which the member should have in his capacity as shareholder and decision-maker in general meetings, often come into conflict and are difficult to harmonize.

### 5.3 *Open Membership*

As co-operative organizations, workers' productive co-operative societies

should be open to accept new members as a matter of principle. However, while there are already some difficulties in implementing this principle in the case of service co-operatives, open membership and the relations between old and new members create special problems in the case of workers' productive co-operative societies.

The capacity for employment in a production plant is limited and cannot be extended at discretion so that there is a natural restriction against admitting new members, which can be done only if there is a possibility of offering them employment in the co-operative enterprise.

In workers' productive co-operative societies it is difficult, if not impossible, to lay off workers/members if this becomes necessary for economic reasons, i.e. in a slump, a temporary decrease in demand, a reduction of work places as a result of rationalization or innovations. In view of this, workers' productive co-operative societies tend to keep the number of members at a level where permanent employment can be guaranteed and to resort to hired labour when necessary because hired workers can more easily be laid off in case of need.

The desire to safeguard employment of all members, even where technological progress or economic reasons would require a reduction of manpower, is one of the reasons why workers' productive co-operative societies may become inefficient and lose clients to their commercial competitors.

Another reason why admission of new members in workers' productive co-operative societies may become restricted is the reluctance of old members to share the results of their joint efforts after

years of personal sacrifices with new members. There is a tendency to close the door against new members once the joint production plant has become a successful enterprise, and to employ hired labour. In this way the workers' productive co-operative society may gradually degenerate into an ordinary commercial enterprise.

Another method of keeping new members out is to fix a high minimum shareholding, which means asking new members to pay in an amount equivalent to the share of an old member in the accumulated assets of the joint production plant.

#### 5.4 *Distribution of Economic Results*

The members of workers' productive co-operative societies depend for their living on the profits made in the joint production plant. There are two problem areas with regard to remuneration of members.

One problem is how much the individual member shall receive for his work in the joint production plant.

Since decisions on distribution of profits are taken at general meetings of members, there may be a tendency towards equal or nearly equal pay rather than differentiated remuneration in accordance with skills, performance and responsibility. Such uniform remuneration may lead to lack of incentive and reluctance to take over responsible or difficult jobs.

The solution to this problem found in the Kibbutz, not to make cash remuneration at all, is possible because the Kibbutz is not only a collective production unit but also a collective living community with no money circulating

inside that community. In the self managed workers' enterprises in Yugoslavia, remuneration of workers is calculated by a complicated procedure using several criteria such as vocational training, personal performance on the job, evaluation of the work place and duration of employment in the enterprise.

The second problem area in this context is the formation of investment and reserve funds. Members in general meeting determine how much of the annual profit shall be distributed among themselves and how much shall be invested in the co-operative enterprise or carried to reserve funds. Where capital is needed for investment in the joint production plant, the members may have to agree on remuneration for their work which is less than the wages paid to employed workers under work contracts.

#### **6. Reasons for Failure of Workers' Productive Co-operative Societies in the Federal Republic of Germany**

In view of the very limited success of workers' productive co-operative societies in Germany before 1945, and in the Federal Republic of Germany up to now, some research workers hold that failure is immanent in industrial and artisanal productive co-operatives and that they can only succeed under very exceptional conditions and circumstances.

Without attempting to justify this general statement, some reasons will be discussed here as to why this type of co-operative organization has been insignificant in the development of the co-operative movement in Germany before 1945 and in the Federal Republic of Germany today.

### 6.1 *Lack of Ideological Basis*

As already explained (section 4), workers' productive co-operative societies have no firm ideological basis in the co-operative movement of the Federal Republic of Germany nor are they propagated by the labour movement. The trade unions have opted for other alternatives in order to achieve their objectives of improving the social and economic position of the worker, by correcting the mistakes of the prevailing economic system rather than seeking to transform it completely. The few productive societies that do exist are considered as exceptions to the rule that this type of co-operative society is the most difficult to establish and liable to fail.

### 6.2 *Lack of Particular Need for Workers' Productive Co-operative Societies*

Compared to the situation of factory workers and craftsmen in the middle of the last century, when the concept of workers' productive co-operative societies first took form, there have been dramatic changes in their favour.

The labour law protects workers against exploitation by owners of capital or entrepreneurs by guaranteeing a reasonable minimum wage, allowing collective bargaining, prohibiting arbitrary lay-offs, prescribing maximum working hours (reduced from 72 hours in the 19th century to 40 hours per week) and strict safety regulations. Workers enjoy a certain degree of social security with health insurance, unemployment benefits etc. Profit sharing schemes are discussed and implemented (e.g. bonus shares). Workers' co-determination has been extended considerably during the past several years, guaranteeing not only

workers' representation and participation in social and labour matters, but also in decision-making and policy-making at management level. Trade unions have built up their own non-profit enterprises mainly in the form of public companies.

All these changes in the socio-economic sphere have left little room and no desire for large scale experiments with workers' productive co-operative societies.

### 6.3 *Unfavourable Starting Conditions*

Where workers' productive co-operative societies are started by workers or craftsmen without outside assistance, it is almost impossible to get together the capital required to finance the installations and operations of the new production plant. The newly established co-operative enterprise will, therefore, have to fight competition without a solid financial basis.

The situation is even less favourable where workers take over a factory that was closed down by the entrepreneur because of lack of profitability, or which is on the verge of liquidation.

## **7. Criteria for Success of Workers' Productive Co-operative Societies**

Although workers' productive co-operative societies have never played a significant role in Germany before 1945 and in the Federal Republic of Germany, there are some which are operating quite successfully; during the difficult periods after the first and second world wars especially, a great number of workers' productive co-operatives and labour contracting co-operatives developed and remained in operation until the economic situation improved.

From this rather limited experience some criteria for the success of this type of society can be deduced, which might be of general relevance.

### 7.1 *Genuine need for Forming Workers' Productive Co-operative Societies*

As a general rule, genuine economic need is a precondition for the success of all types of co-operative societies. Without such need the necessary continuing close collaboration of individuals and the voluntary submission to collective discipline cannot be brought about. For workers' productive co-operative societies, where group discipline, organized collaboration in both the co-operative group and the joint production plant, and a readiness to make sacrifices for the common cause are needed to an even higher degree, it is not only a particular need but virtually the lack of any alternatives which is the precondition for success. The German experience shows very clearly that workers' productive co-operative societies and labour contracting co-operatives develop only under extreme socio-economic circumstances.

### 7.2 *High Level of Education and Vocational Skills of Members*

In workers' productive co-operative societies the personal qualities of each member are of great importance, because the members work so closely together and depend so much on the performance of their fellow co-operators that commitment, discipline, loyalty and mutual understanding are indispensable preconditions for successful operation.

Furthermore, in order to run an industrial or artisanal production plant persons of a variety of technical and

managerial skills are needed, apart from ordinary skilled workers and craftsmen, which means that persons with different educational backgrounds have to be admitted. The selection of new members has to be done with great care and applicants for membership may have to be asked to serve for a probation period as candidates before being admitted to full membership.

Experience has shown that workers' productive co-operative societies work best, where the "workers" are in effect highly specialized and qualified craftsmen or artists, e.g. in the production of precision instruments for medical use, glove-making, production of artificial jewellery or production of musical instruments etc.

### 7.3 *Suitable Legislation*

One of the causes of the relative insignificance of workers' productive co-operative societies in Germany before 1945 and in the Federal Republic of Germany up to now is the German Co-operative Societies Act of 1889 which, though amended several times (the last time in 1973), is still basically the legislation developed by Schulze-Delitzsch in the last century.

Research workers have shown that this legislation was drawn up mainly for service co-operatives, and though workers' productive co-operative societies are expressly mentioned in the definition clause, the law does not provide an adequate legal framework for this type of co-operative.

In order to make the German Co-operative Societies Act more suitable for workers' productive co-operative societies, the members of a law reform com-

mittee in 1958 suggested introducing the following amendments:

- increased powers and authority for the board of directors vis-à-vis members in general meeting on matters of policy-making and management;
- provisions concerning the distribution of economic proceeds to the effect that a substantial portion of the annual profit would have to be carried to the reserve funds;
- introduction of a dividend to be paid to members according to working hours served in the joint production plant; and
- a moderate form of plural voting which would allow a limited number of additional votes to those members who had contributed additional shares and/or had worked in the co-operative enterprise for a certain period of time.

A more autonomous board of directors and a moderate form of plural voting (up to 3 votes per member) were introduced into the German co-operative law in 1973.

### **8. The Position of Workers' Productive Co-operative Societies in Germany before 1945 and in the Federal Republic of Germany**

Having discussed in some detail the special problems and the criteria for failure and success of workers' productive co-operative societies in Germany, some figures will be given to illustrate the relative insignificance economically of this type of co-operative organization in the Federal Republic of Germany today<sup>4</sup>.

In 1885 there were about 150 workers' productive co-operative societies existing in Germany, of which only 7 sent regular reports to their apex organizations.

In 1893 it was found that out of a total of 322 workers' productive societies that had been formed over the years, 190 had been liquidated after some years of operation and 23 had been transformed into companies.

After the First World War the number of workers' productive co-operative societies and labour contracting co-operatives increased. These societies were formed mainly by groups of former soldiers and operated in the building trade, in transportation, reforestation, irrigation, and land improvement schemes. The total number of these co-operatives was 565 in 1925. However, most of these societies ceased to operate when the general economic situation in Germany improved.

The same development took place after the Second World War. In 1949 a total of 112 workers' productive co-operative societies were listed in the statistics of the German Co-operative Federation of which 29 were in the building trade, 9 in wood works, 29 were co-operatives of handicapped and 46 others.

In a survey conducted by the German national co-operative apex organizations in 1958 and based on clear definitions for the various types of societies, it was found that out of the 72 societies classified as workers' productive co-operative societies only 39 proved to be genuine pro-

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<sup>4</sup>The figures quoted in this chapter are taken from the papers by Albrecht, G. and Diederichs, Erich H. on Workers' Productive Co-operative Societies, referred to in notes 2) and 3) supra.

ductive societies of which 2 were formed in the 19th century (1880 and 1895), 15 were formed before the Second World War and 22 after 1945.

The criteria applied for classification were

- that all or a majority of the members of the society worked in the co-operative enterprise and did not take any employment outside the joint production plant; and
- that goods and services produced in the co-operative enterprise were not produced for other enterprises under

contract but were marketed in full competition with commercial firms.

The turnover of the 30 workers' productive co-operative societies affiliated to the German Co-operative Federation in 1956 was only 30 Million DM as compared to a turnover of 6,449 Million DM made by the 1,498 service co-operatives affiliated to the same apex organisation.

In a survey conducted in 1979 only 12 workers' productive societies were listed as affiliates of the German Co-operative Federation, one of which is in liquidation.



## AN INTERNATIONAL CO-OPERATIVE POSTER COMPETITION

The Roca Gales Foundation of Barcelona has as one of its main activities the promotion of Co-operation and Co-operative Principles. On the occasion of the 57th INTERNATIONAL CO-OPERATIVE DAY in 1979, the Foundation decided to call on artists throughout the world to participate in a poster competition dedicated to this end.

The competition is organised in accordance with the provisions of the 1952 UNESCO Copyright Convention as amended in Paris in 1971 and is open to artists of all nationalities.

Artists may present up to two posters, which must reach the Foundation by 12 noon on *3rd January, 1980*. Posters must measure 1m. x 0.7m. and must include the co-operative symbol (shown above), the seven colours of the rainbow flag, and the words "*Fundacio Roca Gales*" *Catalunya (Espanya)*. They should be easily reproducible.

There will be one prize of 100,000 ptas. and entries may be purchased by the Foundation at a price of 40,000 ptas each. Preference will be given to posters aimed at promoting the spread of the Co-operative Movement.

*Further details from:*

**FUNDACIO ROCA GALES**  
Arago, 281, 1-1, Barcelona-9, Catalonia (Spain)

# Transnational Corporations and Co-operative Principles

by

Paul Derrick

The international co-operative movement has for many years been much concerned about the problem of monopoly and the growth of transnational corporations. The 1973 United Nations report on *Multinational Corporations in World Development* said that there were in 1971 about 7,300 corporations that could be described as "multinational" depending upon how the word was used; and that the largest 650 of them had combined sales of \$773,007 million. It went on to list 211 corporations each with annual sales of more than \$1,000 million; and outlined the dramatic growth in their size, wealth and power in the years since the second world war.

The trade between the larger multinationals and their subsidiaries makes an impact on the balance of payments of industrialised as well as developing countries and the multinationals are in a position to minimise their tax liability by switching funds across national frontiers through their control of prices in intra-company trade – a process known as "transfer pricing". It is not at all surprising that the smaller companies with which they compete, as well as co-operatives, trade unions, international business organisations, consumer organisations, environmentalists, organisations such as the EEC and the OECD, the

governments of both developing and industrialised countries, UN agencies such as the ILO and UNCTAD and the general public should have become much concerned about the growth of their wealth and power.

## Co-operative Concern

The problem of monopoly has frequently been discussed at Congresses and meetings of the International Co-operative Alliance during the last eighty years – as, for example, at its eighteenth Congress in Copenhagen in 1951 when its Director, Mr. Thorsten Odhe, presented a paper on *Co-operatives and Monopolies* which recalled the growth of cartels, combines and giant international companies since the 1880s and the various measures taken against them, such as their breaking up under US legislation against trusts and their control by German legislation in 1923, the European legislation against monopoly and restrictive practices in the years following the second world war and the regulations of the European Economic Community.

Mr. Odhe's report declared among other things that the co-operative movement was ready to "supply the cornerstones of an entirely new economic system in which the profit interest will be bridled in the interests of the com-



munity and, step by step, relieved by the principle of service as the fundamental basis of economic activity". This view reflected the declaration in the Rules of the International Co-operative Alliance that it will "in continuation of the work of the Rochdale Pioneers and in accordance with co-operative principles seek, in complete independence and by its own methods, and in collaboration with organisations which pursue aims of importance to co-operation, to substitute for the profit making regime a co-operative system organised in the interests of the whole community and based upon mutual self-help".

The co-operative form of organisation provides the main alternative model to the conventional company for large scale enterprise in the modern world. Even the state corporation is often organised in very much the same kind of way as the conventional company but with its ordinary shares held by the public authorities. It is, therefore, reasonable to suppose that the co-operative movement can make a constructive contribution to the current debate on the future of the multinational corporation.

### **Co-operative Principles**

Co-operative societies differ from conventional companies in two basic ways: firstly in that the return paid on share capital is limited with surplus earnings distributed in some way other than as dividends on shares – for example as dividends on purchases as with consumers' co-operatives, as dividends on goods supplied by members as with agricultural marketing co-operatives or as a bonus on wages as with co-operative productive societies. The second basic principle is that voting in primary

co-operatives is equal and not in proportion to shares held.

The report of the ICA Commission on Co-operative Principles, approved at the 23rd Congress of the International Co-operative Alliance in Vienna in 1966, lists six basic principles, which I mention in order of relevance. The third is the principle of a limited return on capital and the fourth the principle of distributing surplus earnings in some other way. The second is the principle of democratic control through equal voting and irrespective of shareholdings. Of the remaining three principles the first is the principle of open membership without political, religious or racial discrimination and without artificial restriction. The fifth is the principle of allocating a proportion of earnings to educational purposes and the sixth is the principle of collaboration between co-operatives. It will be noted that the third and fourth principle are concerned with the distribution of earnings and that the second is concerned with control.

The question arises as to whether a wider application of co-operative principles could help to provide a solution to the problems posed by the growth in the wealth and power of the multinational corporations and help them to operate more in the public interest within the context of the "New International Economic Order" promoted by the United Nations. At its 25th Congress in Warsaw in 1972 the International Co-operative Alliance approved a paper on *Multinational Corporations and the International Co-operative Movement*. This said, among other things, that "it may well be that co-operative principles will one day be seen as providing the solution to the basic defect in the structure of the

multinational corporation" adding that this was "a defect which is inherent in the concept of a private company, its failure to ensure that the firm operates in the public interest." Before returning to the co-operative contribution to the debate on the future of the multinational - or transnational - corporation it may be useful to look briefly at other contributions to the discussion.

### **The Trade Union Approach**

At its 10th Congress in July 1972 the *International Confederation of Free Trade Unions* (ICFTU) approved the report *The Multinational Challenge* about the growing wealth and power of the multinationals. At its 8th Congress in October 1973 the *World Federation of Trade Unions* approved a Charter calling for more effective public control over multinational or transnational corporations; and it later set up a Commission on Multinational Corporations to exchange information and promote co-ordinated action by trade unions of all outlooks. At its 11th Congress in October 1975 the ICFTU published its *Multinational Charter*; and all three international trade union organisations, including the *World Confederation of Labour*, submitted views on multinationals in statements for the ILO Tripartite Advisory Meeting on Multinational Corporations and Social Policy in May 1976.

The ICFTU *Multinational Charter* declared that "collective bargaining procedures are not in themselves sufficient for dealing with all the various problems raised by the activities of multinational companies" and that "political action for securing appropriate legislation is also required". It declared that in the long term the UN Com-

mission on Transnational Corporations should be developed into a United Nations Agency with executive powers and trade union participation with the aim of establishing a "just and humane system of international co-operation under democratic control" and gearing industrial production "to satisfying the basic needs of the masses, not the private profit of the few".

The *Multinational Charter* of the ICFTU is a comprehensive document calling for multilateral conventions applying to governments as well as to multinational corporations and covering such matters as public accountability and the disclosure of information; social obligations including working conditions and the promotion of industrial democracy; the international control of international investment; the control of restrictive practices and oligopolistic pricing; tax avoidance through transfer pricing; the transfer of technology and short term capital movements. While many of its proposals, such as modifications in the OECD Code on the Liberalisation of Capital Movements or the revision of the Paris Convention of 1883 on the Protection of Industrial Property are greatly to be welcomed insofar as they would help to extend public and international control over the operations of the multinationals and help them to operate more in the public interest. They would nevertheless continue to be run for private profit.

### **International Concern**

Certain industrialised countries have expressed concern about matters relating to multinationals such as investment, labour relations, the terms of nationalisation measures, local participation, the

repatriation of capital and the remittance of dividends. The *Group of 77 Developing Countries* have also listed areas of concern covering such matters as prices, taxation, the transfer of technology, restrictive business practices, jurisdiction over compensation for nationalisation etc. In general they have called, as in the Manila Declaration in 1975, for more investment in developing countries by multinationals, more local participation in the operations of their subsidiaries and more effective public and legislative control over the multinationals through international conventions.

The *International Organisation of Consumer Unions* in a report published in 1974 expressed concern about the market power of the multinationals and about the transfer of technology and transfer pricing; and suggested that an international resource agency might be established to help technical progress in developing countries. The *Organisation for Economic Co-operation and Development* published a Code of Conduct for multinational corporations in the summer of 1976.

The *European Economic Community* and the *United Nations Conference on Trade and Development* are other organisations that have been taking an interest in the growth of the multinationals and the possibility of developing a Code of Conduct.

The ILO organised Tripartite Advisory Meetings on Multinational Corporations and Social Policy in October 1972 and May 1976 and produced a draft Declaration of Principles in the spring of 1977. This declaration recognised the sovereignty of states, the need for multinational corporations to observe national laws and to collaborate with

governments in the implementation of economic and other policies; and also the responsibility of such corporations to promote investment and employment, and provide reasonable security of employment, conditions of work and training facilities comparable to those made available by other companies. It also declared that wages paid should be comparable to those paid by local companies, that the rights of trade unions in collective bargaining should be recognised and that there should be consultation on grievances; but it did not have much to say about consumers.

On the other hand, the *International Organisation of Employers* and the *International Chamber of Commerce* have argued that multinational corporations use their power responsibly and are a force for progress. They say that they are highly efficient and generally pay better wages, provide better conditions and training facilities and generally serve the public better than the smaller companies with which they compete.

### **The United Nations Commission**

At the end of 1974 the United Nations Economic and Social Council itself set up its own United Nations Commission on Transnational Corporations together with a Research and Information Centre in New York. At its first meeting the Commission decided to use the term "transnational" instead of the term "multinational" in more general use and used in the two reports of the UN Economic and Social Council in 1973 and 1974. A variety of definitions are possible but many people seem to use the terms "transnational" and "multinational" as if they were interchangeable. The Commission at its first meeting

decided to give a high priority to the development of a Code of Conduct.

By the spring of 1977 it had produced two reports on issues involved in and material relevant to the formulation of a Code of Conduct; and a draft outline for such a code. It proposed that the subject should be divided into six sections, the first being a preamble and the second a definition of terms used. The fourth section was to be concerned with government policy and jurisdiction covering the treatment of transnational corporations by governments, compensation for nationalisation and jurisdiction. The fifth and sixth sections were to be concerned with the legal nature and scope of the Code and with its implementation. The main substance of the Code was, however, to be in its third section.

This, it was proposed, should itself be divided into three parts, the first covering general and political matters such as the observance of the laws of host countries, economic goals, social objectives and values, human rights, non-interference in domestic political affairs or in inter-governmental relations, and corruption; the second covering economic, financial and social matters such as ownership and control, the balance of payments, financing, transfer pricing, competition and restrictive practices, the transfer of technology, employment and labour, consumer and environmental protection; and the third covering the disclosure of information.

### **The Scope of a Code**

Most of the major industrialised countries in which many of the transnational corporations are based seem to think that a simple Declaration of Good Intentions like that of the ILO or a Code

of Conduct like that of the OECD is all that is needed. The international trade union federations and the Group of 77 Developing Countries, argue that more far reaching measures are needed, an international convention mandatory both upon governments and upon transnational corporations subjecting them to an increasing measure of public and legislative controls. Yet even the most comprehensive controls enforced by state power through universally accepted conventions would leave the basic purpose of the multinationals unchanged, that is the making of profits on behalf of relatively wealthy shareholders in Europe and North America.

There is widespread concern about the growth of the wealth and power of the transnational corporations and a general desire that steps should be taken to make them operate more in the public interest within the context of a "New International Economic Order". They are exhorted to promote employment – and their record on wages and conditions of employment and training appears to compare favourably with that of other companies. Transnational corporations, however, are not criticised on the ground that they are inefficient or pay wages that are too low but on the ground that the very success of their operations has led to a socially undesirable concentration of wealth and power in their hands.

Transnational corporations are exhorted to bring new technologies to developing countries but are also criticised on the ground that their capital intensive mining and other operations do not do much to raise local living standards while manufacturing may have an adverse effect upon existing local industry. Nevertheless the developing

countries have made it clear that they need the investment that the transnational corporations can provide. Many of them take special measures such as tax concessions to attract foreign capital and some go as far as restricting the activities of trade unions in the expectation that this will attract foreign capital. At the same time developing countries dislike the prospect of permanent economic domination by foreign capital; and international investment is inhibited by fears of arbitrary expropriation by a revolutionary government. Many developing countries have acute balance of payments problems as well as a crippling debt burden and it is not surprising that some of them should place restrictions on the repatriation of capital and the remittance of dividends.

A Code of Conduct may be developed which is mandatory on governments through an international convention and which places legal obligations on the local subsidiaries of transnational corporations so as to subject them to a significant amount of public control. But notwithstanding such legal obligations as may be placed on them the perennial question remains of who is to benefit from their operations and whether these operations serve the interests of the peoples of host countries. Controversy is thus likely to concentrate on the question of ownership and control as the United Nations Commission on Transnational Corporations has recognised.

Two alternatives are generally presented. One is nationalisation of the subsidiaries of the transnationals with fair compensation; and the other the possibility of local shareholdings in these subsidiaries. There may be a

third alternative, a co-operative alternative: that is the evolution of the subsidiaries of the transnational corporations and the transnational corporations themselves in a co-operative direction.

### **Local Shareholders and Nationalisation**

The United Nations Commission on Transnational Corporations has recognised that questions of ownership and control are crucial in consideration of the future of such corporations and the national legislation and any international Code under which they operate. One possibility is that their subsidiaries operating in developing or other countries should be required to make arrangements for local shareholdings in the subsidiary company either by the government of the country or a governmental agency or by local individuals or companies. For example, India has insisted since 1973 that holdings by transnationals in Indian companies should be reduced over time to 40% while Mexico insists on a majority local shareholding. Many transnationals, and American ones in particular, nevertheless prefer to own *all* the shares in their subsidiaries. Local shareholdings in the subsidiary of a transnational can give the government of the host country some voice in the operations of the subsidiary in its territory; but they do cost money and some developing countries prefer increased participation over time to a specified proportion of local shareholdings from the beginning.

Industrialised countries as well as developing ones may seek local shareholdings in the subsidiaries of transnational corporations or in the corporations themselves. For example, the

British Government has had a large holding in British Petroleum for more than sixty years; and the Labour Party argued in October 1977, in a report on *International Big Business* that the British Government should acquire shares in other transnationals based in Britain and in the British subsidiaries of transnationals based in other countries. This kind of buying into the system can, however, be very expensive and it gives the governments concerned a direct pecuniary interest in the profits and dividends of the transnationals.

An alternative possibility is for the government of the host country to nationalise the subsidiary of a transnational corporation. All governments recognise that sovereign states have the legal right to nationalise companies operating in their territories and pay their shareholders fair compensation. The terms of compensation and the question as to who should adjudicate on those terms may, however, be a matter of some controversy; and the report of the United Nations Commission on Transnational Corporations on *Issues Involved in the Formulation of a Code of Conduct* indicated that this might be one of the most controversial issues before the Commission.

The governments of some developing countries have argued that their own juridical authorities are perfectly competent to determine fair compensation when the subsidiary of a transnational corporation or any other company is nationalised. The governments of some of the industrialised countries concerned have, on the other hand, argued that in the case of the wholly owned subsidiaries of such corporations fair compensation should be determined through some

form of international arbitration. As has been noted, fear of arbitrary expropriation has tended to inhibit international investment and efforts have been made to promote international agreement on the matter. When a government buys shares in a public company on the market it pays the market price; but when a government acquires compulsorily the shares of the wholly owned subsidiary of a transnational corporation, there is only too likely to be some difference of opinion about the price.

### **The Co-operative Contribution**

The two reports on transnational corporations published in 1973 and 1974 devoted some attention to questions of ownership and control. The 1973 report, *Multinational Corporations in World Development* noted on page 38 that "various fade-out arrangements have already been implemented and more are appearing in the legislation of developing countries" and predicted that "increasingly novel forms of ownership will come into being" and that "local control will increase". The 1974 report on *The Impact of Multinational Corporations on World Development and on International Relations* noted on page 61 that capital repayments and profit remittances may be restricted and that "the reduction of foreign equity interests should be given favourable consideration as one of the options available to both parties". It added that "if there is no possibility of the multinational corporation renegotiating or progressively reducing its equity interests, relations between it and the host government may begin to deteriorate" and that "since the costs and benefits of inward direct investment undergo major changes over time, host govern-

ments and multinational corporations should, from the very beginning, provide for the possibility of renegotiation at later stages”.

The views of the Group of Eminent Persons responsible for this report make clear the relevance of co-operative principles to the problems posed by the growth of the wealth and power of the multinational corporations. To provide “from the very beginning” for the reduction of the equity interests of a transnational corporation raises fundamental questions about the role of capital and the reward of capital. The evolution of transnational corporations and their subsidiaries could be in a co-operative direction if a limit were put on the return as well as the liability of the shareholder by the “reduction of equity interests”, by the application of the co-operative principle of a limited return on capital.

Possibilities of this kind were explored in the paper on *Multinational Corporations and the International Co-operative Movement* approved at the 25th Congress of the International Co-operative Alliance in 1972. It discussed investment by transnational corporations in developing countries:

“The Governments and peoples of developing countries resent domination by foreign capital; but at the same time they need foreign capital and often adopt special measures to attract it. The multinational companies can provide developing countries with the capital that they need. Might it be possible by a wider application of co-operative principles for this capital to be made available on more favourable terms?

“For example company law in developing countries might be modified in such a way as to require the subsidiaries of multinational corporations to pay an unlimited return on capital to their parent companies for a specified period only – such as five or ten years. After the end of this period they would pay a limited return based on asset values at that time. Multinational corporations might well be prepared to accept an arrangement of this kind since it would reduce the danger of arbitrary expropriation by a revolutionary government.”

To provide for an ultimate limit on the reward of capital “from the very beginning” as the Group of Eminent Persons puts it, could be a way of avoiding confrontations about compensation in the event of nationalisation. The ultimate development of the subsidiaries of transnational corporations into autonomous organisations organised on an essentially co-operative basis might be more acceptable to the governments of host countries than either local shareholdings or nationalisation in that it would cost a great deal less. At the same time, from the point of view of the transnational corporation, the return on the investment might be substantial even though in the long run limited. In an investment project by a transnational corporation in a developing country, there would be negotiation between the corporation and the government of the country over the length of time that an unlimited return would be payable by the subsidiary on its share capital, the method of calculating asset values in order to arrive at a reasonable return after the end of the period, and the set-

ting of a limit on the return as well as the liability of the shareholder.

At the end of the agreed period, the surplus earnings of the subsidiary might be distributed locally among suppliers or workers or consumers or be divided in some way between them. The investment agreement might also provide for the transfer of *control* on a co-operative basis to local people at the end of that period. The co-operative principle of democratic control goes with the co-operative principle of a limited return on capital, but unless voting power were transferred at the same time or soon after a limit was set on the return paid on share capital, the principle of a limited return to a shareholder who was at the same time a customer might be avoided through price control by the parent organisation.

The evolution of the subsidiaries of transnational corporations in a co-operative direction, especially but not only in developing countries, would have the advantage over local shareholdings or nationalisation not only because it would be very much *cheaper* to the governments concerned but also because it would tend to lead to a greater diffusion of earnings and of power. To seek to change the character of the system by legislative process appears to have advantages over trying to buy into the system as proposed by the British Labour party and others.

Modifying the relationship between the subsidiaries of transnational corporations in developing and other countries and their parent organisations would have important implications. For example it would affect transfer pricing for tax avoidance or other purposes. If prices in intra-company trade were

arranged in such a way that profits accumulated in developing countries where taxation rates were relatively low, the beneficiaries would not be the shareholders of the parent transnational but the workers or suppliers in the developing country. The change would have a direct effect upon the remittance of dividends and the repatriation of capital and would help employment and social policy in that greater resources would tend to remain in the developing country.

There would also be more effective competition in that the former subsidiaries of transnationals would be effectively autonomous operations. The basic change would be that developing countries would welcome investment from transnationals even more in that the development would ultimately be in the interests of local people while the transnationals might be the more willing to invest because the risks of arbitrary expropriation would be reduced.

### **The Evolution of the Company**

Co-operative principles not only have relevance to the relationship between transnational corporations and their subsidiaries in developing and other countries; they also have relevance to the future development of the transnational corporations themselves and could help them to operate more clearly in the interests of the world community. Indeed it can be argued that large corporations have been evolving in a co-operative direction for the last fifty years.

It is now more than fifty years since J. M. Keynes remarked in *The End of Laissez Faire* that the directors of large companies are much more concerned with the reputation and growth of the company as an institution than with



paying the highest possible dividends to shareholders. He pointed out that large companies tend to pay only a "conventionally adequate dividend" to shareholders, the kind of return needed to ensure an adequate supply of capital.

The reasons for this trend were made clear by A. A. Berle and G. C. Means in their classic work *The Modern Corporation and Private Property* in 1932. They pointed out that power in large corporations has been passing from shareholders to management for the simple reason that in a very large corporation it is unusual for any individual shareholder to hold a controlling interest or, indeed, more than a very small proportion of the stock. The largest shareholders are likely to be identified with management in any case and to exercise power as management rather than by virtue of shareholdings. This tendency was also noted by James Burnham in *The Managerial Revolution* in 1941, and it is now generally recognised and taken for granted. The average shareholder in a large corporation has no real power in spite of his nominal ownership and the myth of shareholder democracy. If he is dissatisfied with the way in which the corporation in which he holds shares is being run he does not try to unseat the board: he sells his shares. Even in a bid situation he does not exercise real power. He sells his shares to the bidder if he thinks this offers the prospect of a higher return.

The natural consequence of the transfer of power in large corporations from shareholders to management is that only conventionally adequate dividends are paid. As Berle and Means asked in 1932:

"Where is the social advantage in

setting aside for the security holder profits in an amount greater than is sufficient to ensure the continued supplying of capital and taking of risk? The prospect of additional profits cannot act as a spur to the security holder to make him operate the enterprise with more vigour in a way to serve the wants of the community since he is no longer in control. Such extra profits, if given to the security holder, would seem to perform no useful economic function. Certainly one cannot escape the conclusion that if profits have any influence as a motivating force, any surplus that can be made over and above a satisfactory return to the investor would be better employed when held out as an incentive to action by control than when handed over to 'owners' who have surrendered control. The traditional logic of profits, when thus applied to the modern corporation, would seem to indicate that if profits must be distributed either to the owners or to the control only a fair return on capital should be distributed to the owners while the remainder should go to the control as an inducement to efficient management."

Many of those directing the operations of transnational corporations are concerned about their public reputation or image. They seek to maximise profits for profits are a measure of efficiency and achievement; but are often reluctant to distribute these profits in higher dividends. As the *Economist* remarked in July 1949, "once capital is raised it is easy for management to slip into the idea of regarding the members of a company as lenders who ought to be satisfied with

a more or less fixed rate of return.” Twenty years later in September 1969 it noted that there had been “scarcely a squeak of protest” over the legal limitation of dividends imposed the previous year.

Insofar as restrictions are placed on the reward of capital and a limit is set on the return as well as the liability of the shareholder the corporation will be moving in a co-operative direction in that the limitation of the return paid on capital is a basic co-operative principle. The way in which the earnings of transnational corporations are distributed is the responsibility of legislators rather than that of the directors of such corporations; and co-operative principles have a clear relevance to the purposes of those seeking ways and means of ensuring that transnational corporations operate more in the public interest.

### **The Responsibilities of Company Directors**

There has in recent years been widespread criticism of the way in which companies have evolved into large “endocratic” corporations with boards of directors apparently responsible to no-one. Company law in many countries says that company directors are responsible only to their shareholders and need not have regard for the interests of their workers, of their customers or of the community except insofar as doing so helps to increase profits and dividends for their shareholders.

There has long been argument on this matter in many countries, as between Professor Berle and Professor Dodd in the USA in the 1930s and in Britain where the controversy was highlighted by the Savoy Hotel case in 1954 and by the *Daily*

*News* case in 1961. In some countries, such as the Federal Republic of Germany, company law defines the responsibilities of company directors in broader terms than in Britain, where the Bullock Committee recommended that workers should be represented on company boards and also recommended that company directors should in law have responsibilities to their employees as well as to their shareholders.

Many company directors have claimed that they have such wider responsibilities and have seen themselves as seeking to establish a fair balance between various interest groups – that is supplying customers with high quality goods at competitive prices, paying fair wages after negotiation with trade unions and providing good working conditions, having regard to the needs of the local community and of the environment, ploughing back and investing an adequate amount for development and expansion and paying adequate dividends to shareholders which will ensure a sufficient supply of capital.

In practice company directors have been compelled to have regard for the claims of different interest groups whatever the implications of company law.

The British Institute of Directors has long recognised that company directors have wider moral responsibilities than the formal responsibilities incorporated in company law. The boards of transnational and other companies are well aware of the need for adequate incentives for efficient management through profit related bonuses, stock options and the like. Company directors are bound to take account of changes in demand and have regard for the interests of con-

sumers who are the people who place the order. Trade union power has compelled them to pay due attention to the interests of labour. The question is whether they should continue in law to have the overriding responsibility of increasing the profits and dividends of shareholders even when those shareholders have as with transnational corporations, no effective power; or whether large companies should evolve in a co-operative direction and give priority to other objectives.

### **The Reward of Capital**

Dr. C. A. Cooke has pointed out in his book *Corporation, Trust and Company* that the corporation was originally a public and regulatory body and that joint stock enterprise developed in Britain somewhat independently of corporate enterprise. The limited liability company that dominates the contemporary industrial scene is no older than the co-operative society. In legal theory the limited liability company should be a democracy of shareholders; but shareholder democracy does not work very well in large companies. Efforts to make shareholder democracy effective, as in Britain following the report of the Cohen Committee in 1945 and that of the Jenkins Committee in 1962, have not been very successful. In Holland the ineffectiveness of shareholder democracy has more or less been recognised in company law and nominees of shareholders and of workers are co-opted on to a board in a way that makes explicit in law what has been evident in practice for a long time: that is that power in large companies has passed from shareholders to management.

The British Labour Party remarked

in a report in 1969 that the increasing insignificance of the shareholder raises the question why he should continue to be entitled to an increasing level of income as capital accumulation within industry proceeds. In 1975 the UK Royal Commission on the Distribution of Incomes and Wealth noted in its report on "Income from Companies and its Distribution" that only 4.6% of industrial investment in Britain between 1962 and 1972 was financed by the issue of ordinary shares; and it asked many of those who submitted evidence why, in a limited liability company, the reward for risk taking should be potentially unlimited.

This is indeed a contradiction lying at the heart of company law. When limited liability was first introduced in the 1840s many argued that it was anomalous that entrepreneurs making large profits out of the industrial revolution should only be liable to a limited extent in the event of failure. Limited liability was, however, a necessary innovation because the large numbers of people contributing capital to companies could not possibly control such companies and this needed the protection of such limited liability. The logical implication of such a procedure was, however, that some limit should also be placed on the reward of shareholders and this was done with co-operative societies under the first Industrial and Provident Societies Act of 1852. It was not, however, done with limited liability companies and it may be that the time has come to ask whether it is in the public interest that companies in general and large companies in particular should continue indefinitely to be run for the profit of their ordinary shareholders or whether it might be wiser to

arrange for residual earnings to be distributed in some other way.

### **Workers on Boards**

In recent years there has been much interest in many countries in the promotion of workers' participation in the control of companies, as through workers' representation on supervisory boards in the kind of way pioneered in the Federal Republic of Germany. In that country company law has been modified so that company directors are no longer responsible solely to shareholders but must also have regard for the interests of workers. In Britain a report by the Bullock Committee proposed at the beginning of 1977 that workers should have parity of representation with shareholders on company boards through trade union machinery and that company directors should have regard for the interests of workers as well as shareholders. A White Paper at the end of the year proposed legislation to this effect. In Sweden workers have had two representatives on the boards since April 1973 and other measures have been taken to promote industrial democracy; the Meidner Report proposed that funds controlled by trade unions should be used to acquire shares and thereby voting power in larger companies.

The World Federation of Trade Unions, the International Confederation of Free Trade Unions and the World Confederation of Labour all seek to extend industrial democracy and the 1976 ICFTU report on *Industrial Democracy* discusses not only workers' representation on boards and works' councils and the promotion of autonomous work groups but also various kinds of capital sharing schemes and the

promotion of workers' co-operatives.

The Multinational Charter of the ICFTU and the Charter on multinationals of the WFTU both call for the extension of workers' participation in the control of multinational corporations and the former quotes a resolution of the European Trade Union Confederation in February 1975 on the workers' right to participate in the control of multinational companies. All such demands for the extension of workers' participation in the control of multinational and other companies can be regarded as moves in a co-operative direction. The democratic control of an organisation as large as a multinational corporation by those working in it clearly presents formidable problems but these could be reduced if the organisation operated on a federal basis as is common with co-operatives. In his book *Multinational Co-operatives: An Alternative for World Development* Dr. Jack Craig of York University, Ontario (Canada), notes that most multinational corporations are organised on a centralised basis with the parent organisation controlling wholly owned subsidiaries but that such international organisations can be organised in a federal way like a co-operative federation with the member organisations controlling the central body.

### **Co-operatives and Monopolies in Contemporary Economic Systems**

It can be argued that there is in large corporations a discernable trend towards the wider application of the co-operative principle of a limited return on capital and of the co-operative principle of democratic control. In 1967 the International Co-operative Alliance approved a resolution and a report on *Co-operatives*

*and Monopolies in Contemporary Economic Systems* which called for a wider application of co-operative principles as a way of dealing with the intractable problem of monopoly. This resolution had been tabled at the 23rd ICA Congress in Vienna in 1966 but had not been debated due to lack of time. The resolution recalled the resolution on monopolies at the 1951 ICA Congress in Copenhagen and called not only for the full enforcement of anti-monopoly legislation but also for "the establishment of social ownership in co-operative form in all those sectors where it can be adopted" and emphasised "the importance of the co-operative contribution to the discussion on monopoly and the relevance of co-operative principles in achieving the basic objective of all legislation against monopolies – the protection of the public against exploitation". It also called for the "wider application of co-operative principles and changes in the internal structure of the enterprise ensuring that consumers, producers and employees share fairly in the fruits of technical development."

This 1967 ICA report on monopoly noted that while Article 85 of the Treaty of Rome had said that the fruits of technological and economic progress should be passed on to consumers, it might be difficult to do this through the process of competition inasmuch as the European Economic Community tended to encourage mergers between large European companies in order to compete more effectively with American ones in world markets. The report suggested that where competition was ineffective the fruits of technological and economic progress should be passed on to consumers in the way pioneered by con-

sumers' co-operatives: that is by the application of the principle of a limited return on capital and the principle of consumer participation in residual earnings.

The report pointed out that such consumer participation in residual company earnings would help to make competition more effective because it would undermine any attempt at price rings. It also argued that co-operative principles were relevant to the problems of public monopoly in Eastern Europe as well as to the problems of private monopoly in the west. It noted that the economic reforms promoted in the sixties by Professor Liberman meant that "the return paid on capital is limited, and the workers share in such increases in earnings as may be achieved through greater efficiency" with "prices continuing to be controlled within the framework of the national plan".

### **Co-operative Principles**

A company differs from a co-operative society in that the share capital of a co-operative is raised from its farmer, consumer or worker members whereas the share capital of a company is raised from anyone with savings to spare. If co-operative principles are to be applied to multinational or other companies this would mean in the first place the application of the basic principle of a limited return on capital and arriving at a fair return might be a fairly complicated process. A number of factors such as past and expected future share values, past and expected future profits and past dividends would need to be taken into account. It might prove necessary to build some kind of "hedge" into the arrangements to protect shareholders

against inflation in a way that holders of fixed interest stocks are not protected. It might take some time to arrange a change of this kind; but it would merely give legislative form to a trend that has been observable for fifty years.

The second principle of democratic control would presumably take even longer to arrange. It would be appropriate for existing shares to be converted into non-voting shares as maximum dividends came to be paid. All co-operative shares are non-voting in the sense that voting is equal and not in proportion to shares held and in some countries, such as Canada, India and the USA, co-operatives commonly issue non-voting shares. In the third place it would be necessary for "Certificates of Membership" to be issued to workers, suppliers or consumers of the subsidiaries of the multinationals; and arrangements made for the centralised control structure to be replaced by a federal one so that in matters of major policy the member organisations controlled the central body. This would probably take even longer to arrange but could be indicated as a direction in which multinationals should be encouraged to move.

The third basic co-operative principle relates to the distribution of residual earnings. Here it would be appropriate for local organisations to return surplus earnings locally to workers, farmers or consumers as co-operatives or divide them in some way between them. The central transnational organisation might distribute its surplus earnings to member organisations in proportion to trade in the same way as co-operative federations; but with organisations operating on the scale of transnational corporations sur-

plus revenues might also be allocated in a variety of other ways:

Any co-operative organisation is bound to allocate a proportion of its earnings to education; and many of them allot a proportion to various other social purposes such as the promotion of co-operative development in developing countries. The ILO World Employment Conference in June 1976 discussed the formidable task of meeting the basic needs of the peoples of developing countries by the year 2000 with the probability of energy shortage at that time and the possibility of continuing inflationary pressures. One way of reducing unemployment and underemployment in developing countries is to promote the formation of co-operative productive societies and other kinds of co-operatives, particularly in rural areas and generally using labour intensive technologies so as to provide more employment at the same time as raising living standards.

Transnational corporations, in association with governments, are in a position to provide management know-how, technical skills, marketing know-how, finance and equipment and other supplies to co-operative and other enterprises in developing countries. If the structure of transnational corporations and their ownership and control is to be reviewed it would be appropriate for consideration to be given to the possibility of legislation requiring that a proportion of their surplus revenues be allocated to meeting the needs of developing countries and of the world community in the development of a New International Economic Order. The people directing operations of transnational corporations and their sub-

sidaries might find this purpose more satisfying than devoting their lives to piling up private fortunes for the few. They are, in any case, much concerned about the reputation of their organisations and mostly realise that the purposes of the organisations they control are determined by the legislators.

Little needs to be said here about the other three co-operative principles of education, open membership and collaboration between co-operatives. Many large companies spend large sums on technical education and on research and development: as well as on advertising—although this can hardly be regarded as a form of education. It should not be too difficult to persuade them to improve the quality of their educational operations. Nor should it be too difficult to persuade them or require them by law to end any discrimination in recruiting or elsewhere on grounds of race, sex, religious or political beliefs, nationality or trade union membership and thus sustain the principle of open membership.

Nor should it be difficult to promote collaboration between transnational corporations committed to operating in the interests of the community—while at the same time maintaining competition. There would also need to be collaboration between such corporations and government and between them and existing co-operatives in serving the needs of the world community in a New International Economic Order. Some existing co-operatives, such as the International Co-operative Petroleum Association, Nordisk Andelsförbund and the Overseas Farmers' Co-operative Federation already operate on a transnational basis.

## The Incomes Problem

The tendency for large companies to pay conventionally adequate dividends rather than the highest possible return on capital when power passes from shareholders to management as such has been reinforced by the disposition of some governments to place restrictions on the distribution of dividends either to help the country's balance of payments when a large proportion of dividends are payable abroad or, in an attempt to control inflation by developing an incomes policy that trade unionists will accept as fair. Legislation for the limitation of dividends has been introduced at various times in Norway, Sweden, Denmark, Holland and Britain; but it has been temporary legislation and trade unionists have argued that it merely allows profits to accumulate on behalf of shareholders—whereas restraint in wage claims means that wage increases are lost for ever.

In Britain in 1963 the National Economic Development Council declared in one of its first reports that "a policy for prices and money incomes can only succeed if those concerned are convinced that restraint by one section of the community will not merely result in gains by other sections." But however heavy taxes on profits may be, however strict controls over prices and profit margins and however tough curbs on demand, restraint by wage earners will still mean gains for shareholders. As Keynesian policies for sustaining demand and employment lose their credibility governments seek to persuade trade unionists to exercise restraint in wage claims in order to prevent money incomes increasing faster than output and leading to higher prices. They also

seek to persuade trade unionists to accept the need for higher profits in order to finance investment and save jobs; but trade unionists are not attracted by incomes policies based on lower real wages, less welfare and higher profits and are not impressed by temporary restrictions on dividends which merely delay the distribution of dividends to shareholders and can lead to investment in uneconomic projects, the misallocation of resources and waste.

Mr Peter Jay, until recently the Economics Editor of *The Times*, has argued that the best hope of controlling inflation lies in organising production generally on a co-operative basis; and Mr Tom Hadden has argued in his book *Company Law and Capitalism* that there would be "little difficulty" about converting companies to a more or less co-operative basis if public opinion were in favour of such a change. The evolution of companies in a co-operative direction could make an important contribution to reducing inflationary pressures and at the same time help to bring about a fairer distribution of wealth and income and thereby to sustain demand and employment.

### **The Taxation of Transnational Corporations**

It is one thing to encourage the conversion of small companies to a co-operative basis; but it is quite another to seek to bring about such a change in the subsidiaries of the transnationals or in the transnational corporations themselves. On the whole governments have tended to press for local shareholdings in the subsidiaries of transnationals rather than their conversion to a co-operative basis; but such local share-

holdings simply give governments an interest in the maintenance of capitalist relationships, with such companies continuing to be run in the interests of their parent company in another country.

The 1978 report of the UN Commission on Transnational Corporations, *Transnational Corporations in World Development: A Re-Examination* in its chapter on "The Search for New Directions" discusses the bargaining between transnational corporations and developing host countries about the operations of subsidiaries in such host countries. It notes in para 459 that host countries may seek to ascertain the over-all rate of return that the transnational corporation will regard as adequate and to ensure through taxation and other devices that the various elements which make up the return to the corporation do not exceed that minimum. It also notes that some host countries have developed "fade-out policies" ensuring transition to full national ownership over a period of years. It also discusses the way in which transnational corporations may be able to command a "rent" for a direct investment package or bundle covering such matters as capital, equipment, technology, management and market access; and also licensing arrangements of various kinds and the way in which multinational corporations have made comprehensive investment packages involving participation in risk with various East European countries. Agreements of the latter type are further discussed in the Commission's report on *National Legislation and Regulations Relating to Transnational Corporations* also published in 1978. In 1979 the Chinese were investigating the possibilities of collaboration with transnational corporations.



The Intergovernmental Working Group established by the UN Commission on Transnational Corporations in its work of preparing a Code of Conduct has been looking at questions such as nationalisation, compensation and jurisdiction and also at "new modalities of association" and "new contractual arrangements not involving equity participation by transnational corporations".

Now this bargaining between transnational corporations and the governments of host countries derives from the fact that the latter need the investment and the technology, the management know-how and the marketing facilities that can be provided by the transnational corporations but do not wish to be permanently dominated by them. They therefore seek to arrange some kind of contract which will limit the profits which the transnational corporation can draw from the host country while at the same time offering temporary tax concessions, etc., to attract the investment that they want. Sometimes there is agreement that the transnational corporation should eventually fade out altogether; and in general the governments of the host countries make the best bargain that they can.

The logical conclusion of this bargaining process is either for the local government or local shareholders gradually to acquire a controlling interest in the subsidiary or for a limit to be set on the return payable to the transnational corporation in dividends on capital, royalty, licence fee or whatever. The latter is likely to be cheaper to the host country with the transnational's shareholding converting over time into redeemable non-voting preference shares;

and a co-operative enterprise may also be preferred to a local capitalist or state enterprise. One possibility is clearly that initial tax concessions should be made particularly generous on condition that a limit, based on asset values after a period of time, is set on the return paid to the parent organisation. Taxation could also be used by the governments of the countries in which multinationals are based to encourage "socialisation" or conversion to a co-operative basis.

A transnational corporation with subsidiaries operating in several countries will tend to fix prices in intra-company trade in such a way that profits are made mainly in countries in which taxation on profits is relatively low. Thus an American motor company with operations in both Britain and the Federal Republic of Germany will seek to arrange for profits to be made in Britain, where effective corporation tax is low rather than in Germany where it is high, even though high profits in Britain may stimulate wage claims. To counter such tax avoidance tax authorities around the world have developed a set of rules to control "transfer pricing". They maintain that the subsidiaries of transnationals should practise "arm's length pricing", that is fix prices in intra-company trade as if the subsidiaries were independent. This is called for in the OECD's draft double taxation treaty and in many other tax agreements; but the taxation of transnationals is a very complicated business and it is difficult for the tax authorities to prove that the subsidiary ought to pay higher taxes than the liability shown by its accounts.

A way of getting round this difficulty has been adopted in three American states—Alaska, California and Oregon—

and is being studied by others. This is to tax multinational corporations or their subsidiaries on a so-called "unitary basis" instead of on an "arm's length basis". The tax authority first determines the proportion of the transnational's operations within its frontiers to its worldwide operations, based on local and worldwide turnover, assets and labour costs, and then collects in taxation the same proportion of its worldwide profits. This method of taxation is much simpler than the conventional one and the transnationals are concerned about the new system because, if some countries adopted the new system while others (such as those in which the highest profits were made) retained the traditional one, it could result in some transnationals paying out more in taxation than they made in profits.

It is not surprising that the transnationals should be concerned about the "unitary" system of taxation or that they have been lobbying about it in Washington. They are also aware that the US Senate, the governments of many developing and other countries and the general public are not completely happy about the extent to which their operations serve the public interest. It would therefore appear that this is an instrument through which transnational corporations could be induced to operate more in the public interest.

National governments, and state governments in the USA, are perennially in need of revenue but at the same time anxious to avoid taxing individuals at rates which will be strongly resented by voters. They are therefore concerned that companies operating in their territories should pay their fair share of taxation, and it would seem possible that

agreement might be reached between a sufficient number of governments to put pressure on transnationals, through taxation measures, to operate in the interests of the world community instead of for the profit of the heirs of the original contributors of their share capital.

In the USA, where so many of the largest corporations are based, it used to be taken for granted that these huge organisations must operate in the public interest if there is some measure of competition between them, but this is no longer so. During the two centuries since US independence millions of people have escaped from feudalism and landlordism in Europe to find freedom and independence in the United States. But today many of the citizens of that country lack the economic independence so valued by Thomas Jefferson and other founding fathers of the Republic; and the growth of the giant corporations in the US economy has been likened by some to the development of a new feudalism; it may be that the evolution of transnational and other large companies in a co-operative direction could bring the economy of the country more into line with the ideals of the people who framed its constitution. For the past two centuries colonialism has been unacceptable to the people of the United States and is now also unacceptable to world opinion; it may be that the economic colonialism of the transnational corporations will also become unacceptable to US and world opinion. It is not enough that they should pay wages and provide conditions and facilities comparable to those of other companies; it is also important that their operations should be seen to serve the best interests of the world community.

## **A New International Economic Order?**

There has been much discussion in the United Nations about a New International Economic Order designed to bring about a fairer distribution of wealth and income as between industrialised and developing countries. The intractable problem of unemployment and under-employment derives to some extent from the process of technological change and structural adjustment in the face of market movement; but it is also rooted in the concentration of income and wealth in too few hands so as to produce a perennial deficiency of demand. There is also the continuing problem of inflation deriving to some extent from the difficulty of developing a policy on incomes that will be accepted by trade unionists as fair. Before the end of the century an energy and environmental crisis is likely to add considerably to inflationary pressures.

Against this background it is sometimes predicted that transnational corporations will continue to grow and to command an increasingly large share of world trade and production. Because of the way in which they are constituted they are likely, because of their success and efficiency, to widen the gap in wealth and incomes between the peoples of developing countries and those of industrialised countries, as well as increasing income inequalities in both. In doing so they are likely to reduce demand and employment and worsen the trade recession as well as increasing inflationary pressure.

It may well be, therefore, that pressures will grow from governments and from peoples to bring about a New

International Economic Order in which the efficiency and success of transnational corporations will help to bring about a fairer distribution of wealth and incomes and sustain demand and employment without adding to inflationary pressure. One way of doing this is by a wider application of co-operative principles. Professor John Kenneth Galbraith argued in a lecture in February 1976 that big transnational companies like Shell and Esso should be run in the interests of the community instead of for private profit. Dr Jeremy Bray MP argued in the British House of Commons in March 1975 that the larger British companies should be converted to a co-operative basis if a majority of workers favoured such a change; and he developed the same kind of theme at the Open World Conference on Industrial Co-operatives held in Rome in October 1978.

At its 25th Congress in 1972 the International Co-operative Alliance approved a paper which suggested that a wider application of co-operative principles could provide an answer to the problems posed by the growth of transnational corporations. The co-operative movement has provided the world with a model for a corporation which is independent and democratically controlled, an alternative instrument for development which will operate in the interests of the world community.

Such a change could help to bring about the "far-reaching changes in the structure of the present international economic system" called for by the UN General Assembly in February 1979 in its Resolution on a new international development strategy.

As the Executive Director of the United Nations Centre on Transnational Corporations said at the International Chamber of Commerce Congress in Florida in 1978:

*“There is no reason why the immense energies and capacities of the Transnational Corporations should not be harnessed for the good of mankind.”*

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# 10th Anniversary of the Pan-African Co-operative Training Centre

by  
David Klugman

Africa, torn between needs and resources, between expectations and feasibilities, looks to co-ops as one way out of its dilemma. Unfortunately, many attempts have failed (the review "Jeune Afrique" once headlined a report: "Africa, a cemetery of co-ops"). That is why the Francophone sub-Sahara countries jointly launched the Pan-African Co-operative Training Centre in Cotonou, Benin (then known as Dahomey), to put the horse before the cart, so to speak, i.e. to train co-op staffs. In its first ten years the Centre has made a valuable contribution to Africa's co-operative development.

\* \* \* \*

## The Centre

The Pan-African Co-operative Training Centre took its place in Africa's nation

*A field trip in Benin.*



building process following a tri-partite session of governments, trade unions and co-operatives, meeting in Cotonou 2-7 October, 1967. The Centre formally opened on 16 June, 1969. From its inception the Centre carried a labour connotation, since African trade unions view the co-operative approach as a concrete application of the "responsible participation" principle which they advocate. Hence it is not surprising that it was the African-American Labour Centre, an American trade union assistance organisation operating throughout Africa, which provided the administrative and financial support for the first five years, as well as the services of the Director. The current Director is Mr. Pierre Dominique Coco, a Benin national, assisted by a Malian Deputy-Director and by a Comptroller. Thirteen Benin teachers and five outside consultants constitute the academy. There have been 686 students to-date. A dozen personnel see to operations. The Board of Directors comprises two members from governments, one from trade unions and one from co-operatives. In 1979 Benin and Central African Empire were elected to government seats, Senegal to the union seat and Togo to the co-op seat. The current Chairman is Mr. Adolphe Biaou, Benin's Minister of Civil Service and Labour.

### **Work of the Centre**

The Centre has a library and audio-visuals at its disposal. It organises field trips and has provided extension courses to other African countries (Togo, Central African Empire).

Study courses vary from one to five months. A recent five-month course (June-November, 1978) included 23 participants, from Benin, Burundi, Central African Empire, Chad, Mali, Mauritania, Niger, Senegal, Rwanda, Togo, Upper Volta.

The one-month course offers instruction in:- Basic agricultural training - Applied work - Inventories - Business law - Farm credit - Personnel administration - Office procedures.

The five-month course (506 hours) offers: Development Economics - Business Management - Legal aspects of co-ops - Human Relations - broken down into: Co-op marketing - Accounting - Statistics - Producer co-ops - Social and rural psychology - Social Security - Trade unionism.

The Centre keeps a data bank on all co-operative aspects in Africa.

Teaching is geared toward training: (a) Co-op educators and activists; (b) Co-op managers; (c) Co-op comptrollers who want advanced or refresher courses.

### **Centre Finances**

The Centre provides room and board for students and covers travel and living expenses.

The 1978 budget amounted to over 62 million CFA Francs ( $\pm$  \$280,000), while the 1979 budget exceeds 73 million CFA Francs ( $\pm$  \$340,000).

Since 1 January, 1974, the African countries sponsoring the Centre have assumed full financial responsibility.

The Centre has been occupying temporary quarters since inception and has blueprints for major extensions, for which it seeks financial assistance from abroad.

This review congratulates the Pan-African Co-operative Training Centre on its 10th birthday and offers its best wishes for the Centre's next ten years.



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# Recent Books

by

**Anne Lamming**

ICA Librarian

The books listed should be ordered  
direct from the publishers.  
ICA can only supply its own publications.

**ALTUN, Ahmet: The Rural Structure, the Co-operative Movement in Turkey and KÖY-KOOP.**

*Ankara (Turkey), Central Organisation of Village Development and other Agricultural Co-operative Units (KÖY-KOOP), 1978. 28pp; tabs. (mimeo).*

A description of the rural economy in Turkey and of the Köy-Koop village development co-operative movement.

**De BARROS, Henrique: Cooperação Agrícola.**

*Lisbon (Portugal), Livros Horizonte Lda., 1978. 171pp; 2nd Ed. rev.; bibl.*

Revised edition: a general book on the nature and operations of agricultural co-operatives of all kinds, including collective forms of farming, and co-operatives set up primarily to provide services to farmer members.

**CALDERON, José Argandoña: Las Cooperativas mineras de Bolivia especialmente las Estaníferas.**

*La Paz (Bolivia), Departamento de Estudios Cooperativos, Universidad Católica Boliviana, 1978. 222pp; bibl. (mimeo).*

An analysis of the internal and external factors affecting the position of the Bolivian mining co-operatives. The author highlights organisational and financial difficulties which must be solved in order to increase productivity and to establish a more equitable marketing system.

**CARDONA, Aldo A.: Las Cooperativas en Honduras.**

*Tegucigalpa (Honduras), Instituto de Investigación y Formación Cooperativa, 1978. 116pp; tabs.*

A review of the movement in Honduras by sectors, with description of the national federations; includes a section on education and research.

**CARDONA, A.; PUERTA, R; and BENNETT, C.: Evaluación, Temas Cooperativos I.**

*Honduras, Instituto de formación e investigación cooperativista, 1978. 96pp; bibl.*

A handbook on the evaluation of co-operatives, including a model based on efficiency, and a description of seven categories of criteria for evaluation of development projects. The main paper refers to the use of evaluation in education.

**COMMITTEE FOR THE PROMOTION OF AID TO CO-OPERATIVES (COPAC):  
Co-operatives against Rural Poverty: Report of a Symposium held 31 July-  
4 August 1978.**

- Rome? COPAC, 1979? 63pp; appendices; bibl.

**GOMES SANTOS, José Carlos: As Cooperativas na Legislação Fiscal.**

Lisbon (Portugal), Livros Horizonte Ltda, 1978, 110pp.

A handbook on taxation for co-operatives in Portugal.

**INTERNATIONAL CO-OPERATIVE ALLIANCE: REGIONAL OFFICE &  
EDUCATION CENTRE FOR S.E. ASIA: Recent Changes, Trends and Develop-  
ments of the Co-operative Movement in South-East Asia.**

New Delhi (India), ICA Regional Office & Education Centre for S.E. Asia, 1979? 189pp;  
tables; appendices (mimeo).

A collection of papers written mainly in 1977 and 1978 on the movements in Aus-  
tralia, India, Iran, Japan, Republic of Korea, Pakistan, Singapore, Sri Lanka and  
Thailand.

**KOOPERATIVA FÖRBUNDET: Consumer Co-operatives in Sweden—an  
Introduction.**

Stockholm (Sweden), KF International Dept., 1979. 48pp; photos; diags.

New edition of a brochure describing consumer, housing, insurance and other  
related co-operative movements in Sweden.

**LAMMING, Anne: Sources of Co-operative Information.**

London (UK), ICA/CEMAS, 1979. 70pp.

This handbook is provided as a guide in the search for information. It is limited to  
English language sources, and aimed primarily at co-operative educators, resear-  
chers and librarians, i.e. all those who in their daily work need to keep up with  
developments in co-operatives throughout the world.

**von LOESCH, Achim: The Bank für Gemeinwirtschaft: Development—  
Structure—Tasks.**

Frankfurt-am-Main (Fed. Rep. of Germany), Bank für Gemeinwirtschaft AG (Series  
Commonweal Economy, No. 20), 1977. 63pp; Annex; bibl.

A presentation of the background, philosophy and policies of the trade union/  
co-operative-owned bank in the Federal Republic of Germany.

**MILLER, Leonard F.: Agricultural Credit and Finance in Africa.**

USA, The Rockefeller Foundation, 1977. 115pp; refs; bibl.

The aims of this publication are to make available to students and administrators  
some of the research, experience and issues related to agricultural credit and savings  
in Africa, and to introduce some of the concepts and tools used in financial manage-  
ment, focussing on the needs of small farmers.

**NAGY, Lázló: Agrarian Reform, Co-operative Land Tenure and Leasehold in Hungary.**

*Budapest (Hungary), National Council of Agricultural Co-operatives (Documents on Agricultural Co-operatives No. 1), 1979. 31pp; bibl.*

An examination of how agrarian reform has operated in Hungary, its relation to the co-operative movement, and how social, co-operative and individual interests in land tenure have been harmonised.

**PLUNKETT FOUNDATION FOR CO-OPERATIVE STUDIES: Directory of Agricultural Co-operatives in the United Kingdom, 1979.**

*Oxford (UK), The Plunkett Foundation for Co-operative Studies, 1979. 146pp; appendix.*

The directory includes information on agricultural co-operative societies registered under the Industrial & Provident Acts, and on a number of agricultural co-operative companies in the UK at the end of 1978.

**RUGGERO, RUGGERI: Elementi e Problemi di Politica Economica Co-operativa.**

*Verona (Italy), Università degli Studi di Padova, Facoltà di Economia e Commercio, 1978. 261pp; appendices; bibl.*

**TAIMNI, K. K.: Training and Development of Human Resources in Co-operatives.**

*New Delhi (India), Sarin Brothers, 1979. 227pp; bibl.*

An integrated strategy to develop human resources in co-operatives which stresses non-formal, non-institutional and institutional methods. The author emphasises that training should be job-oriented, and be viewed as an instrument for career planning.

**ÚSTŘEDNÍ RADA DRUŽSTEV (ÚRD): Czechoslovak Co-operatives and Socialist Development.**

*Prague (Czechoslovakia), Central Coop. Council (URD), 1978. 150pp; photos. Czech, Russian, English, French.*

*Prague (Czechoslovakia), Central Coop. Council (ÚRD), 1978. 150pp; photos. Russian, English, French.*

**WRIGHT, David H.: Co-operatives and Community: the Theory and Practice of Producer Co-operatives.**

*London (UK), Bedford Square Press of the National Council of Social Service, 1979. 118pp; appendices; bibl.*

Based on research for a M.Sc. degree, this book deals with the essential requirements for establishing and running a producer co-operative in the U.K.

# Book Reviews

**Ends and Means of Co-operative Development** by S. S. Puri. *National Co-operative Union of India, New Delhi (India)*. R 60.00.

Mr S. S. Puri's new book has been published towards the end of the "Co-operative Development Decade" and at a time when the international co-operative movement is seeking for new ways and means to promote co-operative development in the 1980s. This book is a major contribution to thinking on co-operative development, drawing primarily on Indian experience but also on that of other developing countries and on the experience of industrialised countries.

The book opens with a discussion of the need for an integrated development strategy and a plea for an indigenous co-operative ideology. While the co-operative principles discussed in the third chapter are universal, circumstances differ greatly in different countries and the breadth and variety of co-operative development in India makes Indian experience particularly interesting. In discussing co-operative ideology at the macro-level Mr Puri elaborates on Margaret Digby's theme that what distinguishes co-operatives from other business activities belongs partly to ends and partly to means—the point that provides the title for his book. In this chapter Mr Puri notes the great relevance of co-operatives to the broader development process and calls for the restoration of political non-alignment as a co-operative principle.

He goes on to consider the legal basis of co-operatives in India and in other countries; and to discuss the problems of designing co-operative structures. His chapter on the financing of co-operatives is particularly interesting. In discussing leadership in co-operatives he notes that the Presidents of many rural co-operatives in India are also landlords. He is very interesting on co-operative management and the relationship between the elected board and full-time managers as well as on employee relations. His two final chapters deal with foreign aid for co-operatives in developing countries and with the perennial problem of relations between co-operatives and the state.

Mr Puri has drawn on the experience of a lifetime in the co-operative movement and in government, in its relations with the co-operative movement. His experience as Registrar of Co-operative Societies in the Punjab, with the National Co-operative Development Corporation, in government departments and with the National Co-operative Union of India makes him uniquely qualified to produce this authoritative survey of the problems of co-operative development. It is to be hoped that it will be widely read not only in India and in English-speaking developing countries but also in industrialised countries and by people especially in UN agencies and in government who are concerned with co-operative development in the 1980s.

PAUL DERRICK

# PEACE IN OUR TIME

**The First World Disarmament Conference 1932-1933 and Why It Failed** by Philip Noel-Baker. *Pergamon Press, Headington Hill Hall (U.K.). 1979.*

**Approaches to Disarmament** by Nicholas A. Sims. *Quaker Peace and Service, Friends House, Euston Road, London N.W.1 (U.K.). 1979. £1.50.*

While fighting has been going on somewhere most of the time since the invasion of Poland 40 years ago there has been something like a wary peace between the great powers since 1945. In the meantime these powers, and some developing countries, continue to pile up nuclear and other weapons on a scale which threatens the world with catastrophe. In their efforts to preserve peace, statesmen need to take due account of the reasons for the collapse of the strenuous efforts to maintain peace in the years following the Great War. A firsthand account of the reasons for this failure is given in a readable and convincing book by Lord Noel-Baker, a winner of the Nobel Peace Prize, an ardent campaigner for disarmament and one of the few survivors of the peace talks of the inter-war years.

His book takes us from the first Hague Conference in 1899 through the second of 1907 and the efforts of the League of Nations in the 1920s to establish lasting peace. It pays particular attention to the role of certain individuals such as Sir Maurice Hankey and Sir Robert Vansittart, discusses the Coolidge Conference

of 1927 and goes on to discuss the World Disarmament Conference of 1932-33, the campaign for disarmament and the Hoover proposals. According to Lord Noel-Baker these crucial efforts for peace were betrayed from within by "hawks" who did not share the public's earnest hopes for peace and, in particular, by Sir John Simon's rejection of the Hoover Plan in July 1932.

This clear story of the efforts to maintain peace made in the years between the wars has its lessons for today. The Quaker booklet surveys the 1978 Special Session of the United Nations on Disarmament and other more recent efforts to preserve peace. The fate of the second Strategic Arms Limitation Treaty appears somewhat uncertain at the present time and one of the reasons for this is the deep ideological chasm which divides the world. It may be that the efforts of the United Nations to develop a new international development strategy in its third Development Decade will help to bring a New International Economic Order in which the co-operative organisation for production and distribution will have a major role, and thereby help to bridge the ideological divide and bring the prospect of real peace to the world by the end of the century. The preservation of peace has been one of the major aims of the International Co-operative Alliance for more than 80 years and the subject of numerous resolutions at its Congresses.

MICHAEL SWIFT

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# Review of International Co-operation



The official organ of the International Co-operative Alliance

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The ICA is not responsible for opinions expressed in signed articles.

#### **ERRATA**

We apologise for the following two errors in the last issue:

p.147, penultimate line, should have read: "On February 2nd . . ."

p.154, 2nd paragraph: the Chairman of the ICIF is Raymond Lemaire.



# The ICA Director reports

## **Meetings of the ICA Authorities, Auxiliary Committees and Working Parties**

At the invitation of the British Co-operative Movement, the ICA held its annual meetings in Manchester in September-October at the premises of the Co-operative Union and the Co-operative Wholesale Society. As is usual, the Central Committee meeting was accompanied by the usual specialist group meetings representing the whole gamut of co-operative activity. As an organisation covering all sectors of the movement, the Alliance has established special groups for facilitating discussions on intra-sectoral issues. Thus co-operators in the fields of housing, fisheries, consumers, workers' production, as well as the Librarians, Press and Women's groups met before the Central Committee; in order to ease the burden on interpretation services, meetings of the Banking, Tourism and Education groups followed the Central Committee. Reports from the various committees are regularly presented to the Central Committee thus keeping ICA's parliamentary body informed of the developments in different fields.

It is not easy to select what might be regarded as the most important aspects of these meetings. But perhaps the following deserve special mention.

First of all, on membership and the subscription issue, two new co-operative organisations from Portugal and Somalia were admitted to the membership of the Alliance. The Union of Co-operative Societies, Tanzania, after having been subjected to an extensive and thorough discussion at the Executive meeting in London in February, was accepted as a member under Article 8(a), i.e., as a national federation of co-operative societies and not, as was envisaged earlier, under Article 8(l), namely, as an association which has as its aim the promotion of Co-operation. The case of the UCS, which was one of ICA's earliest contacts in Africa, will continue to provide the basis for a stimulating ideological discussion in view of the policy of setting up Ujamaa villages in Tanzania. The extent to which co-operative

principles are actually operative in a specific socio-economic context is always difficult to determine. In the ultimate analysis, the Executive Committee, whose prerogative it is to grant or refuse membership to an applicant, must decide on the basis of a broad balance of considerations applicable to a specific case. While it would be definitely unwise to overlook serious deviations from the established co-operative principles as accepted by the Alliance in 1966, it would also be a mistake to ignore the very diverse social and economic environments within which co-operative movements function in different countries. What finally decided the Executive to accept the UCS as a federation of co-operative societies, was the overwhelming feeling that the spirit motivating changes in that country was in the direction of enlarging rather than restricting the penetration of the movement throughout the divers aspects of Tanzanian society. The idea of Co-operative Commonwealth propounded by the Rochdale Pioneers may have been lost to sight in the current day-to-day pressures which the movements experience, but it must remain the ultimate objective of Co-operatives.

The new ICA subscription formula, which is based on the turnover of member organisations to counteract the inflationary pressures, has brought ICA's financial situation under glaring scrutiny. Unfortunately, the projections for the next few years reveal that the situation is actually going to worsen unless drastic economies are effected. While this is going to create some hardships, it should also, I hope, provide an opportunity to sharpen the focus on our work priorities. A careful exercise is currently being undertaken to see how by the year 1981 ICA's budget could be balanced. As a service organisation with no commercial activities of its own, the Alliance must continue to depend upon subscriptions from its members and, therefore, members' perception of services rendered by ICA to them must fundamentally affect ICA's income. Fortunately, a large part of ICA's work in the Third World is financed from external sources.

Secondly, one item on the agenda of the Central Committee was the election to a seat on the Executive, the sitting member Mr Galetti having resigned earlier. At one point it appeared as if there was going to be a contest, but a last-minute withdrawal left only Dr V. Magnani from Lega Nazionale (Italy) in the field and he was thus elected unopposed. After Mr Klimov's death the post of Vice-President was also vacant and the Executive, after some considerable procedural discussions, agreed to recommend unanimously to the Central Committee the name of Mr A. Smirnov, the new President of Centrosoyus, for the Vice-Presidency. Mr Smirnov was accepted with acclamation by the Central Committee. In view of the



*Mr. Fujita presents the cheque for "Buy a Bucket of Water".*

international nature of the Alliance and the number of important world issues on which it has to pronounce, Mr Smirnov's election to the Vice-Presidency can only help to reinforce the image of the Alliance as a truly representative body encompassing members from different social and economic systems.

Mention must be made of the "Buy a Bucket of Water" campaign, the original initiative for which came from the Women's Committee. This has been seen as an innovative contribution by the Alliance to the International Year of the Child. Several movements have undertaken campaigns, either on their own or in conjunction with other national organisations, and it was extremely gratifying to note the considerable efforts made especially by the Japanese Co-operative Movement: the Central Union of Agricultural Co-operatives started its campaign in June and requested all officials and employees to contribute 20 pence each; a member organisation of the Union printed publicity material for use at co-operative stores; and as a result, £28,000 were raised up to September. Support was extended by the Women's Association of Agricultural Co-operatives who resolved to collect 2 pence each from 217 million individual members throughout Japan; by the end of September the Association had raised £10,000. The Consumers' Co-operative Movement has also done its bit and through extensive publicity campaigns has

collected more than £20,000. The ultimate target is £153,000 and Mr Fujita, the President of the CUAC presented to ICA's President a cheque for £28,000 with a promise that the rest of the money would follow. This was a most inspiring practical demonstration of the Co-operative philosophy of "each for all and all for each". Negotiations are well advanced for the provision of water through the construction of wells in the Charbolaq area of Afghanistan.

*The problem of obtaining water in Afghanistan.*



Finally, in an attempt to make the Central Committee meetings more spontaneous, the subject "Co-operatives and Leisure", which was the principal topic for consideration, was discussed by a panel consisting of an expert from UNESCO and representatives of three member movements—including the Chairman of the Working Party on Co-operative Tourism. The discussion was chaired by M. Kerinec. While the discussion was still a long way from being lively—if that is possible in a Committee of 300 members working through interpretation into four languages—the new approach did help to cut down long prepared statements; and interventions from the floor, rather than from the podium (which tends to arouse the orator rather than the serious discussant) were brief and to the point.

Our appreciation goes to the British Co-operative Movement, especially the Co-operative Union, the Co-operative Insurance Society and the Co-operative Wholesale Society, for the excellent arrangements made and for the warmth of their hospitality. The high point of the visit was a tour of the completely renovated Rochdale Museum, a visit which many will remember for a long time.

**UNIDO III—  
New Delhi—  
21st January to  
8th February 1980**

After the second General Conference in Lima in March 1975, where the Lima Declaration and Plan of Action adopted have provided the guidelines of the work programme, the next UNIDO Conference (UNIDO III) will be held in New Delhi. This is the last General Conference before UNIDO becomes a specialised agency of the UN and thus acquires the power of decision-making within its own parliamentary organs.

The forthcoming conference will therefore be important from the point of view of the resources and manpower which could be committed if the resulting Plan of Action gives industrial co-operative a place in the agreed framework. I should recall that subsequent to ICA's World Conference on Industrial Co-operatives in October last year organised by our Workers' Productive Committee, I had a meeting with Dr Khane, the Executive Director of UNIDO, who suggested that UNIDO and ICA should consider a joint programme of action in the field of industrial co-operatives. After obtaining the support of the Executive, I discussed the matter further with Dr Catalano, the Secretary of the Workers' Productive Committee, in Rome, and a paper is under preparation which will be presented to the UNIDO Conference. Unfortunately, the paper can only be very brief as the length of an NGO document for presentation to a UN Conference is rigidly governed by the rules of the Conference.

Our member organisations can lend us invaluable support even if they will not be present at the Conference in New Delhi. I wrote a letter in August to our members asking them to brief their Govern-

ment delegations to the Conference and share with them the relevance and experience of industrial co-operatives, if such experience is available in their movements. At the same time, much could be gained if co-operators could be included in national delegations to the Conference. Already the British Co-operative Movement, the KK from Finland and the Central Union of Work Co-operatives from Poland have responded and are in contact with their governments. I would like to emphasise that such action is extremely important if we are to ensure that UNIDO continues to be deeply involved in the promotion of industrial co-operatives.

## **Project 2000**

At its 1978 meeting in Copenhagen, the Central Committee agreed that the principal subject for discussion at the Congress in Moscow in October 1980 should be "Co-operatives in the Year 2000". In advising on the methodology of the preparation of the paper, the Executive in February this year agreed that the report should be prepared by Dr A. F. Laidlaw, a well-known co-operator from Canada and one-time member of ICA's Executive. The idea behind this choice of subject is to alert and sensitise our member organisations to some of the developments and problems which can be foreseen in the onward march of the movement during the next two decades. A Reference Group consisting of the Chairmen and Secretaries of all Auxiliary Committees has been set up so that Dr Laidlaw will have the benefit of a wide range of experience from all sectors of the movement. The first meeting of the Group was held at the end of June and an absorbing discussion stretching over two days brought out a large number of important issues some of which were: the socio-economic factors in the environment affecting co-operatives, such as legislation, competition with private enterprise, relations with the State; management questions and the role of executive and elected personnel; the problem of centralisation and decentralisation and its implications for economic efficiency; collaboration between co-operatives (a matter of some considerable importance which was also discussed at the Paris Congress in 1976); member participation and democratic control of co-operative organisations. Problems of financing in a highly inflationary situation also occupied the time of the group as well as co-operatives and technical assistance to the Third World and more particularly the ways in which poorer sections of the community could be reached. An informal group consisting of people not practically involved in the movement but who take an active interest in co-operatives also met on 5th October. The discussions in this group revealed a much greater concern with ideological issues in the movement as well as with new areas in which the co-operative form of organisation could operate, the "fringe"



developments some of which are visible in the United States and Canada, competition with multi-nationals, the current and future relevance of industrial co-operatives in situations of unemployment and co-operatives as a total social and economic system.

It is expected that Dr Laidlaw will start writing the report towards the early part of next year and the draft report will then go forward to the Central Committee at its meeting in Montreal in May for its general approval before being presented to the Congress. While the report will be introduced by M. Yvon Daneau, Executive member from Canada, who will speak on the general framework and some of the issues, a somewhat more detailed response to the questions raised from the floor will be provided by Dr Laidlaw.

**Appreciation from  
the Tanzanian  
Prime Minister**

It was very gratifying to have received the following communication from the Principal Secretary, Government of Tanzania, addressed to our Regional Director in Moshi: "As you are aware, the Co-operative Movement in this country has played a very big role in the promotion of social and economic development. The Prime Minister has recognised the numerous contributions of ICA through its regional office in support of the movement. He wishes therefore to record once again his appreciation for such support being given not only to the Co-operative College but also to other organisations and institutions concerned with the promotion of Co-operatives."

# 75th Anniversary of the Finnish Co-operative Wholesale Society, SOK.

## Expansion from a Four-Man Enterprise to a Large Organisation

The first co-operative societies in their present form were founded in Finland towards the close of the 19th century. The purpose of this new form of economic collaboration was to increase commercial services and to redress some injustices then prevailing in the economic life of the country. As there was no Co-operative Societies Act in force in those days, these new societies were founded in the form of joint-stock companies or associations, the rules of which contained some co-operative principles. The Co-operative Societies Act proper took effect in September 1901.

The Finnish co-operative societies served primarily as commercial and ideological forums for their members. Even though they generally had wide-spread influence in their trade area, they were very often too small to cope with their multifarious tasks all by themselves. There was thus a strong incentive for collaboration right from the beginning.

By 1904 there were 140 co-operative societies in Finland, with 20,000 individual members. Tampere had become the co-operative centre, although there were also other important centres on the Karelian Isthmus and in Ostrobothnia. It was decided to form a central organisation to unite the activities of the Finnish

co-operative societies, and in Tampere on 22nd March 1904, 12 societies signed the charter of the Central Organisation. Two of these charter members are still within the SOK Organisation, namely the Vironlahti and the Toijala District co-operative societies.

At the beginning SOK had but four employees—a managing director, a travelling salesman, an adviser and a book-keeper—working in an office which comprised two rooms and a kitchen in a tenement-house in Helsinki. From these modest premises they instructed the co-operatives in business management and transmitted their orders to wholesale dealers.

Branch offices were opened later in Tampere, Turku, Vaasa and Viipuri to enable SOK to cover more effectively the growing demand for goods by member societies. Along with the boom in world trade in the early years of the century, SOK soon expanded and became the largest wholesale society in Finland. Own industrial production was started in 1914. The first factories were a brush factory and a knitwear factory in Helsinki, presently followed by a coffee-roasting plant, a fruit-packing plant and a spice mill.

The success of the Central Organisa-



*Celebration of SOK's 75th Anniversary at Finlandia Hall in Helsinki.*

tion, of course, depended on the success and purchasing loyalty of the member societies. The understanding of the importance of this kind of relation has brought about the concept of reciprocal organisational responsibility, in which the advantages to both co-operative societies and the Central Organisation are united and extended to the individual members.

In broad outline the SOK Organisation has made continuous progress and now occupies a prominent position in the commercial life of the country. Nevertheless there have also been difficult periods, such as the dispersion of the Co-operative Movement in 1916 and

the years of depression in 1908-10 and the late 1920s and early 30s.

Since the Second World War co-operation inside the SOK Organisation has become more and more intensified. A characteristic feature of today's commercial life is the general tendency towards the formation of chains, with retail shops grouping round a central organisation: the Co-operative Trading Group has been a pioneer in this field, and its activities are in accordance with modern marketing systems.

Again, since the Second World War there has been a noticeable reduction in the number of co-operative societies due to amalgamation into larger units for

Table 1 — SOK Statistics 1930-1977

Year	Gross Income		Expenses		Depreciations		Net Surplus		Dividend to Co-operative Societies		Own Capital			Factories	
	Sales 1 000 marks	Gross margin* % of sales	Fixed expenses* 1 000 marks	% of sales	1 000 marks	% of sales	1 000 marks	% of sales	1 000 marks	% of purchases <sup>2</sup>	1 000 marks	% of sales	% of total assets	Sales 1 000 marks	% of SOK total sales
1930	10 085	6,77	451	4,47	59	0,59	172	1,71	40,0	0,40	1 206	11,97	42,43	1 235	12,25
1940	16 495	8,45	657	3,99	592 <sup>1</sup>	0,97	142	0,86	—	—	2 672	16,20	41,94	4 002	24,26
1950	251 563	15 135	10 837	4,31	1 356	0,54	2 940	1,17	1 284,5	0,60	8 859	3,52	18,49	62 903	25,00
1960	725 800	40 629	29 573	4,08	7 363	1,01	3 692	0,51	—	—	36 766	5,07	22,00	200 521	27,63
1970	1 804 648	133 336	111 246	6,17	18 305	1,01	3 785	0,21	—	—	97 060	5,38	16,02	332 323	18,41
1971	2 088 077 <sup>3</sup>	146 883	124 712	5,97	20 913	1,00	1 257	0,06	—	—	96 799	4,64	15,98	337 299	16,15 <sup>4</sup>
1972	2 459 589	160 848	143 765	5,85	15 415	0,63	1 668	0,07	—	—	118 648	4,82	17,08	374 383	15,22
*1973	2 848 734	241 200	192 785	6,77	17 537	0,62	2 016	0,07	—	—	211 473	7,42	22,57	352 626	12,38
*1974	3 911 764	351 864	275 875	7,05	21 561	0,55	2 336	0,06	—	—	214 742	5,49	18,54	441 516	11,29
*1975	4 719 417	436 605	353 296	7,49	26 499	0,57	-2 895	-0,06	—	—	213 859	4,53	15,63	478 794	10,15
*1976	5 429 350	485 007	387 407	7,13	30 051	0,55	918	0,02	—	—	219 703	4,05	14,10	540 631	9,96
*1977	5 583 735	530 217	407 032	7,29	30 899	0,55	-3 501	-0,06	—	—	226 090	4,05	13,80	621 344	11,13

<sup>1</sup>War losses 432,526 mks.

<sup>2</sup>According to classification of merchandise fixed by Board of Administration.

<sup>3</sup>Without sales of SMK.

<sup>4</sup>Basis of comparison SOK sales without SMK.

\*According to the new Accounting Law.

reasons of economy. In 1907 there were around 400 co-operative societies with some 80,000 individual members in Finland; in some areas the societies were so close to one another that, according to one observer, "from the window of one society you could address members of nine different societies." At the close of 1978 the number of member societies affiliated to SOK was 210, with a total membership of 708,000. The total sales of co-operative societies was 9,600 million marks and their share of the retail trade about 20 per cent.

The activities of the Central Organisation have become more extensive, and trade has adapted itself to the demands set by changes in production and consumption. At the same time the activities of the Central Organisation have become more diversified. Previously the only activities performed by the Head Office were the import trade, the drawing up of supply contracts and the defining of a terms policy, while the branch offices independently took care of the purchasing, storing and transportation of goods. They also practised an independent price policy. Co-operative societies also acted in the same way: they arranged transportations, took care of storing, and performed, besides their actual retailers' role, many tasks similar to those of the Central Organisation.

With increasing competition and other changes, the Central Organisation has centralised some of these tasks. Today the Central Organisation has developed a distribution and storage system serving the whole Organisation. It also takes care of marketing planning, and partly of its operation, and carries out various development projects and services. This enables the co-operative societies to

concentrate upon the actual trading.

The SOK industry also is facing new challenges. It was originally started to safeguard the availability of goods for the member societies, and to process the agricultural products procured from the members. As already mentioned the first factories were started in Helsinki in 1914. Two years later SOK bought land in Vaajakoski in Central Finland, and a second centre of own industrial production was soon brought into operation.

When it turned out that the operations of both the Central Organisation and the co-operative societies could be effectively supported by own industry, the industrial production was expanded. The basic purpose of own industry is to provide commodities which improve the competitiveness of the co-operative societies which still form the major clientele of the SOK industry.

The products of the SOK industry are competing with other products in the assortments of the co-operative societies, and have thus to fulfil the same quality requirements as those of other manufacturers.

The SOK industry is divided into six production categories: foodstuffs, grain-processing, coffee roasting, textile and clothing, fittings and builders' supplies, and sports and leisure-time equipment. In 1978 industrial sales amounted to 784 million marks and exports to 72 million marks.

SOK has always emphasised the importance of quality. The Central Laboratory of SOK was founded in 1913 "to carry out quality control of goods with special regard to foodstuffs". It was the first of its kind in Finland, and was founded at a time when there were many adulterated foodstuffs on the market; for

Table 2 — Information on Member Societies

Year	General Data 1930-1977					Sales and Purchases from SOK							
	No. of Co-op Socs.	Membership	Places of Business			Total	Percentages					Purchases from SOK	
			Shops	Services	Production Plants		Consumer Goods	Agricultural	Services	Total	Mill. mks.	% of own sales	% of goods by SOK agency
1930	423	225 367	2 406	79	85	2 570	71,8	28,2	—	100,0	9,8	56,5	78,3
1940	368	295 224	2 999	186	146	3 331	65,6	30,4	4,0	100,0	15,4	43,4	69,2
1950	376	484 011	4 074	273	165	4 512	68,6	27,8	3,6	100,0	234,3	45,0	82,4
1960	364	488 268	5 483	355	125	5 963	64,9	31,5	3,6	100,0	614,1	46,0	89,6
1970	274	572 610	4 220	557	70	4 847	66,6	26,9	6,5	100,0	1 410,4	47,2	89,4
1971	259	593 933	3 980	556	65	4 601	68,0	25,1	6,9	100,0	1 750,1	53,5	90,6
1972	241	588 847	3 797	560	63	4 420	69,1	23,3	7,6	100,0	2 030,2	54,6	89,8
1973	229	592 090	3 638	578	62	4 278	70,1	22,1	7,8	100,0	2 477,6	56,1	86,9
1974	222	602 268	3 523	615	58	4 196	71,3	20,8	7,9	100,0	3 347,2	61,0	88,9
1975	220	674 701	3 476	644	58	4 178	71,1	20,7	8,2	100,0	4 007,5	59,0	88,6
1976	217	696 436	3 287	613	52	3 952	71,2	20,7	8,1	100,0	4 608,6	59,0	88,3
1977	217	717 818	3 121	594	48	3 753	72,2	19,6	8,2	100,0	4 933,1	54,5	87,0



*SOKOS department store in Tampere.*

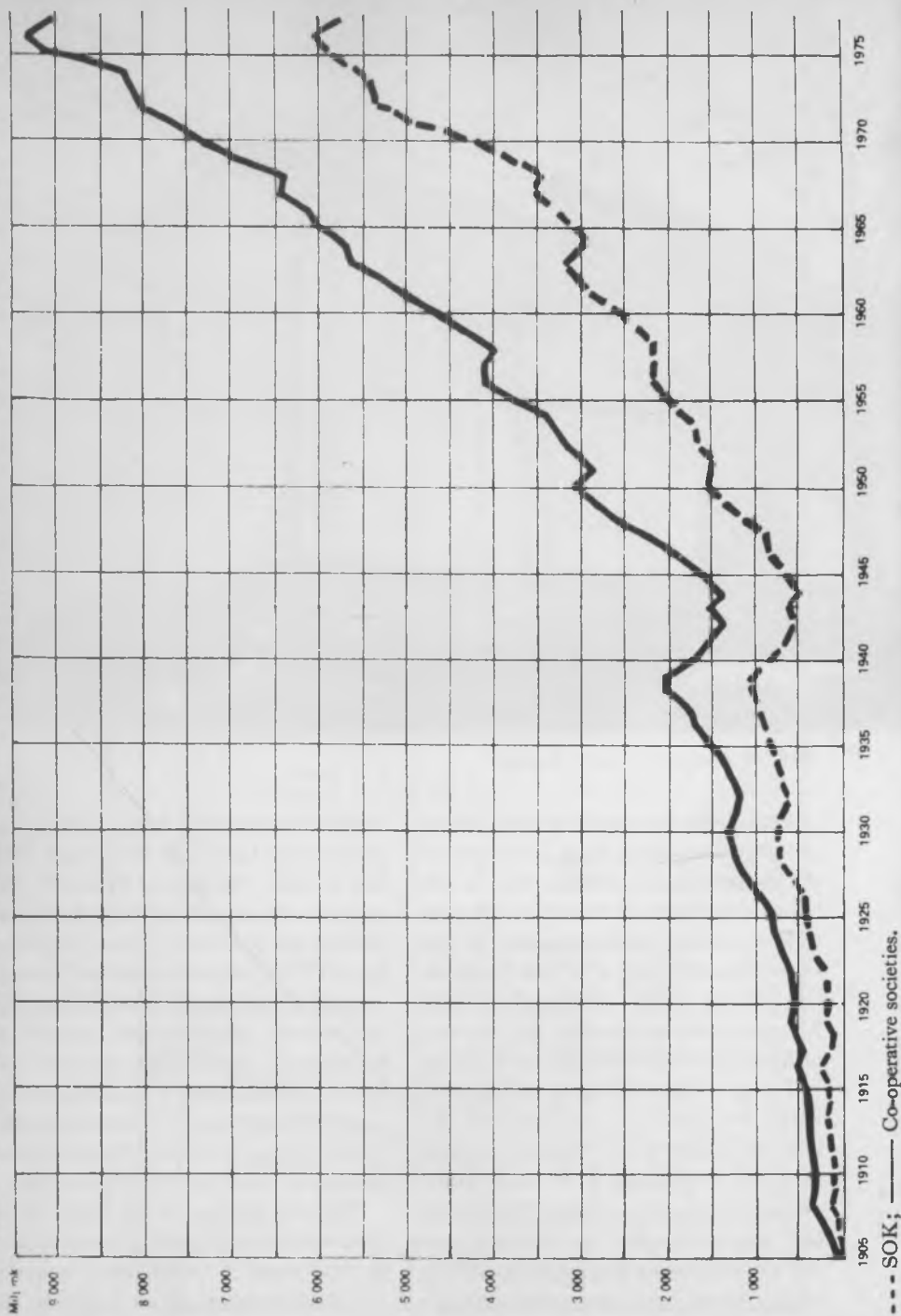
example even sawdust or ground plaster could be detected in flour. As a result of the research work carried out in the laboratory, the SOK Board of Administration sent a Memorandum to the Government urging it to take measures to prevent such adulteration. This Memorandum accelerated the enacting of legislation on foodstuffs in the 1920s.

The products offered for purchase by SOK are carefully examined in the laboratory before it is decided whether they will be accepted in the assortments of the co-operative societies. The laboratory also checks that the delivered products correspond to the samples. SOK is among those who most often use the

labels recommended by the Institute of Informative Labelling. In addition SOK has an own "Examined Product" programme, the norms of which have been defined on the basis of the experience gained in our research work and through observing the models generally used for informative labelling and quality requirements, which have been worked out in collaboration with industry and research experts and are based on domestic and foreign standards. Some methods have been developed by SOK alone.

The test kitchen of the SOK Home Economics Department also contributes to the research work by examining different products such as foodstuffs and

Table 3—Sales of SOK and Member Societies in 1905-77 (numbers accord with the 1977 value of money)





household articles. To some extent also household equipment and detergents and implements used in household work are examined. The request for an examination usually comes from the SOK commodity departments prior to a decision to procure certain products.

At the close of 1978 the staff of SOK and its subsidiaries numbered 12,000, and that of the member societies 29,000.

its member societies, has acted as a pioneer in many fields of trade. Department stores could be mentioned as one example. In 1952, a SOKOS department store was opened in Helsinki, and thereafter the number of department stores has grown steadily. There is a department store owned by the Organisation in nearly every town and densely populated area. As regards their sales



*Hotel Vaakona in Oulu belongs to the SOKOS hotel chain.*

A staff of that size needs extensive and manifold training. In the early years of the Organisation it was necessary to provide the staff with commercial basic training, but today, when general education has become comprehensive, the emphasis of our own training has been placed on specialisation courses for sales personnel and on further training of managers and senior personnel. Besides the Finnish Co-operative College training, there is extensive local training at Society level. Each year more than 10,000 people participate in the different forms of SOK training.

The SOK Organisation, i.e. SOK and

and number (108), they form the largest department store chain in Finland. In 1978 SOKOS department stores accounted for nearly 50 per cent of total department store sales.

A SOKOS Hall chain has been initiated to promote the sales of everyday goods. Last year 81 Halls were opened, and by the end of this year the number will amount to 150.

The SOK Organisation is the biggest buyer of grain in Finland. The trade in agricultural products forms an average 25 per cent of the turnover of co-operative societies; in some agricultural areas it may even amount to a good 50 per cent.

As regards the trade in grain, the storage capacity amounts to more than 200 million kilos. The co-operative societies also buy a considerable part of other agricultural products. To make this form of trade more effective, grain and fresh goods handling plants, seed centres, egg-packing plants, frozen food factories, and hardware and agricultural centres have been established. The sales of agricultural products of co-operative societies amounted to some 1,800 million marks last year.

Today the hotel and restaurant line, which has been in existence from the 1920's, has become an important field of activities. Through the development

of these services the Organisation strives to satisfy the growing needs of its members and customers. The SOKOS Hotel chain, mainly consisting of city hotels, is the largest in the country.

As a whole, the SOK Organisation strives to serve its members and customers in almost all fields of activity. Although trade is of a consequential nature adapting itself to the changes in society and to the consumption habits of its members, it has also to anticipate these changes. That is why the planning of future services is already being discussed: the plans of SOK and its member societies extend into the far future.

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A new publication for Consumers—

## CO-OP CONSUMERS

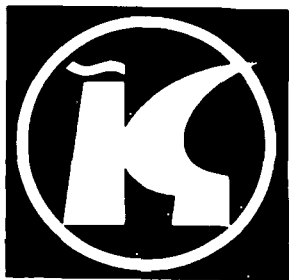
From January 1980, the *ICA Consumer Affairs Bulletin* will be replaced by a quarterly, *CO-OP CONSUMERS*, to be published in English, French, German, Spanish and Danish.

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# 30 years of Co-operative Success in the German Democratic Republic

by

**Dr. Heinz Fahrenkrog** President

Verband der Konsumgenossenschaften der DDR

One of the historic events of the 20th century was the founding of the German Democratic Republic on 7th October, 1949. This was not only a political event of great consequence, but it also expressed the desire of its people for social progress. By developing socialism on the territory that was once a component of the most aggressive imperialist state in Europe we have brought about a fundamental change in the social relations and in the way of life of our people.

## **Successful Contribution of the Consumer Co-operatives**

The beginning was difficult, both for the young State and for the consumer co-operatives, despite the fact that progressive co-operators with many years of experience took over the management of the process of development. The things salvaged after fascism were mainly the co-operative ideals, the experience, the unbending will of the first-hour activists to inspire the consumer co-operatives with new life and new ideals.

To get a better understanding of our

positive attitude towards our state and our efforts to promote it, we invite the reader to take a glance at our post-war development. In May 1945, our country was once again faced with having to decide between allowing the old reactionary forces to exercise their influence, letting monopoly capitalists and large landowners determine the course of history, and giving the reins of power for the first time in German history to the working population.

The legacy left behind by the once firmly entrenched monopoly capitalist regime characterised by its nationalistic and aggressive features proved to be particularly baneful. That is why it would be oversimplifying things if we were to say that the historically new task of transition to socialism was a process of "peaceful change-over" to this form of society. Despite an elementary desire to put an end to the imperialist past, the work of revolutionary transformation was complicated and many obstacles had to be overcome. Truly democratic forces led by the united working class and its Marxist-Leninist party emerged vic-

torious only after some tough struggles had been fought out to clear the path for new ideas.

The consumer co-operatives entered the arena of these struggles. They took up their positions squarely on the side of the progressive forces. They supported the people's takeover of political and economic power, embraced the principle of the leading role of the working class and its Marxist-Leninist party and helped build the foundation of peaceful construction.

Experience gathered by the German co-operative movement in the period before 1945 clearly proved that capitalism, monopoly capital and fascism and along with them wars of catastrophic

proportions, devastating crises, reigns of brutal suppression are incompatible with progressive co-operative ideas.

This identification with the flourishing new state derives its substance from the fact that both before and after 1945, workers have been the determining element in the membership of the co-operatives and workers have been the main pillar of the consumer co-ops. People of working-class background, workers, peasants and those belonging to other strata of working people are also the mainstay of our state. Thus it follows that there were and are no contradictions or conflicting interests between them. No further proof is needed to show that the co-operation of the consumer co-

*The large Konsument store in Leipzig, has a range of 40,000 articles, with 50,000 customers per day.*



operatives with our socialist state has made it possible for them to develop at an unprecedented rate. In the long and varied history of German consumer co-operatives there has never been a government that has done so much as the Government of the German Democratic Republic to promote co-operatives. The consumer co-operatives have never before experienced such dynamic growth, such a steadily increasing role in the development of the national economy and such a progressively growing position of importance in the economic and social life of the country as they are experiencing under socialist conditions. It is the socialist state that has given the consumer co-operatives of the GDR a sound foundation and secure future based on rights guaranteed by the Constitution. The members of the co-operatives derive the greatest benefits from this.

The people of the GDR are getting ready for the 30th anniversary of the founding of our State by launching new activities in all spheres of social life designed to multiply the successes achieved on a tried and tested course and to strengthen our socialist fatherland. Today, our country is in the front rank of states with the most advanced level of industrial development, the German Democratic Republic is acknowledged and recognised throughout the world, its political and moral authority is growing steadily.

This is also a reflection of the activities of the consumer co-operatives of the GDR: first, because they have contributed their share towards achieving these results through the work of their members and staff in the course of the past three decades, and secondly, be-

cause the consumer co-operatives have become an internationally acknowledged and efficient economic organisation in their own right.

The process of revolutionary change on the territory of what is now the GDR, which began in the first difficult post-war years, and the decision taken by the consumer co-operatives to join the working class on the road of reconstruction were the basis on which the rapid development of the co-operative organisation took place in the decades that followed. Favourable conditions were created for the work of the newly formed consumer co-operatives after the big landowners and monopoly capitalists had been deprived of their political and economic power. By taking over political and economic power, the working class cleared the road for the consumer co-operatives to carry out their work in the interests of the working people without any obstacles being put in their way. It became possible for them to develop economically and politically on a broad scale.

Today, the consumer co-operative organisation comprises the following spheres of activity:

#### 1. *Locally-run Retail Trade Establishments*

There are over 32,000 shops (grocery shops, shops selling manufactured goods, supermarkets, department stores and rural shopping marts), more than 6,000 restaurants and hotels and 190 central service facilities. Locally-run retail trade establishments account for the major portion of the commodity turnover of the consumer co-operative organisation. Consumer co-operatives also

supply hot meals, snacks and drinks to people working in over 1,300 enterprises and on important construction sites.

Construction workers in Berlin, the capital of the GDR, are provided with meals by consumer co-operatives. The consumer co-operative organisation opened the first construction workers' hotel in the GDR in 1973. The hotel has 800 beds and a modern restaurant and kitchen complex.

### 2. *Centrally-run Retail Trade*

Centrally-run retail establishments comprise thirteen department stores managed by Konsument.

Locally- and centrally-run retail trade establishments of the consumer co-operatives account for 34.0 per cent of the GDR's total retail trade volume<sup>1</sup>. Expressed in terms of absolute figures, annual retail trade amounts to 31 thousand million marks at present as compared with 2.1 thousand million marks in 1949.

### 3. *Locally-run Industry*

This comprises a total of 753 production enterprises (of which 466 are bakeries, 251 butchers' shops and 36 enterprises producing drinks), 13 bakery and meat processing combines and 9 other industrial enterprises such as tinning factories, factories making farinaceous products,

etc. Co-op enterprises account for 28.0 per cent of the GDR's total bread and confectionery output and for 30 per cent of the total meat and sausage production.

### 4. *Centrally-run Industry*

This comprises a total of 25 factories producing confectionery and long-life biscuits, alcoholic liquors, printed and paper products, soap, foodstuffs, spices, brushes and furniture.

The total annual industrial output of co-op factories is 4.6 thousand million marks at present as compared with 666 million marks in 1949.

## **The '70s—A particularly successful Period**

The 8th Congress of the Socialist Unity Party of Germany (SED) held in 1971 marked the beginning of a decisive period in the development of the GDR's consumer co-operatives. In his message of greeting to the delegates of the 7th Co-operative Congress of the VdK in 1972 Erich Honecker, the General Secretary of the Central Committee of the SED, said that "supplying our people with more and better consumer goods and making life easier for them by providing a broader range of services is a matter of basic policy of our Party and Government in building socialist society".<sup>2</sup>

The consumer co-operatives identify themselves with these objectives which are in keeping with their fundamental co-operative aim pursued by their staff

<sup>1</sup>Socialist retail trade (nationally-owned retail trade, consumer retail trade and shops operated by socialist enterprises and transport firms) accounted for 87.3 per cent of the market share in 1977. The remaining 12.7 per cent were accounted for by agency businesses and privately-owned shops.

<sup>2</sup>Message of Greeting of the SED Central Committee to the delegates of the 7th Co-operative Congress. *Materialien des VII Genossenschaftstages des VdK*, page 9, Berlin, 1st June 1972, published by *Verband der Konsumgenossenschaften der DDR*.



*A consumer co-operative restaurant/club—the local residents like to meet in agreeable surroundings.*

and officers ever since our organisation was founded anew.

One of the positive statements contained in the message of greeting of the SED Central Committee signed by Comrade Honecker and addressed to the 8th Co-operative Congress held in 1977, which discussed the achievements made by the GDR's consumer co-operatives since 1971 in fulfilling the tasks set by the 9th Congress of the SED, reads as follows:

“The consumer co-operatives have done good work in meeting the population's requirements since the 7th Co-operative Congress and by so doing have made an important contri-

bution to fulfilling our main task, whose essence is achieving unity between our economic and social policies. The good results achieved by the consumer co-operatives are among the most important asset items on the account sheet of our national economy since the 8th and 9th Congresses of the SED.”<sup>3</sup>

The fact that the national economic targets have been fulfilled each year and that the retail trade volume and volume

<sup>3</sup>Message of greeting of the SED Central Committee to the delegates of the 8th Co-operative Congress. *Materialien des VIII Genossenschaftstages des VdK*, page 10, Berlin 1978, published by *Verband der Konsumgenossenschaften der DDR*.



*All co-operative supermarkets and food stores offer a large variety of dietetic products and provide a good advisory service.*

of industrial production have been growing at a steady rate since 1971 is a tangible expression of this development.

The fact that in the period from 1971 to 1977 the supply of consumer goods and/or services increased from 21.5 thousand million to 30.1 thousand million marks (=39.5 per cent) and that industrial production of goods grew from 3.689 thousand million marks in 1970 to 4.562 thousand million marks in 1977 (=23.7 per cent) shows that a good contribution has been made to fulfilling the main objectives set by the resolutions of the 8th and 9th Congresses of the SED.

Modern shopping facilities, attractive

restaurants and new or re-equipped production enterprises bear witness to the growing economic potential and to the purposeful rationalisation work of the co-ops. One of the things accomplished in this period was the development of a new standard type of efficient supermarket for new residential areas.

The development of co-operative trade facilities has been particularly impressive in Berlin, the capital of the GDR. The consumer co-operative of Berlin boosted its turnover from 1,321 thousand million marks in 1970 to 2,050 thousand million marks in 1977, which is equivalent to a growth rate of 55 per cent, and in the field of industrial pro-



duction it is even higher, namely 74 per cent.

Efficient industrial enterprises for supplying the population with bread and confectionery, with meat and prepared cereals have come into being. New bakeries have been commissioned in Schwerin and Gera. The bakeries have been fitted with modern equipment and are characterised by high productivity. The factories, which employ 109 and 250 production workers respectively, supply populations of 70,000 in Schwerin and 130,000 in Gera.

A meat processing plant with a daily capacity of 32 metric tonnes was commissioned at Rudolstadt in November 1977. It represents the highest level of scientific and technological development for this size of plant. The GDR's largest farinaceous products plant, which is designed for an annual capacity of 10,000 metric tonnes, was commissioned in Magdeburg in 1977.

Good results have also been achieved in raising efficiency. Co-operative property is valued at 4.3 thousand million marks at present, compared with 162 million marks in 1949.

In the late '70s, the consumer co-ops are among the biggest economic enterprises of the German Democratic Republic, a stable public organisation with a membership of over four million.

### **Taking Stock after 30 Years**

Taking a retrospective look at the development of the consumer co-operatives since the founding of the German Democratic Republic we can make the following general statement: development in the sphere of consumer co-operative work has kept pace with socialist construction based on the growing

and strengthening rule of workers and peasants in the German Democratic Republic. We have seen over three decades of successful co-op work under the leadership of the Socialist Unity Party of Germany, which is a Marxist-Leninist party of the working class, alongside of the Soviet consumer co-operatives and of the fraternal organisations of the other socialist countries.

### **Our Co-operatives—the Work of Millions**

What our organisation has become in 30 years and what it will become is first and foremost due to the work of its staff and the work of millions of members. Their daily work and all their worries and efforts have paid. Their ideas and initiatives have brought a rich harvest. As never before in the history of the co-operatives, workers' and peasants' rule has unleashed creative energies and new initiatives.

In our co-operative organisation they work together with men and women steeled in the revolutionary struggles of the '20s and in anti-fascist resistance and with those who laid the foundation stone of our state in 1949. People of different social backgrounds and ideologies, people from all classes and strata are carrying on our co-operative work.

Achievements of over 250,000 members of the staff of our co-ops fill the pages of a Golden Book. They have accumulated a vast stock of experience and they provide powerful stimuli for further progress in all spheres of co-operative life.

The successful development of our co-operative organisation would be unthinkable without the 180,000 women working in our co-operatives. They have

made a decisive contribution to the political, social, spiritual and cultural progress of our enterprises. Our young generation with the enthusiasm peculiar to it is making an increasingly important contribution to the strengthening of the co-operative movement. Drawing on their rich experience, old workers support our work by word and deed.

Looking back on the path covered to date we can say in general that the development of the consumer co-operatives of the German Democratic Republic has been bound up directly with an increase in the influence exerted by the membership, in democracy and in the co-determination of the staff. A tangible expression of this is the systematically growing role and significance of the various bodies of members. This happens not only through a steady extension of the rights and competences of such bodies as shop committees and auditing committees, which have an additional stimulating effect on the active participation of their members. An extensive system of schooling and information for members of the staff and for honorary workers enables them to participate in making decisions at different levels of the organisation by supplying them with the necessary information and knowledge. At present nearly 200,000 co-operators out of a membership of over four million take part in running their co-operatives.

The various forms and opportunities of democratic participation of members of and people employed in co-operatives offer a two-fold guarantee: first, that the individual can exercise his vested rights, and secondly, that the initiatives of the members and people employed can be

brought to bear in the interests of the entire organisation.

### **Friends in all Parts of the World**

Our work can be carried on successfully only in peace. The foreign policy of the German Democratic Republic is aimed at achieving this objective. It is aimed at "creating the best possible conditions for the work of construction going on in our country"<sup>4</sup>. Erich Honecker, General Secretary of the SED Central Committee, used these words at the 9th Party Congress to describe the peaceful nature of the socialist German state.

This is also in keeping with the historical experience gathered by the German working class. As everyone knows, two devastating world wars originated from Germany.

Fascist German imperialism with its ideology of anti-communism and race hatred started out on its campaign of pillage against the nations of the world from Berlin. But the victorious Soviet Army and the countries allied with it in the anti-Hitler coalition dealt the fascist monster a death-blow.

Mindful of these bitter historical experiences, the states of the socialist community are indefatigably trying to achieve lasting peace.

Securing lasting peace and security, supporting peoples struggles for their freedom and independence and promoting relations of peaceful coexistence with states with other political and social systems are objectives and principles of foreign policy, which the German Demo-

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<sup>4</sup>Report of the SED Central Committee to the 9th Congress of the SED, presented by Comrade Erich Honecker, Dietz-Verlag, 1976.

cratic Republic has also been pursuing since its foundation.

Important events of recent times, such as the holding of the European Security Conference, have shown that the principle of peaceful coexistence of states with different social systems is asserting itself more and more in international relations; this exerts a positive influence on interstate relations throughout the world.

The consumer co-operatives of the German Democratic Republic regard it their duty vigorously to support this policy of peace, the struggle against racism and racial discrimination in full accord with the objectives and principles of the United Nations Charter.

Through this clear position in word and deed we have won many friends throughout the world. The stronger the position of our consumer co-operatives became in our own country, the greater became its credibility and influence abroad.

### **The Consumer Co-operative Movement of the GDR—an Active Member of the International Co-operative Alliance**

The '70s have been the most successful years also in the international relations of the GDR's consumer co-operatives. On the eve of the anniversary of the founding of our state the Verband der Konsumgenossenschaften der DDR was

*Consumer co-operatives provide the main meal for more than 64,000 school children who receive meals varying according to age, often eaten in co-operative restaurants.*





*The 4th AGITCOOP Meeting, June 1978, in Oberhof. The VdK President, Dr. Heinz Fahrenkrog, greets the delegates.*

admitted, after many years of persistent efforts, to the International Co-operative Alliance during the session of the Central Committee of the Alliance held in Bucharest on 6th October 1971.

Experience and knowledge that is still relevant today is associated with that event, which was met with approval from many co-op representatives. In the meantime, everyone has long since realised that the admission of the consumer co-operatives of the GDR to the International Co-operative Alliance was an important step towards the recognition and implementation of the principles of peaceful coexistence by the leading forces of the ICA. By taking this decision of 6th October 1971, the International Co-operative Alliance scored

a victory for its ideals and basic principles in support of peace, social progress and independence, for the recognition of the sovereignty also of our own organisation. It enabled the International Co-operative Alliance to come one step closer to achieving universality. We shall not conceal the fact that a long struggle preceded the decision to admit the Verband der Konsumgenossenschaften der Deutschen Demokratischen Republik; GDR co-operators had applied for membership of the International Co-operative Alliance in the '50s. It took almost two decades before the majority of the leading co-operators decided to recognise the realities that emerged after the Second World War. The decision also marked a victory

of the solidarity of our socialist fraternal organisations and of many co-operatives with which we have friendly links.

Joining the International Co-operative Alliance has helped the Verband der Konsumgenossenschaften of the German Democratic Republic to improve all-round co-operation between the co-operatives which are working under different social systems. Today, the Verband der Konsumgenossenschaften of the GDR has stable relations, connections and contacts with over sixty countries throughout the world. We also regard our co-operation with other international organisations that feel particularly dedicated to promoting co-operatives, such as UNESCO, ILO, COPAC, as being useful and advantageous.

Each year the Verband der Konsumgenossenschaften der DDR receives over one hundred delegations from co-operatives in all parts of the world to enable them to establish direct contacts with co-operatives in a socialist country. Members provide over one million marks a year for this work. All visitors derive noticeable benefits from such visits.

Although a relatively young member, the Verband der Konsumgenossenschaften der DDR has contributed in proportion to its resources, to the work of the International Co-operative Alliance in the course of the past eight years. The present policy of the International Co-operative Alliance is in keeping with the objectives and tasks of our own organisations with regard to the principal issues. We act as part of that force which is embodied in the co-operative organisations of the socialist countries and which exerts a perceptible influence on the work of the International Co-operative

Alliance through its constructive suggestions. There is not a single congress, no central or other committee in which representatives of our organisation did not make their presence felt by making constructive suggestions. The Verband der Konsumgenossenschaften der DDR has taken part in tabling or supporting the tabling of over thirty resolutions since its admission. On several occasions it initiated resolutions of its own.

The holding of ICA events in our country is another form of effective participation in the work of the International Co-operative Alliance. Up till now, six ICA events have been held in the GDR, including the important 43rd ICA Seminar held in 1975 in Dresden and the 4th General Assembly of AGITCOOP in Oberhof in 1978. The session of the Steering Committee of the Women's Committee and the Plenary Session of this important ICA body were held in Berlin, the capital of the GDR. The Research Group also met in the German Democratic Republic this year.

We must also mention our participation in the Auxiliary Committees and Working Parties of the ICA. VdK der DDR is at present represented on AGITCOOP, the Women's Committee, the Press Working Group and the Research Group.

I should like to stress the fact that our organisation's co-operation continues unchanged. It was reaffirmed at the 7th Co-operative Congress, which is the highest representative body of the over four million members of the consumer co-operatives of the GDR, that: "As a member of the International Co-operative Alliance we, in close co-operation with the co-operatives of the socialist countries, will make our contribution to

co-operation between all co-operative organisations aimed at preserving peace and social progress.”<sup>5</sup>

### **Co-operative Solidarity from the Very Start**

These past three decades of co-operative development under socialist conditions have also seen the collapse of the colonial system in most of the countries of Asia, Africa and Latin America. We are full of admiration for the efforts being made by many developing countries in their struggle for economic independence and for better living conditions for the great majority of the population.

From the very beginning, members of the consumer co-operatives regarded it an honourable duty to practise active solidarity based on the fundamental objective of the foreign policy of the socialist states. In this sphere of work they are guided by the following principle embodied in the Constitution: “The German Democratic Republic will support the states and peoples fighting against imperialism and its colonial regime, and for national freedom and independence, in their struggle for social progress.”<sup>6</sup>

This help and support has been strengthened substantially since the beginning of the Co-operative Development Decade, which began in 1970.

Convinced that the co-operatives in

developing countries together with other progressive forces can make an important contribution to overcoming economic backwardness and to strengthening national independence, the consumer co-operatives of the GDR have given moral, material and financial support to the co-operative movements in Africa, Asia and Latin America in recent years.

Based on government agreements and bilateral accords between the *Verband der Konsumgenossenschaften der DDR* and numerous co-operative societies in developing countries, the consumer co-operative organisation of the GDR has developed a wide range of activities of help and assistance. We have tried to bear in mind the most urgent requirements in these countries in providing such assistance. The training of managerial-level co-operative staff has developed as the main form of support.

A total of 900 co-operators from 41 countries have studied at the International Co-operative School of the VdK to date. Another 200 managerial staff will be equipped with the knowledge and experience they will need in their executive work by the end of the present Development Decade. This means that the original target of training one thousand managerial-level personnel from newly independent countries in the GDR's consumer co-operatives by the end of the '70s will be considerably overfulfilled.

The first German workers' and peasants' state became a reality thirty years ago. Since that time, the population of the German Democratic Republic, along with all progressive people, have been marking this important historic event as the birth of a new humanist German tradition.

<sup>5</sup>Report to the 7th Co-operative Congress of the VdK of the GDR in *Materialien des VII Genossenschaftstages des VdK*, Berlin, 1st June 1972, published by *Verband der Konsumgenossenschaften der Deutschen Demokratischen Republik*.

<sup>6</sup>Constitution of the German Democratic Republic of 6th April 1968 contained in the version of the Law on Supplementing and Changing the Constitution of the GDR dated 7th October 1974.

# Socio-economic criteria for evaluating Co-operative efficiency in Nigeria

A paper presented at the  
National Seminar on Co-operative Development  
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by

**F. O. Okafor\***

## INTRODUCTION

Discussions on measures of organisational effectiveness are well known to generate controversy, usually as the result of a lack of consensus on what constitutes relevant performance standards for human organisations. Even where universal standards exist, the methodology of their application can generate heated debate.

Where disagreements are re-inforced by divergent perceptions of organisational goals and objectives the likelihood of consensus evaporates almost completely, because the goals of an organisation invariably chart the terrain within which a meaningful search for its efficiency criteria must be confined. Against the background of potential controversy therefore, this paper attempts to articulate some indices for assessing the efficiency of one type of organisation in Nigeria -the co-operative society. The discussion is organised in three sections: I. Aspects of co-operative efficiency; II. Measures of efficiency; and III. The evaluation of co-operative performance in Nigeria.

## I. ASPECTS OF CO-OPERATIVE EFFICIENCY

### 1.1 Concept of Efficiency

The concept of organisational efficiency is rather elusive. According to the Concise Oxford Dictionary, efficiency refers to "the ratio of useful work performed to the total energy expended". This implies among other things that:

- (i) the measurement of efficiency must necessarily be discussed in

terms of quantifiable factors, in terms of ratios to be specific;

- (ii) efficiency in human organisations could be high or low or normal but not completely absent.

There are, however, a lot of qualitative factors in co-operatives which merit detailed consideration even if they are

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difficult to quantify precisely. Good management is vital but may not be easy to capture in precise ratios. The level of mutual trust could make the vital difference between the success or failure of a co-operative society. Members' commitment could be poor even when attendance at meetings is consistently high.

Apart from the above, there are other qualitative factors which impinge on the overall effectiveness of co-operatives even though they may not surface when conventional efficiency measures are applied. We shall therefore subsume under the above definition of efficiency non-quantifiable as well as quantifiable factors, bearing in mind that the quantifiable factors are easier to assess than the non-quantifiable.

### **1.2 Objectives of Co-operatives**

The literature on modern co-operative organisation would have been the richer had any of the Rochdale pioneers of 1844 offered posterity, in unequivocal terms, an insight into the basic motivation for their experiment. There may have been some form of co-operative association, even in Nigeria, before 1844. However, the fact that modern co-operatives attempt to operate on the basic tenets of the Rochdale experiment does impose some necessity for similarity of objectives. It does also imply that a deeper understanding of the basic goals of those pioneers would, at least, help to guide our expectations of the modern co-operative movement.

The absence of any meaningful lead from the pioneers has led to a proliferation of conflicting ideas as to what ought to be the basic objectives of co-operatives. A comprehensive list of contribu-

tors to that argument would be overwhelming. The heterogeneity of the supporting arguments defy easy aggregation. In arguing their cases, contributors are invariably influenced by their perceptions of the needs of co-operators as well as their ideas about the legitimate expectations of the movement by society. The basic issue is whether the co-operative movement should operate, and hence be assessed, basically as a business enterprise, as a social organisation or as a mixed bag of some sort.

### **1.3 Views on Co-operative Goals and Efficiency**

Perhaps one of the strongest early views on the need to emphasize economic considerations in co-operative activity is that expressed by Warbasse<sup>1</sup>. In his view, co-operatives should not only stand on their own but must out-perform other economic units in productive efficiency and services if they are to grow and prosper. This view gained strong support from Calvert who argued that the basic goal of co-operation is the promotion of the economic interest of the members<sup>2</sup>.

Nearer home, Ijere has been very vocal in preaching the gospel of self reliance and economic viability in the co-operative movement. In his view:

“There is no argument except humanitarian to favour the establishment, growth and expansion of co-operatives if, only through privilege and monopoly, can they be made to hold their own in the competitive world”<sup>3</sup>.

This argument derives from his fundamental position that the objective of co-operatives is essentially economic; hence he concluded: “that social and



moral attributes are secondary is evident in the demise of co-operatives once the economic support is lost"<sup>4</sup>. Voices of dissent have been raised.

"Co-operatives place man above money and to this end they have burdened themselves with rules and regulations protective of human values which capitalist enterprises dare not touch"<sup>5</sup>.

The above argument by Onuoha was made to buttress his basic stand that co-operatives are not essentially economic enterprises and hence deserve all the patronages and concessions granted to them by government. However, the idea of undue government patronage was considered not only unjustifiable but harmful by Anyanwu who argued that "dependence on government injures co-operatives"<sup>6</sup>.

Our view is that the co-operative form of organisation basically accommodates all the above attributes. The essence of the organisation is that it endeavours to satisfy both the economic and the social aspirations of its members within certain

principles peculiar to that form of organisation. In doing that, it must necessarily be cost-effective if only to avoid being an instrument for the mis-allocation of resources.

#### 1.4 Cornerstone of Conflict

The divergence in views is rooted in differences in the authors' perceptions of the justifiable obligations of society to co-operatives as well as its legitimate expectations of them. I must add that, in spite of strong views expressed to the contrary, people need not belong to different ideological camps to disagree on the issue. Even a person's flair for measurable indices of economic performance could dull his perception of the significance of social and other supporting services provided by co-operatives to both the members and the community. A purely humanistic approach to the problem could produce a reverse argument. Whatever happens, ideological camp-pitching seems to ignore the fact that measures of co-operative effectiveness are multi-dimensional.

## II. CRITERIA OF CO-OPERATIVE PERFORMANCE

### 2.1 The Tripod of Measures

It is the view of this paper that acceptable criteria for evaluating the effectiveness of co-operatives in Nigeria must be capable of assessing three different groups of competences:

- (a) Ability of co-operatives to sustain the *authenticity* of that form of organisation;
- (b) Ability of co-operatives to *satisfy members' aspirations*, both social and economic;

- (c) Ability of co-operatives to achieve some *relevance in society*.

### 2.2 First Order Criterion: Authenticity

The co-operative movement is a form of human organisation which operates on definite and well-established principles. It is not the concern of this paper to appraise those principles. Rather, our argument is that the acid test, the primary criterion for assessing the effectiveness of any co-operative society any-

where, including Nigeria, is its ability to operate on the basic principles of Rochdale. Adherence to those principles gives the movement its unique character. The flouting of any of the principles, for whatever economic or social considerations, is counter-productive and is an open invitation for liquidation proceedings to be instituted by the ministry. It is on the basis of the above consideration that the question of authenticity is considered to be of the highest order of importance. If the spirit of violation of the basic principles continues for a long time, it may render the co-operative form of organisation liable to complete extinction. This view of strict adherence to co-operative principles is the official position of the Nigerian Co-operative Movement<sup>7</sup>.

Most societies in Nigeria will, of course, claim total commitment to these principles. What makes the difference is the quality and intensity of commitment. One problem of the co-operative movement in Nigeria is that most members of primary societies have not had the privilege of literary education. This limitation makes it easy for the sprinkling of educated members within each society to take over control of its activities. Similarly, control may pass into the hands of a few members who succeed in acquiring ascribed authority on account of age, economic or other factors.

Once management passes into the hands of a cabal, the spirit of the movement will evaporate. The stage will then be set for polluting Co-operative pursuits with the private interests of the cabal. Thus it has been claimed that most of the pioneer marketing societies created in the former Western Region of Nigeria were unable to survive because "... some

(influential) members refused to use the services of the co-operatives and set up private agencies to sabotage the efforts of the societies"<sup>8</sup>.

A good measure of democracy in the management of a co-operative society is the frequency of change in the composition of the policy making body. If a minority of the members always have the say, the idea of democracy is lost even if each member casts his vote to rubber stamp decisions.

Other measures of authenticity include the growth rate in membership, the frequency and rate of attendance at co-operative meetings and the nature and frequency of co-operative education available to the less privileged members.

### **2.3 Second Order Criterion: Membership Welfare**

The second order of criteria tries to assess the amount of individual support derived by members from their societies and hence the amount of confidence which they repose in such societies. This confidence is ultimately determined by the affinity of co-operative activities and procedures to members' aspiration.

Operationally, a society satisfies the welfare aspirations of its members if:

- (a) It provides them with a short route to desirable improvement in their individual competences through a sustained programme of co-operative education;
- (b) It provides other forms of services which members can either not get individually or can get only at some extra costs.

There are bound to be conflicting economic and social needs among members of a society. Consequently, the idea

of identity of interest raises a lot of measurement problems, Whatever happens, co-operative effectiveness demands that each member should not only perceive the capability of his society to help in solving his individual problems, but must believe that such problems are actually being solved for him.

Where a member loses confidence in the ability of his society to perform that service, he is likely to revolt against its operations. The nature of the revolt depends ultimately on the intensity of disappointment felt by an individual member, the number of other members so disappointed, and the tradition of democracy prevalent in the co-operative. It could manifest itself in the form of lukewarmness over the activities of the society. It could increase the temptation to extract and transfer the benefits of co-operatives to other forms of personal but rival interests. In extreme cases, it may lead to outright sabotage.

On the basis of the above argument, one would like to take a second look at the belief, widely held in Nigeria, that the lack of enthusiasm over joining co-operative societies is a demonstration of lack of faith and mutual suspicion among Nigerians. No less a person than Adedeji Ilesanmi supported this argument in 1972<sup>9</sup>.

The author accepts that mutual suspicion is a serious problem but believes that the root cause of reluctance to join, as well as lack of enthusiasm over membership, is simply the fact that a majority of Nigerians have not accepted the co-operative society as the shortest cut to their social and economic well-being. At the end of the civil war, a lot of people in the Eastern States embraced the gospel of the co-operative movement in the hope of achieving speedy rehabilitation.

But when it dawned on them that there were more direct routes to economic recovery, a majority of them threw the garb of the movement overboard and embraced other forms of economic pursuits. If the basic problem was suspicion, Nigerians would not only join Societies but upon joining make it difficult, if not impossible, for their colleagues to cheat.

To the extent therefore, that members of a society willingly attend to and participate actively in its activities, to the extent that they subordinate their individual interests to the co-operative weal, to that extent can one claim that the second order criterion of effectiveness has been satisfied.

#### **2.4 Third Order Criterion: Relevance in Society**

The most controversial group of criteria comprises standards of performance imposed by the expectations and value system of the outer society. These expectations are tied up with the economic and social norms of each country. Unlike the previous variables, some components of the third order criterion may not have universal application.

There is more to the question than an ideological issue. A few examples will illustrate the point. While ideological sympathies could influence the choice of procedures for measuring economic returns to co-operatives, the concept of structural quality in the movement is basically influenced by prevailing technology. Similarly while the need for effective cost management in co-operatives is not likely to generate ideological debate, the intensity of society's concern over the issue would depend on existing ethical norms.

There is no doubt that co-operatives

could be effective instruments of economic and social change. But in the Nigerian context, this could happen only if co-operatives could pass certain structural, cost and return efficiency tests. In fact the ability of the movement to survive and thrive in Nigerian society depends on its success rating in these areas. Details of specific third order indices of effectiveness will now be discussed.

#### 2.4.1 *Structural Quality*

Co-operative societies ought to operate in units sufficiently large to enable them to reap the benefits of specialised expertise and economies of scale. The issue of unit size is becoming increasingly important because economic activities are now more capital intensive and require advanced technology. This is a crucial factor in Nigeria, where co-operatives face severe competition from family, corporate and government capitalism.

Measures of unit size include membership, the assets base, the scale of co-operative operations and the maximum credit limit<sup>10</sup>. The most crucial consideration is the pattern of change in these variables rather than actual magnitudes. Skilled expertise and competent management could be attracted into Nigerian co-operatives, irrespective of the unit size of the societies, provided that they had achieved and were likely to maintain a reasonable rate of growth in membership, capitalisation and assets base.

A second aspect of structural quality is the extent of specialisation in the co-operative movement. The basic Rochdale principles impose a number of limitations on the ability of co-operative societies to attract adequate capitalisation particularly in a capitalist environment. One limiting factor is the regula-

tion that no one individual member can hold more than 20 per cent of share capital. The other is the limitation on voting rights and on the payment of interest on capital. Both features severely limit the value of shares. As a result of the built-in feature of limited capitalisation, co-operatives can ill-afford to spread their nets too wide. This contention does not detract from the well-established gains accruable from meaningful diversification. It does imply that diversification in co-operative activities will only be meaningful after a given society has succeeded in establishing itself very firmly in a definite field.

The last aspect of structural quality deals with the relationship between the various tiers of the movement. The usefulness of the three tier structure has often been challenged. It has been argued, in particular, that the elimination of intermediate unions would increase returns to the primary societies by eliminating the administrative overheads and margins retained by the intermediaries<sup>11</sup>. The relevance of the three tier system depends on the socio-economic and infrastructural quality of the environment.

Where the unit size of primary societies is large enough to enable them to deal economically with the apex organisations, the utility of district unions can be questioned. Where, on the other hand, the intermediate unions perform well-defined beneficial functions, they should be retained. Such functions include the provision of processing, warehousing or transportation facilities, and/or the extension of accounting, auditing and data processing services to the primary societies. In either case, the existence of intermediate

unions is dysfunctional if they create unnecessary bottlenecks in the relationship between primary societies and the apex organisations or between such societies and other bodies.

#### 2.4.2 *Cost Minimising Criterion*

There is perhaps no ideologically generated disagreement in the expectation that the management of co-operatives should be cost effective. Differences arise as to the method of cost measurements in co-operative societies. In a capitalist economy, such as ours, society expects co-operatives to have at least the same average cost of operation as competing and alternative forms of business. This expectation is fortified by copious tax and other concessions granted to the movement by government. These concessions represent a subsidy. Unless justified through cost-minimising techniques in co-operative operations, such subsidies represent a sub-optimal allocation of resources. The cost-minimising ability of a co-operative is tied up with such things as the unit size of operation, the quality and dedication of its management, and the establishment and maintenance of proper accounting records. It must be emphasised that the operational base for assessing cost performance is not the price of services or products to the members but the unit cost to the co-operative society.

#### 2.4.3 *Economic Returns*

We now come to the crucial question. Should co-operative societies be evaluated on the basis of their ability to generate profits? The answer is yes. In saying so, we are mindful of two factors. One factor is the realities of contemporary Nigeria in terms of the economic perfor-

mance of other business organisations. The other is our concept of profitability in a co-operative, which may not be synonymous with accounting concepts.

In spite of the avowed official policy of the Nigerian government to seek a more equitable distribution of wealth<sup>12</sup>, capitalism is getting more and more entrenched in the system. In the same way, the capitalist spirit has taken possession of more minds in Nigeria. As a result of the prevailing capitalist orientation, there is an increasing expectation by Nigerians that every human organisation must demonstrate ability in the management of its resources.

Where such an organisation is involved in any form of economic pursuit, that ability is expected to show up in the form of reasonable profit performance. Government business enterprises are now being assessed on that basis. There is a vocal demand that government corporations be so assessed<sup>13</sup>. Even some of the churches are coming under increasing pressure from their followers to demonstrate that ability in their temporal activities. Nigerian co-operative societies should not expect to be treated differently.

The need for co-operative societies to demonstrate reasonable ability to generate profits is increased by the character of their membership. The profit motivation of most of the members is no less forceful than that of the average self-employed Nigerian. Consequently, the ability of co-operative societies to retain the interest and patronage of their members, in fact the very fact of their continued existence, depends on their ability to assuage the desire of the members for some meaningful return on their investment.

#### 2.4.4 *Indices of Returns*

It was indicated earlier that the concept of profitability applicable to co-operatives may not be identical with accounting norms. In accounting practice, profit is a residual value which accrues to risk-takers (owners) after all prior claimants to income have been attended to. This computational procedure implies that almost all benefits which accrue to the owners of other forms of business enterprises show up as net profits.

In the case of co-operatives, however, some non-cash and even cash benefits could accrue to members prior to the determination of the final profitability picture. For example, if co-operative education is properly carried out, some members may pick up useful skills without paying any fees. Patronage at a consumer shop earns a member some patronage premium. These are a few examples of benefits which do not show up in the final accounting returns ren-

dered by co-operative societies. The implication, therefore, is that the "accounting return" is just a first approximation of the net return to members of a co-operative society.

Once due cognisance is taken of this, the rate of return to co-operative societies can be measured by any or all of the conventional profitability ratios. In terms of assessing performance, the most robust ratios would be the return on equity, the return on capital employed and the return on total assets. The accounting rate of return thus derived could be adjusted by the estimated monetary value of other benefits received to arrive at the adjusted rate of return to members. While it is important to consider the size of these profitability measures, while one may wish to compare them with the relative performance of other forms of businesses, the primary concern of the analyst should be the implications of the trend in each of the indices for the future performance of co-operative societies in Nigeria.

### III. PERFORMANCE EVALUATION

#### 3.1 **Paucity of Data**

A number of performance indices have been identified in the course of the preceding discussion. Most of them have testable implications. Unfortunately, it is not possible to undertake a comprehensive evaluation along the lines indicated in section II due to the paucity of data. The performance of the Nigerian co-operative movement in the maintenance of relevant data has been generally poor. For example, by 31st March 1975, about 40 per cent of the financial reports due

from co-operative societies in Anambra State for the preceding financial year were outstanding. On 31st March 1978, over 95 per cent (757 out of 798) of expected reports were in arrears<sup>14</sup>.

Inability to maintain adequate data has been blamed on the shortage of ministry personnel to assist societies in the preparation of necessary reports<sup>15</sup>. It is possible, however, that even if an adequate number of officials were to be available, some societies would still default in keeping primary data. Whatever

the reason, non-availability of relevant data, at any level of the movement, is indicative of some inefficiency.

### 3.2 Nature of Evaluation

The assessment that follows is a mixed grill.

- (i) The structural quality of the co-operative movement in Anambra State will be assessed on the basis of secondary data published by the controlling ministry.
- (ii) A case study of the financial operations of seven primary societies in the State will be undertaken to get some idea of the profit performance of co-operative societies in the State.

Before delving into specifics, however, it will be necessary to comment generally

on the growth of the Nigerian co-operative movement.

### 3.3 Growth Performance

Highlights of the development of the Nigerian co-operative movement in terms of number and membership of registered societies are presented in Table I.

Within the six year period 1954-1960, the number of registered societies increased by roughly 103 per cent. The corresponding increase in membership was 123 per cent. Between 1970 and 1976, however, the relative increase in the number and membership of societies was 34 and 37 per cent respectively.

Though the movement has been growing at a decreasing rate, the very fact of sustained growth, evident in Table I, is indicative of some effective-

**Table I**  
**Membership of Co-operative Societies Registered in Nigeria for Selected Years (1954-1976)**

Year	No. of Societies	Membership of Societies	
		Total Membership	Average per Society
1954	1,612	86,563	54
1956	2,373	120,518	51
1958	2,941	157,103	53
1960	3,269	193,214	59
1962	4,057	279,115	69
1964	4,897	296,117	60
1970	7,898	430,377	55
1976	10,591	589,775	56

*Sources:*

1. For the period 1954-1964, *Rural Development in Nigeria: Proceedings of the 1972 Annual Conference of the Nigerian Economic Society*, p. 162.
2. For the period 1970 and 1976, Adeyeye, S.O. *The Co-operative Movement in Nigeria* (Göttingen: 1978) pp. 165-166.

**Table II**  
**Membership and Capital Funds of Primary Co-operative Societies in Anambra State, 31st March 1977**

Type of Society	MEMBERSHIP			CAPITAL FUNDS				
	No.	Total Mem- bership	Average Mem- bership	Paid Shares	Savings and Deposits	Reserves	Total Capital Fund	Average Capital
Farmers' Multi-Purpose	771	51,551	67	N 1,010,496	N 209,052	N 55,755	N 1,275,303	N 1,654
Other Farmers' Societies	5	440	88	7,417	644	783	8,844	1,769
Total Farmers' Societies	776	51,991	67	1,017,913	209,696	56,538	1,284,147	1,655
Produce Marketing ..	6	559	93	7,200	308	362	7,870	1,312
Thrift and Credit ..	49	3,510	72	80,352	169,628	12,430	262,410	5,355
Consumer and Supply ..	15	2,761	184	38,574	10,628	2,571	51,773	3,452
Building and Housing ..	7	801	114	178,637	8,667	17,596	204,900	29,271
Crafts and Industrial ..	36	1,731	48	72,406	7,734	16,009	96,149	2,671
Multi-Purpose ..	73	5,107	70	325,163	31,187	11,438	367,788	5,038
Others ..	55	6,422	117	146,459	46,848	33,599	226,906	4,126
Grand Total ..	1,017	72,882	72	1,866,704	484,695	150,545	2,501,943	
Average ..	..	..	72	1,836	477	148	2,460	

Source: Derived from *Annual Reports 1977/78*, Anambra State, Ministry of Industries, Co-operatives, Trade and Transport, Official Document No. 10 of 1977 p.15.  
Note: N1=£0.80.



ness. Unfortunately, growth in numerical strength has not been matched by a corresponding increase in the average membership of societies. Low membership per society has implications for the structural quality of the movement.

### 3.4 Structural Quality

There are two major aspects to the issue of structural quality: one is the effectiveness of the unit size of primary societies, the other is the nature of the inter-relationship between various tiers of the movement.

Table II gives a breakdown of the membership and funding of co-operative societies in Anambra State as at 31st March 1977. Unfortunately, there is no comparable data for another time period to facilitate an examination of the direction of changes in the variables. It is evident from the table that consumer and supply societies have the highest average membership (184) while craft and industrial societies have the lowest (48). The overall average membership is

72, which is higher than the national average shown in Table I.

Large unit membership is important because it increases the ability of primary societies to raise adequate share capital. In addition, it facilitates the attainment of the Federal Government objective of involving at least twenty-five per cent of the Nigerian population in one form of co-operation or the other by 1980<sup>18</sup>.

The average capital fund and share capital is N2,460 and N1,836 respectively which is definitely too low in relation to the share capitalisation of other business enterprises in the country. Low capitalisation limits the ability of co-operatives to operate on a large scale and consequently increases their unit cost minimisation problems.

### 3.5 Profit Performance

#### 3.5.1. Source of Data

The list of primary societies studied for this purpose is given in Table III. Four of the seven societies studied are

**Table III**  
**List of Co-operative Societies included in the Case Study**

No.	Name	Type	Local Govt. area
1	Abatete Farmers' Multi-purpose Co-operative Society Ltd. . . . .	FMCS	Idemili
2	Umuomaku Community Farmers' Multi-purpose Co-operative Society Ltd. . .	FMCS	Aguata
3	Amaokpala Farmers' Multi-purpose Co-operative Society Ltd. . . . .	FMCS	Aguata
4	Affa Farmers' Multi-purpose Co-operative Society . . . . .	FMCS	Udi
5	Isi-Uzo School Leavers' Farm Settlement Co-operative Society Ltd. . . . .	FSCS	Isi-Uzo
6	Agbani Unity Co-operative Produce Marketing Society . . . . .	PMS	Nkanu
7	Uzondu Co-operative Shop Ltd. . . . .	CSS	Nsukka

**Table IV**  
**Financial Highlights of Seven Selected Co-operative Societies**  
**in Anambra State 1975-1977**

Items	1975	1976	1977
Total Membership .. ..	244 N	288 N	300 N
Share Capital .. .. .	4,713.65	6,465.63	7,025.88
Thrift Savings .. .. .	188.25	667.51	695.19
Shares in Secondary Societies ..	2,543.00	3,385.00	4,215.00
Other Investments .. ..	226.30	4,642.30	6,625.30
Total Investment .. .. .	2,769.30	8,027.30	10,840.30
Total Assets .. .. .	20,125.48	24,990.34	29,686.00
Net Surplus .. .. .	434.60	1,296.20	3,150.98
Payment to Reserves .. ..	421.45	852.47	2,227.60

*Source:* Aggregated from the accounts rendered to the Ministry by each of the seven societies for the relevant periods.

*Note:* Net surplus is for the year ending 31st March for each year. All other items are as at that date for each of the relevant periods.

farmers' multi-purpose co-operatives while one is a farm settlement co-operative. The other two societies comprise one co-operative shop and a co-operative produce marketing society. The societies are drawn from six local government areas of the State.

### 3.5.2 Evaluation of Performance

Table IV gives a summary of the combined financial accounts of the seven societies for the period 1975-1977. A close examination of Table IV shows that there was a sustained growth in all the variables throughout the period. There were, however, variations in the rates of growth. For example, while the net surplus of the societies increased at an average rate of 170.7 per cent per annum, the average annual growth rate in share capital and total assets was 22.9 per cent and 21.5 per cent respectively. The relationship between the rate of

growth in net surplus (profits) and total assets is therefore such that overall profitability would have increased relatively had the societies operated on a higher asset base.

### 3.5.3 Specific Ratios

Three varieties of profitability ratios are calculated from the data contained in Table IV. The first ratio is the *return on share capital* which measures the net surplus as a percentage of paid-up share capital. By relating the net surplus to the total value of assets, the percentage *return on total assets* is derived. The last ratio, the *return on assets employed*, is similar to the return on total assets; unlike the latter, however, the denominator for the return on assets employed is the value of total assets minus investments over which the individual societies have no direct control. Conversely the numerator is the total surplus minus the

return from such investments. A good example of investments over which primary societies have no direct control is the value of shares which the societies hold in secondary or apex societies. Within the period, none of the societies studied received any significant dividend from its shares in secondary societies. No part of the net surplus could therefore be attributed to that source.

The relative performance as measured by the above ratios is presented in Table V below:

One significant feature of the table is the sustained improvement in each of the profitability ratios over the period. The most important ratio is the return on total assets since it is a clear test of ability to utilise resources effectively. Based on the return on total assets, the performance of the societies, particularly in 1977, could be said to be reasonable. It compares favourably with the average return on assets of 23.02 per cent achieved by a sample of fifty enterprises in Nigeria in the same year<sup>17</sup>.

**Table V**  
**Profitability Ratios for Seven Selected Co-operative Societies in Anambra State 1975-1977**

No.	Type of Ratio	Percentage Performance		
		1974/75	1975/76	1976/77
1	Return on share capital .. ..	9.22	20.05	44.85
2	Return on total assets .. ..	2.16	5.19	10.61
3	Return on assets employed ..	2.50	6.00	12.37

*Source:* Computed from Table IV.

## CONCLUSION

A comprehensive evaluation of the Nigerian co-operative movement ought to take account of the ability of the movement to retain the basic features of co-operation, provide economic and social support for its members and achieve a reasonable level of economy in the use of its resources. As a result of the limited nature of available data, the evaluation undertaken in the paper was neither comprehensive nor could the result be generalised.

There appear to be two broad options for the co-operative movement in Nigeria. The first option is for primary societies to increase their unit size in terms of membership and capitalisation. Should that happen, the societies would be able to attain both social and economic efficiency by reaping the benefits of specialisation and economies of scale. In doing so, they can compete effectively with the growing capitalism of the Nigerian economic environment.

If however they must survive as they are presently constituted, then state intervention will continue to be needed to enable the movement to stand the onslaught of individual, corporate and state capitalism. One form of support could be a legislative provision reserving specified sectors of the economy for the

free play of co-operative endeavours. Such a measure was necessary and effective in dislodging the foreign domination of the Nigerian economy. It could be an effective instrument for ensuring the survival of co-operative enterprises in the country.

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#### NOTES

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8. Ijere, M. O., *Modernising Nigerian Co-operatives*, op. cit., p.7.
9. Adebayo Adedeji, "The Place of Co-operatives in Economic Development", Address to a Symposium on the Role of Co-operatives in the Four Year Development Plan 1970-1974. Organised at Ibadan in September 1972.
10. The Maximum Credit Limit indicates the amount of financial leverage which a society can be authorised to carry. At the moment the responsible ministry in Anambra State allows societies to borrow to a maximum of six times the total value of share capital plus reserves.
11. Bonow, M., *Co-operation in a Changing World*. Paper presented at the 21st Congress of the International Co-operative Alliance (ICA), Lausanne, October 13, 1960, p.23.
12. The principle of egalitarianism is one of the five cardinal national objectives stated in the Second National Development Plan, 1970-1974.
13. A lot of press and other mass media commentaries have spoken of the need for government businesses and corporations like the Airways, the NEPA, the NPA etc., to be profit oriented.
14. Ministry of Industries, Co-operatives, Trade and Transport, Anambra State, *Annual Reports 1977/78*, p.30.
15. Ibid.
16. In 1976, the Federal Military Government of Nigeria formulated a policy guideline aimed at increasing membership of co-operatives to at least 25 per cent of the population of Nigeria by 1980. A number of measures were taken to facilitate the attainment of the objective including the creation of a separate ministry of co-operatives and supply, and the upgrading of some of the co-operative staff. See *Annual Report* op. cit. p.13.
17. See Nigerian Institute of Social and Economic Research (NISER), *The 1977 Performance of Fifty Business Enterprises in Nigeria* (Ibadan, 1979), p.14.

# Co-operative Transformation Process: Adaptation Strategies and Programmes<sup>1</sup>

by  
Ivor S. Mitchell  
and  
Harold W. Lucius

## Introduction

Co-operatives have undergone marked changes since their formal introduction by the Rochdale pioneers. The transformation has taken various forms in different cultures, but the process has been unmistakably co-operative.

The co-operative transformation process must expand significantly to maintain its recognition as a *bona fide* organisational mode. Two important reasons necessitate vigorous co-operative growth. First, the state and private enterprise sectors are continuously expanding in several countries. Unless the co-operative sector grows at least as fast as these other sectors, its legitimacy could seriously be in question. To accelerate the growth of co-operativism, in general both output and membership must be increased. The exceptions are the few cases where the number of co-operative members has held constant and in some cases declined, while at the same time there have been impressive increases in sales volume—a result of aggregation

and increases in firm or farm size. The second reason why co-operatives must grow significantly is to generate new employment opportunities: Western nations have experienced difficulty in keeping the unemployment rate from rising.

Our purpose is to examine various forms of co-operative and their transformation processes in Guyana and the United States: to assess the patterns of co-operative potential, growth rate and threshold, both for the sake of tracing their evolution and to predict the future growth rate.

## The Co-operative Transformation Process

Co-operatives, both in Guyana and in the United States, have experienced phenomenal growth rates, greater than that of both economies, in general, although they do not yet represent sufficient volume and magnitude to have had significant impact on either economy. They are mainly established in the areas of (1) savings, thrift and credit, (2) commerce and marketing, (3) agriculture, (4) industry, housing, and (5) construction and engineering. Tables 1. and 2 show the growth in numbers and share

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**Table 1**

**Registered Co-operative Societies in Guyana in 1964, 1971 and 1978**

<i>Type of Co-operative Society</i>	1964	1971	1978*
Savings, Thrift and Credit .. ..	396	620	778
Commerce and Marketing .. ..	19	67	122
Agriculture .. ..	98	290	346
Industry, Housing and Transport ..	28	106	170
Secondary .. ..	3	6	25
Others (unregistered) .. ..	27	2	1
<b>Total .. ..</b>	<b>544</b>	<b>1,091</b>	<b>1,442</b>

\*Preliminary figures.

Sources: Government of Guyana, Ministry of Co-operatives, and Ministry of Economic Development, Statistical Bureau, 1978.

**Table 2**

**Development of Co-operatives in Guyana since Independence**

<i>Year</i>	<i>No. of Societies</i>	<i>No. of Members</i>	<i>Shares and Savings (G\$)</i>	<i>Reserve Funds (G\$)</i>
1964	571	42,551	2,390,197	83,393
1965	617	44,582	2,979,965	86,118
1966	661	53,601	3,729,871	94,401
1967	674	56,990	4,308,539	106,256
1968	718	60,938	4,887,706	116,229
1969	811	69,949	5,580,267	159,281
1970	967	76,436	6,400,143	—
1971	1,091	82,922	7,220,018	300,381
1972	1,178	98,783	8,845,425	306,003
1973	1,234	105,900	10,000,000	312,841
1974	1,286	111,725	11,237,183	396,384
1975	1,327	120,238	12,797,745	416,559
1976*	1,367	—	—	—
1977*	1,407	—	—	—
1978*	1,442	—	—	—

\*Estimated figures.

Source: Guyana Ministry of Co-operatives and National Mobilisation. "Growth of Co-operative Movement 1948-1978". December 1978.

**Table 3**  
**U.S. Co-operatives' Percentage Share of Wholesale Market**  
**for Farm Commodities by Sectors**  
 (as Sellers of Commodities)

<i>Sectors</i>	1950	1965	1976
Cotton .. .. .	11.0	25.0	36.8
Dairy Products .. .. .	52.0	65.0	80.0
Fruits and Vegetables .. .. .	20.0	25.0	25.0
Grain and Soybeans .. .. .	29.0	40.0	41.5
Livestock .. .. .	16.0	11.5	10.0
Poultry .. .. .	7.0	10.0	15.0

*Source:* Agriculture Department, Texas A. & M., Business Week Estimates.

capital of co-operatives in Guyana since Independence in 1964.

The same comparative co-operative dynamism is witnessed in the United States. During the same period, the United States' real output expanded at 3.6 per cent annually, with per capita GNP at market prices estimated (1976) at US \$7,890. Again, the co-operative sector (comprising 7,500 co-ops) has been the leading growth sector though still small in sales magnitude over this

period, both in the wholesale market for farm commodities and in the retail market for farm supplies. Table 3 indicates that, between 1965 and 1976, the US co-operatives' share of the wholesale market for farm commodities increased from 29.4 per cent to an average 34.7 per cent. Dairy co-operatives comprise the dominant sector, increasing their wholesale share from 65 per cent to 80 per cent.

Co-operatives have not been content

**Table 4**  
**U.S. Co-operatives' Percentage Share of Retail Market**  
**for Farm Supplies by Sectors**  
 (as Sellers of Supplies)

<i>Sectors</i>	1950	1965	1976
Agricultural Chemicals .. .. .	10.5	16.0	40.0
Equipment .. .. .	0.5	8.0	10.1
Feed .. .. .	19.5	18.0	17.0
Fertilizer .. .. .	15.0	30.0	42.0
Petroleum Products .. .. .	19.5	25.5	40.0
Seed .. .. .	18.0	20.5	17.7

*Source:* Agricultural Department, Texas A. & M., Business Week Estimates.

with simply owning one component of the distribution channel. They have sought linkages with the other elements of the channel network. The forward integration of the co-operative movement in the retail market for farm supplies represents the other dramatic movement in the development process; the US co-operative percentage share of the retail market for farm supplies which averaged 19.7 per cent in 1965 increased to 27.8 per cent in 1976 (see Table 4). Agricultural chemicals were the dominant growth sector, increasing from 16 per cent to 40 per cent.

The keystone to co-operative development is the provision of credit. As part of the growth process, co-operatives have traditionally made efforts to provide their own sources of credit. The credit transformation process of Guyana has been traced elsewhere.<sup>2</sup> Table 5

<sup>2</sup>Kempe R. Hope, "Cooperativism and Co-operative Socialism in Guyana," *Yearbook of Agricultural Cooperation* (1976), *Plunket Foundation for Co-operative Studies, Oxford, UK.*

shows that, since the formation of the Guyana National Co-operative Bank, its growth of total assets has exceeded that of the other (foreign) banks. Compared with the other (foreign) banks, GNCB is the single most dominant commercial bank.

In the United States co-operative banking was outlawed from the time of the Eisenhower Administration until 1978, although co-operative funding had been available earlier. Besides their own members' sources of funding, *Banks for Co-operatives*—a system of twelve district banks headquartered in Denver—was initiated during the 1929-32 Depression. Based on patronage refunds the effective interest rate was 0.25 to 2.0 per cent below private commercial bank rates. But on April 7, 1978 the US Senate Banking Committee cleared a bill (passed by the House of Representatives) to establish a consumer co-operative bank. Patterned after the US farm credit and rural electric credit system it would be financed initially (1979) by

**Table 5**  
**Total Assets of the Guyana National Co-operative Bank (GNCB)**  
**and other Commercial Banks**  
(In G\$ million)

	1973	1974	1975	1976
GNCB .. ..	43.6	53.7	116.9	131.9
Other Banks .. ..	205.5	238.7	315.4	308.5
Total .. ..	249.1	292.4	432.3	440.4
Dollar Growth of Total Assets (%)				
GNCB .. ..	—	10.1(23.2)	63.2(117.7)	15.0(12.8)
Other Banks .. ..	—	33.2(16.1)	76.7(32.1)	-6.9(-2.2)
Total .. ..	—	43.3(17.4)	139.9(47.8)	8.1(1.9)

Source: Seventh Annual Report & Accounts, Guyana National Co-operative Bank (1976)



US \$100 million Federal government seed money which will grow to US \$300 million. Incorporated in this banking arrangement is additional funding to establish self-help development for low-income credit unions.

Although initially the US Treasury will own the co-op bank stock, eventually (perhaps in 20 years) the ownership of the bank would be transferred (through their loan patronage) to the 7,500 existing co-operatives as well as the anticipated 2,500 housing, 3,000 or more health-care groups, 300 food-buying, 15 service, 1,500 nursery, and 2,500 farm co-operatives projected to be users of the consumers co-operative bank.<sup>3</sup>

This type of co-operative development is taking hold not only in Guyana and the United States. It is evidenced especially in the Commonwealth Caribbean, Latin America and Africa.<sup>4</sup> Because co-operativism seems close in operation to communalism, socialist countries seem to adopt it as a natural organisational mode. Nevertheless, it seems to have achieved equal success in capitalist nations.

### **Performance of Co-operatives under different Socio-political Systems**

The Co-operative has been touted as the answer to achieving, through voluntary action, common ownership by large masses of consumers, as an alternative to private monopoly and state control. With co-operativism, a way of working and consuming evolves in which each

person's work and consumption results in the betterment of all. Conversely, all co-operation is for the benefit of each. Yet some nations have had difficulties implementing the co-operative concept; for example, Tanzania abandoned its official co-operative sector. In practice, there are some implementational differences according to whether co-operatives are operating under a social-democratic political system or in a capitalist-oriented economy.

### *Under Social-Democracy*

In terms of the spirit of co-operativism, this institution probably reaches its highest development in Sweden which possesses a well developed co-operative sector. Democratisation provides:

“ . . . the means through which the small man can become a real man, the means through which the small man can participate fully in the economic life of the nation, and the means through which the small man can play a predominant part in the workings of the economy.”<sup>5</sup>

The impact of co-operativism under socialism is especially strong when the national savings rate is high. The average and marginal savings rate (1950-65) of Peru (20.6 per cent), Guyana (21.1 per cent), Jamaica (16.2 per cent) and Tanzania (16.4 per cent) are all relatively low. This compounds these nations' problems inasmuch as their domestic savings rates—averaging eight per cent for Guyana in 1976—are too small to

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<sup>3</sup>“Senate Unit Clears Bill Creating Bank For Consumer Co-ops,” *Wall Street Journal*, 7th April 1978.

<sup>4</sup>Sheila Gorst, *Cooperative Organization in Tropical Countries* (Great Britain: Blackwell, 1959).

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<sup>5</sup>L. F. S. Burnham, *Speech Delivered to the Peoples National Congress Regional Conference*, Georgetown, Guyana, 24th August 1969.

allow for capital formation without external assistance.

In recent years the Caribbean Governments have introduced a number of specific measures to increase the role of the co-operative sector in their economies. Among the more important ones are:

1. The establishment of national co-operative commercial banks to channel and supply funds for the development of co-operatives;
2. Reform of the tax structure: to lessen the impact and incidence of the tax burden on co-operatives;
3. Control of importation through governmental external trade bureaus, which discriminate in favour of importation from co-operative organisations (wherever possible); but restrict the importation of a wide range of products to encourage co-operatives in their production;
4. The establishment at cabinet level of a ministry for co-operatives: to provide financial, technical, and managerial support;
5. The encouragement of co-operatives in the manufacturing sector, by accommodating joint ventures, even with the private sector;
6. A promise to transform nationalised state enterprises into co-operatives at an early date;
7. Deliberate government priority patronage of co-operative organisations.

The administration of co-operative socialism has the same effect as the implementation of the marketing concept—a philosophy which allows the

business organisation to satisfy customers' needs through a co-ordinated set of activities which allows that organisation to achieve its goals.<sup>6</sup> Under co-operative socialism co-operators are socially responsible for their products and dividends in the collectivity of consumers who comprise the co-operatives. Some co-operators have attempted to broaden the boundaries of co-operative socialism to include the State. This furthering concept is the position taken by Hope.<sup>7</sup> According to this view, the real ownership of the main factors of production is vested in the collectivity of consumers. There is continuous collaboration between co-operative institutions, individual co-operators, and the State in the management of the national economic resources. The Scandinavian nations reflect this linkage between the dominant co-operative sector and the private and State sectors.

The universal participatory aspect of co-operative socialism assures systematic consumers' control, and creates a unison between individual co-operators and national interests. The long-term result is the gradual dispensation of national skewed income distribution, as well as the eventual disappearance of unearned income.

#### *Under Capitalist-oriented Systems*

Under a capitalist-oriented system the intent of co-operativism—minister-

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<sup>6</sup>Ivor S. Mitchell, "The Development of the Marketing Concept: Relation to the Doctrine of Consumer Sovereignty," *Management Decision*, Vol 15, No 6 (1978), pp. 515-530.

<sup>7</sup>Kempe R. Hope, "A Note on Cooperative Socialism in Guyana," *Annals of Public and Cooperative Economy* 3 (September 1973), pp. 1-8.

ing to consumers' needs—is the same as under social-democracy. However, the capitalist attitude to profit blurs the distinction between co-operatives and the private sector. There is little difference between them in terms of their subordination of consumers' interest to producers' profits. In the United States, co-operatives were originally created to "police" the market. In the process they were able to take advantage of economies of large scale to drive supply costs down. Simultaneously, the group by banding together could act to raise crop prices and increase profits. Accordingly,

"In their drive to increase profits, the managers of the nation's co-ops differ little from their counterparts in private industry. But co-ops have enormous advantages over corporations, and not the least of them is their basic, profit-sharing structure and the loyalty of their members.

"Co-ops deal with their members—buying their output and selling them supplies—at competitive market prices. But at the end of the year, a co-op is allowed to pass profits back to farmers who have dealt with it. The so-called 'Patronage fund' varies . . ."<sup>8</sup>

In a major way, the profit drive which co-op managers now reveal is attributable to the establishment's abandonment of the longstanding tradition of luring executives from the co-operative ranks. Today's co-op managers, often recruited from the corporate suites of their private enterprise competitors, are bottom-line oriented.

Examples of countries in which co-

operatives are flourishing in private enterprise environments are Trinidad-Tobago, Panama, Britain, and the United States. The successful performance of co-operatives is a result of the tax and antitrust breaks which they are allowed. United States' co-operatives receive enormous support as follows:

1. They pay no income tax on their patronage funds;
2. Most co-ops are allowed to pay 50 per cent or less of their patronage refunds in direct cash payments. They have the option of paying the remainder in the form of stock certificates redeemable in cash in 10 years or more;
3. The Capper-Volstead Act (1922) amended the Sherman Act (1890) and the Clayton Antitrust Act to exempt co-operatives from anti-trust action by allowing farmers to market and fix prices collectively;
4. The encouragement of co-operatives to generate funds by issuing debentures and stocks to the public to ease capital shortage;
5. Co-operatives have powerful advocates in the Carter Administration. President Carter and Agricultural Secretary Bergland are overt supporters of co-operative growth;
6. Facilitation in integration forward toward the marketing intermediaries and backwards toward manufacturing.<sup>9</sup>

As with private enterprise corporations, co-operative institutions have become increasingly concentrated. The ten largest US farm co-operatives

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<sup>8</sup>"The Billion Dollar Farm Co-ops Nobody Knows," *Business Week* (7th February 1977), p. 57.

<sup>9</sup>*Ibid.*, pp. 54-64.

(shown in Table 6) account for 25 per cent of 1977's total sales for all co-operatives—more than double the corresponding percentage for 1960 and 10 per cent higher than in 1975.

The three most dramatic transformation forces are the growth of bulk supply purchasing, the banding together into inter-regional co-operatives leading to the increasing scale and commercialisation of US farmers, and the movement into multinational operations, which have resulted in an increased share of the market, as already indicated in Table 4. One example of aggregation is the merger of Farmland Industries and Far-Mar-Co which in 1978 resulted in a combined sales volume of well over \$3 billion for the new co-operative venture. The Land O'Lakes co-operative empire reveals the best example of inter-regional growth. Owing 841 local co-operatives are 150,000 farmers in the states of Wisconsin, Iowa, Nebraska,

South Dakota and North Dakota. These co-ops own Land O'Lakes which is a \$1.1 billion (1975 sales) dairy and food processing and farm supply organisation. Land O'Lakes, in turn, holds part ownership in seven interregional co-operatives—C. F. Industries (\$258 million in fertiliser), Universal Co-operative (\$217 million in equipment manufacturing), Energy Co-operative (\$650 million in oil refining), NCRA (\$250 million in oil refining), Interregional Service Corp (\$7 million in leasing), Ag-Food (in warehousing and distribution), and Co-operative Research Farm (in agricultural research). C. F. Industries by itself (ranked number one) is a \$10 billion fertiliser producer owned by 19 regional co-operatives. In 1976, C. F. Industries' performance was further enhanced by a multinational extension when it formed a joint venture with two Canadian interregional fertiliser co-operatives in a \$230 million fertiliser

**Table 6**  
**United States Farm Co-operatives in order of Size**  
(In US Dollars)

Name	1975 (\$ million)		1977 (\$ million)	
	Sales	Pretax Income	Sales	Pretax Income
Farmland Industries .. ..	2,591	202.3	3,040	79.0
Associated Milk Producers ..	1,478	4.9	1,640	8.9
Agway, Inc. .. ..	1,329	40.7	1,592	37.2
Grain Terminal Asso. .. ..	1,261	32.9	1,390	
Land O' Lakes .. ..	1,124	36.4	1,407	17.7
Gold Kist .. ..	828	25.6	1,054	23.5
Illinois Grain Indiana Farm Bureau	806	10.5	806	NA
Co-op Assn. Farmers Grain Dealers	697	24.6	888	NA
Assn. of Iowa .. ..	652	0.3	652	NA

Source: Co-operative Annual Reports; *Dun and Bradstreet*, 1978.

operation in Alberta, Canada.

The multinational emphasis continues. Ever since LVOI Co-operative (an acquisition of the international drilling concessions of LVO Corporation) was set up, it has secured and carried out drilling operations in Egypt and Ghana. Many under-developed countries (including Guyana) give special incentives to co-operatives to extend into their countries.

### **Adaptation Strategies and Programmes**

Neither local communities in the developing countries nor developing areas of rich nations generate, spontaneously and unaided, the desire and initiative to organise co-operatives unless there has been some history of such organisations. However, there is a possible solution to the dilemma. Initiative "from above" can be used in a way that will evoke involvement "from below". The result will depend on the way the government proceeds in helping the co-operatives to get their start.

Given low incomes and standards of living, problems of raw materials, poor manpower utilisation, a vicious cycle of poverty, scarcity of management know-how and capital, low literacy rates and market imperfection, we suggest that strategies and programmes for the development of sound and economically viable co-operatives should include the following:

1. The protection of the law in the sense that co-operative societies, their unions and federations are recognised as legal entities, able to own property and to sue and be sued in their own names. The law also needs to define co-operative

societies and their federations in order to ensure that protection is extended to genuine and not bogus co-operative organisations;

2. A co-operative movement needs an organ of liaison and communication with government. In order to launch and promote a co-operative movement, government must create and staff a promotional department, and this can serve as the required organ. Its functions should include registration, examination of proposed rules, discussion with societies seeking registration, education, training and technical advice, as well as the initiation of economic surveys such as cost-benefit analysis to determine suitability of size, location, and entry of co-operatives into various economic endeavours;
3. The government must organise a system for providing long-term, low-interest credit to co-operatives. Grants and reductions in (or exemptions from) taxes should also be provided;
4. Credit must be linked with marketing and processing thereby assuring repayment of loans;
5. Management training cells must be established for the purpose of training cadres of management for new co-operatives and for the dissemination of improved input technology;
6. Co-operatives should be set up at a single stage in the marketing system usually in assembly markets at the point of first sale by producers. The alternative is the attempt to displace several stages

at once, possibly trying to create an entirely new channel from producer to final consumer. This will only serve to align many groups against the co-operative, and maximise the chance that the co-operative will succumb to pressure at some critical point in the marketing system.

Initial entry into input market, new crops, or new areas seems to be most promising because, in these instances, developed marketing systems may be lacking and the co-operative does not have to carry the burden of competing with traditional marketing organisations. If traditional markets are to be entered, care should be taken to select those activities with high income potential or those which give promise of offering an opportunity for profitable performance over a period of several years.

### *Pilot Projects*

It has been suggested that pilot projects are "an effective means of determining the applicability of a particular type of co-operative to a given local situation."<sup>10</sup>

Pilot projects do offer a number of advantages, such as management, strategy demonstration, flexibility of operation, opportunities for thorough analytical evaluation, and limited repercussions in case of failures. There is always the danger of making pilot projects into showcases only, with a concentration of managerial skill and technical and finan-

cial assistance and levels of overhead costs utterly impossible in an operation of wider scope. Pilot projects must therefore be handled as experimental material, with due regard to conditions which are as representative as possible of the overall situation, and with a careful assessment of exceptional, nonrecurring and unique factors.

### *Diversification*

Once a community or area and its leaders begin to appreciate the importance of any single co-operative as a business enterprise, it becomes less difficult to establish new types of co-operative activities within that community. This conclusion has been borne out by developments in the most advanced states within India where all forms of rural co-operatives including credit and banking, marketing and processing, developed together, and where consumer credit and consumer co-operative stores have also developed.<sup>11</sup>

### *Programme Performance*

The performance of the transformation process has to be analysed in terms of the input-output concept. In discussing this concept Gross states that:

"The performance of any social system consists of activities (1) to satisfy the interests of various 'interested' by (2) producing various kinds, qualities and quantities of output, (3) investing in the system's capacity for future output, (4) using inputs efficiently, (5) acquiring inputs, and doing all the above in a manner that

<sup>10</sup>*Co-operatives: Democratic Institutions for Economic and Social Development* (Washington, D.C.: Agency for International Development, 1st November 1961), p. 21; See also J. K. Nyerere, *Freedom and Socialism* (London: Oxford University Press, 1968), p. 356.

<sup>11</sup>R. D. Bedi, *Theory, History, and Practice of Co-operation* (New Delhi: National Co-operation Printing Press, 1969), Part IV, pp. 251-398.

conforms with (6) various codes of behaviour and (7) varying concepts of technical and administrative (or guidance) rationality.<sup>12</sup>

Following the orthodox assumptions, consumers' co-operatives individually will try to maximise member returns and minimise prices paid by members, producers' co-operatives will seek to maximise the price paid to members for their products, and workers' co-operatives will try to maximise wages paid to members.

However, in analysing the transformation process emphasis is placed on the economic nature of inter-co-operative relationships. It must be remembered that these relationships have to be set up in a competitive enterprise economy and therefore will be inevitably influenced by the competitive forces in the market. Unless these relationships are justified and in fact are tenable on economic grounds, they are likely to have little possibilities of practical success.

### *Outputs*

The output of the Co-operative Economic System is composed of the goods and services it makes available for use to the society and the external world. These goods and services are the direct instruments for the satisfaction of the interests of the people:

1. The full and efficient utilisation of scarce resources;
2. Growth of output over time;
3. An equitable distribution of income;
4. Correction of existing defects in

social relations in various spheres of production and exchange.

The Co-operative System can combine the best of two worlds of individualism and collectivism, or democracy and socialism. It combines self-help and mutual help, voluntary action, non-discrimination, openness in operations, democratic equality and decision-making through discussions which are the attributes of a democratic system based on individualism with equitable distribution of income; and primacy of man over capital which is an attribute of collectivism and socialism. The Co-operative System seeks a deliberate and conscious reconstruction of the economy and of society.

### **Co-operative Present Day Problems**

The Co-operative transformation process has not been without major obstacles. The three principal requirements of co-operatives are: State participation, co-operative education, and generation of funds. In this fledgling infant sector, initiative "from below" will be most productive only to the extent that it is supported by involvement "from above".

### *Need for Government Participation*

Once it has been recognised that economic development and social change are equally vital elements in the reconstruction of the developing areas' economic and social structure and that the co-operative enterprise is one of the principal means for bringing about changes of a fundamental nature within the economies of these areas, the state cannot be a passive spectator vis-a-vis the co-operative sector. On this point G. D. H. Cole states that for co-opera-

<sup>12</sup>B. Gross, "Social Systems Accounting" in *Social Indicators*, R. A. Bauer (ed.) (Cambridge: The M.I.T. Press, 1966), p. 184.

tives to "take over a major part of trade that is still in private hands today, they would have to obtain the necessary capital for it from outside."<sup>13</sup> What could this "outside" agency be other than the state? Those who can appreciate the presence of the communalistic pattern of a developing society can readily recognise the place of co-operatives within that society and also the qualified role of self-help.

In the Guyanese context where the goal is to build a Co-operative Republic, the State has come forward and given leadership to the co-operative sector. To that extent, the principle of self-help should have a flexible application. It is in this context that R. D. Gadgil has said:

"In a society which is poor and in which weak economic units are overwhelmingly large in number, for co-operatives to succeed it is necessary that they should be initiated and nursed by external efforts and that co-operative activity should be supported by appropriate government policy in relation to economic security and progress."<sup>14</sup>

A similar view is shared by V. L. Metha when he suggested that:

"If certain types of institutions organised for the service of the community, and run on democratic lines, subject themselves to state regulation and provide for the audit of their accounts by authorities appointed by the state and subserve the purposes of a plan of economic development, it

should be open to them to ask for and get state support for a time, until they are in a position to get established well enough to withstand the competition of old established agencies."<sup>15</sup>

Therefore the state which is committed to democratic communalism and planned economy should actively collaborate with the co-operative sector. In the final analysis, co-operatives and the state should work together relying on the principle of self-help supplemented by state aid.

### *Need for Co-operative Education*

Education and not propaganda should be the prime concern of co-operatives. Education of members, office-holders, staff and the public at large is, and always has been, one of the distinctive characteristics and tasks of the co-operative movement. The importance of such a pragmatically useful approach through enlightened membership has been stressed by the noted Swedish Co-operator, H. Elldin, in his observation:

"If we had to start our movement afresh, and if we were given the choice between possibilities—that of starting without capital but with enlightened membership and staff, or on the contrary, that of starting with a large amount of capital and ill-informed members—our experience would incline us to choose the first course."<sup>16</sup>

The importance of education is further emphasised by the Co-operatives (Developing Countries) Recommenda-

<sup>13</sup>G. D. H. Cole, *The British Co-operative Society in a Socialist Society* (Oxford: Basil Blackwell, 1951), p. 96.

<sup>14</sup>*Indian Co-operative Review* (New Delhi: National Cooperative Union of India, 1964), Vol 1, No 3, p. 418.

<sup>15</sup>*Ibid.*, p. 418.

<sup>16</sup>H. Elldin, "The Importance of Education and the Co-operative Movement," (A Paper Submitted to the International Conference on Co-operative Education, Zurich, 1946), p. 4.



tion (No. 127) adopted by the International Labour Conference in June 1966. The Recommendation suggests many cardinal improvements that co-operatives should make, and these include:

1. Measures to disseminate knowledge of principles, methods, and the possibilities and limitation of co-operatives;
2. Appropriate co-operative instruction to be given at universities, teachers' training colleges, agricultural and vocational institutes, workers' educational centres, primary and secondary schools, and kindergartens. Specialised co-operative institutions should be set up where feasible;
3. Keeping alive in members the feeling that the co-operative society is an organisation that belongs to them and depends on them for its efficiency and prosperity;
4. Instilling in members the knowledge, motives and ability that will make them into real co-operators imbued with the will to assist in their collective enterprise;
5. Waging a war on illiteracy and ignorance to equip men and women to build this new sector;
6. Assisting to equip the democracy of co-operation;
7. Protecting co-operative societies against the inroads of non-co-operative ideas such as domination by minority interests.

#### *Need for Institutional Funding*

The provision of funding to develop co-operative enterprise is perhaps the most critical variable affecting co-opera-

tive growth. The basic drawback resides in the lack of inter-cooperative unity at the intra- and international levels. The co-operative movement in Guyana has almost no knowledge of co-operative developments in the United States, and conversely. Because close collaboration is not undertaken to the fullest extent, potential funding agencies do not know the extent of their market. Hence development is not fully promoted.

Banking and insurance are two areas which offer tremendous potential for co-operative growth. These in turn would provide the fuel for further co-operative development. These banking and insurance efforts should develop extensions multinationally.

Funding co-operatives in areas of high structural unemployment, of social dislocation, and in rural development areas would call for special partnerships between the Government and the co-operative funding agencies. Assistance should be sought for developing programmes for solving problems of this nature. Both regional common markets and international agencies should be asked to recognise the social and economic role played by co-operatives in development efforts.

#### **Implications of Co-operative Growth for National Development**

Co-operativism is the alternative to libertarian capitalism and authoritarian socialism. The former seeks to extend the domain of market action beyond that which promotes stable economic health and social justice; the latter takes individuals down "the road to serfdom". The adoption of co-operativism allows for national development which puts "some rationality into equality and some

humanity into efficiency.<sup>17</sup> With co-operative growth, the focus shifts from development for vested interests to development for national interests. Interestingly, in the process, the individual worker and consumer, because of their acquired sovereignty, benefit. Workers everywhere are seeking some form of workers' self-management of the production system including representation on the Board of Directorship. This evolution towards a participatory economy as a strategy for development is a natural concomitant of the adoption and implementation of co-operativism.<sup>18</sup>

The need for a broader, deeper, and more involved mode of organisation in correcting the structural inadequacies of distressed areas is beginning to be recognised. It was the conventional wisdom of political scientists that to drive an undeveloped economy toward modernity and rapid growth, it was essential only to pump-prime it with capital and technology. They now realise that there is a wider range of complex social, psychological, cultural, educational, entrepreneurial, economic, and political

variables involved in national development which defy both conventional socialist and capitalist modes of organisation.

### Conclusion

The persistence of inflation, unemployment, instability, and poverty in developed and developing nations and the increase in environmental and social problems poses serious questions regarding the adequacy of present modes of economic organisation in improving individual and national welfare. In our view, the co-operative contribution has much more to benefit us before it reaches its threshold level.

The future growth rate may be predicted by extrapolation from the past. This article shows that both in Guyana and the United States the co-operative sector is the fastest growing sector. Both governments are sympathetic to it. Despite its growth, it operates within some exogenous constraints—the macro-economy, public policy and law, technology, and culture—all of which constantly (and sometimes rapidly) undergo changes. The best chances for its continued success rest on expansion of research efforts in the direction of achieving its goals through consumer/member satisfaction.

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<sup>17</sup>Arthur M. Okun, *Equality and Efficiency* (Washington D.C., 1975), p. 120.

<sup>18</sup>Jaroslav Vanek, *The Participatory Economy* (Ithaca: Cornell University Press, 1971).

# Recent Books

by

**Anne Lamming**

ICA Librarian

The books listed should be ordered  
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**ALBERY, Nicholas: Coop Year 2000—the nuts and bolts of caring and sharing.**  
*London (UK), Mutual Aid Centre, 1979. 31pp; appendices.*

A compilation of 104 ideas for encouraging innovation within co-operative retail societies in the UK.

**CENTRAL COUNCIL FOR AGRICULTURAL & HORTICULTURAL CO-OPERATION: Commitment, Control and Growth in Co-operatives.**

*London (UK), CCAHC, 1979. 72pp; illus; tabs; appendices.*

An examination of how members' commitment contributes to the success of co-operatives, based on studies of seven UK agricultural co-operatives.

**CENTRAL COUNCIL FOR AGRICULTURAL & HORTICULTURAL CO-OPERATION: A Directors' Manual of Co-operative Law.**

*London (UK), CCAHC, 1977. 55pp; appendices; index; illus.*

An instructive booklet for lay members of boards of UK agricultural societies, intended to make them aware of the legal provisions governing co-operatives.

**CENTRAL COUNCIL FOR AGRICULTURAL & HORTICULTURAL CO-OPERATION: Guide to Agricultural Co-operative Legislation.** (2nd Ed., rev.)

*London (UK), CCAHC, 1979. 468pp; (ringbinder).*

A detailed guide to the UK law as it affects agricultural co-operatives, including registration, shares, investment, voting bonuses, taxation.

**CO-OPERATIVE EDUCATION MATERIALS ADVISORY SERVICE: The CEMAS File.**

*London (UK), CEMAS (ICA), 1979.*

Lists of materials in ringbinder. The File is intended for storing further information on co-operative education and training materials to be sent out by CEMAS.

**CO-OPERATIVE LEAGUE OF THE USA: Rural Transportation Co-operatives—A Concept Paper.**

*Washington (USA), CLUSA, 1978. 46pp; tabs; footnotes; appendix; bibl. (Mimeo).*

Rural transport problems in the USA are analysed and described in this paper with recommendations on how to solve them through the establishment of transport co-operatives using existing railway lines.

**FOOD AND AGRICULTURAL ORGANISATION: Report of the World Conference on Agrarian Reform and Rural Development, Rome, 12-20 July 1979.**

*Rome (Italy), FAO, 1979. 67pp; appendices; annexe.*

**FITE, Gilbert C.: Beyond the Fence Rows—A History of Farmland Industries, Inc., 1929-1978.**

*Columbia, Missouri (USA), University of Missouri Press, 1978. 404pp; appendices; bibl; index; plates.*

The story of the first fifty years of the largest agricultural Co-operative in the USA. It mirrors the transformation which has taken place in US agriculture, with the growth of farming into agribusiness.

**HUNTER, Guy (ed.): Agricultural Development and the Rural Poor.**

*London (UK), Overseas Development Institute, 1978. 113pp. £1.50.*

A declaration of policy and guidelines for action aimed at including a far greater proportion of the rural poor in development.

**INTERNATIONAL CO-OPERATIVE ALLIANCE: Research Register of Studies on Co-operatives in Developing Countries and Selected Bibliography. Bulletin No. 7, 1979.**

*Budapest (Hungary), Co-operative Research Institute, 1979. 125pp; bibl; author, geog. and subject index.*

**INTERNATIONAL CO-OPERATIVE HOUSING DEVELOPMENT ASSOCIATION (ICHDA): The Gambia Workshop Report, 5-8 February 1979.**

*London (UK), ICHDA (ICA), 1979. 48pp; charts; maps; annexes.*

Report of the workshop on housing for low income groups in the Gambia, held in Banjul.

**LASSERRE, Georges: Co-operative Enterprises (trans. Anne Lamming).**

*Manchester (UK), Co-operative Union Ltd., 1979. 114pp; postface.*

A translation of a classic French text, aimed at the general public. The book presents an overall view of the movement throughout the world by a committed co-operative thinker.  
*(Reviewed in this issue)*

**MÜNKNER, Hans-H.: Short Analytical Review of Research Results on CO-OPERATIVES AND RURAL POVERTY and Indication of Priorities for Future Research (with Annotated Bibliography).**

*Marburg (FRG), Institute for Co-operation in Developing Countries, 1979. 93pp.*

A collection of papers presented at the COPAC Symposium on "Co-operatives against rural poverty" in Sweden in 1978.

**NAGY, Dr. Sándor K.: History of the organisation of the agricultural co-operatives in Hungary.**

*Budapest (Hungary), National Council of Agricultural Co-operatives, 1979. 44pp; tabs. (Documents on Agricultural Co-operatives No. 2, 1979).*

A review of events in the sphere of agricultural organisation in Hungary, starting with the 1945 land reform and going up to 1962.

**O'BRIEN, T.: Co-operative Bibliography. With special reference to Ireland. Dublin (Irish Republic), Irish Management Institute, 1976. 188pp. (mimeo). (Source Document No. 2).**

A comprehensive bibliography which, though based on Ireland and agricultural co-operation, includes reference to most types of co-operative and their problems. The book includes a section on audio-visual material.

**OSUNTOGUN, A.: An Analytical Study of the Operations of the Co-operative Supply Association of Nigeria.**

*Marburg (FRG), Institut für Kooperation in Entwicklungsländern, 1979. 56pp; tabs; appendices. (Papers & Reports No. 8).*

Consumers' co-operatives are few in Africa. This paper is a study of a Nigerian apex consumers' organisation. The author describes the structure and function of the organisation, and analyses the internal relations by means of empirical social research methods.

**PIERCE, Fred A.: How to Start a Co-operative.**

*Nova Scotia (Canada), Nova Scotia Dept. of Agriculture & Marketing (Marketing & Economics Branch), 1978. 43pp; appendices.*

An introduction to co-operatives with guidelines on how to start one up under Nova Scotia legislation.

**ROBINSON, Wayne R., HERSKO, Ruth (Eds.): Proceedings of the Co-operative Legal-Financial Workshop, held at the Holiday Inn, Stevens Point, Wisconsin, Jan. 3-5, 1978.**

*Wisconsin (USA), University Centre for Co-operatives (Univ. of Wisconsin Extension), 1978. 129pp. (mimeo).*

The subjects covered in this workshop include financing, long-term capital, product liability, labour problems and general views of legislative and financial matters confronting co-operative leaders in the USA.

**URUGUAY, REPUBLICA ORIENTAL DEL: Cooperativismo en el Uruguay**  
*Montevideo (Uruguay), Federacion Uruguaya de Cooperativas de Ahorro y Credito, 1978. 231pp; index; bibl; tabs. (Serie de Temas Nacionales 6).*

A review of all sectors of the co-operative movement in Uruguay, the various laws governing co-operatives, with maps, statistical tables and a bibliography.

**VIVES, Cristian: Las Cooperativas Campesinas y la Iglesia.**

*Santiago (Chile), Confederacion Nacional de Cooperativas Campesinas (CAMPOCOOP) Ltda., 1979. 109pp; stats; epilogue.*

A study of rural co-operatives and the Church in Chile.

**YEO, Peter H.: Basic Economic Concepts for Planning and Decision Making.**  
*Oxford (UK), Plunkett Foundation, 1979. 86pp; tabs; graphs. (Study Series No. 3).*

A handbook for co-operative leaders (including managers, board members and government officials) to enable them to use the techniques of economics in making business decisions.

# Book Reviews

**Co-operative Enterprises** by Georges Lasserre (translated from the French by Anne Lamming). *Co-operative Union Ltd., Holyoake House, Hanover Street, Manchester (UK). 1979. With introduction and Postface, 114pp.*

It is to Jacob Bjärnsdal, the first project director of the Co-operative Education Materials Advisory Service (CEMAS) at the ICA, that we initially owe the appearance of an English edition of Professor Lasserre's book. Jacob Bjärnsdal thought this important work should be available for a wider co-operative readership, and CEMAS made themselves responsible for the translation into English. Our thanks and congratulations are due to both of them. The book is one of the finest brief introductions to Co-operation ever written. Its translation into English gives it the best chance of acquiring the worldwide readership which it merits. By producing a translation in idiomatic and easily readable English, reflecting the clarity and simplicity of the original, Anne Lamming has rendered a signal service to the International Co-operative Movement of incontestable value. For as the Movement spreads across the globe and the number and membership of the affiliated organisations of the ICA increase, the greater grows the need of mutual understanding by Co-operators of different branches of each others' areas and functions and of the ability of all of them to visualise the Co-operative Movement as a whole and appreciate its true mission in contemporary society. This edition also includes an excellent chapter on Co-operative Housing, researched by Lotte Kent.

At the very outset Professor Lasserre emphasises that the Co-operative Movement, if it is to be properly understood, "must be placed within the general evolution of the structure of society". And he concludes by indicating the role which Co-operation can play as an "experimental prototype" in solving the problems of human relations with which society is confronted by endless scientific

and technological progress—a point which was made by Jean Jaures in the early years of the present century.

Between these two points Professor Lasserre, after a remarkably clear and concise account of Co-operative Principles, deals one by one with the principal types and groupings of co-operative organisations existing in the world today. His treatment is a marvel of compression and balance, for, without any loss of clarity he describes aims and methods, the evolution of federal structures out of primary co-operatives and faithfully points out defects and shortcomings, as well as appraising achievements. In two separate additional chapters he discusses the relations of Co-operatives with public enterprise and the contribution, actual and possible, of Co-operation to the healthy social and economic development of nations still in the early stages of modern industrial evolution. In his final chapter, he indicates how Co-operation can, and often does (but not so often as it should), make a constructive contribution to social progress beyond the power of either capitalism or government administration, however enlightened.

Professor Lasserre is in the direct line of succession to those great French exponents of Co-operation, such as Charles Gide, Bernard Lavergne, Georges Fauquet, who have taught their fellow Co-operators to think clearly and logically about their Movement, its problems and policies. Their influence was by no means confined to France or to countries where French is the vernacular language, and it is high time that Professor Lasserre's thinking on Co-operative matters was better known outside his native land. The book here briefly reviewed ought to be circulating by the million amongst the English-reading membership of the ICA's affiliated organisations if the Movement is to rise to its present possibilities.

W. P. WATKINS

**The Case for Workers' Co-ops** by Robert Oakeshott. *London: Routledge & Kegan Paul, 1978. 272pp.*

Gradually—though in fact almost suddenly in some places—workers' co-operatives have become accepted and are no longer regarded in a patronising manner by the better established sections of the co-operative movement. Indeed, if various kinds of co-operatives may be said to be in or out of fashion, workers' co-operatives seem to be much in vogue just now.

Even four years ago, the very idea of them was a bit old-fashioned, and purists in some co-operative circles were not inclined to talk much about them, unless to comment on their susceptibility to failure. The last generation of co-operators was brought up in the firm belief that, while there was validity in the principle that it is more in accord with human dignity for labour to employ capital than for capital to employ labour, still the hard reality was that workers could not manage an enterprise, and any business run by them would inevitably end up on the rocks.

But now the climate has changed, and we hear workers' co-operatives linked with such fashionable concepts as industrial democracy, job-saving strategy, democracy in the workplace, and employment alternatives. Almost every day now we hear or read about new initiatives from workers to take over an ailing industry and run it co-operatively, or about a workers' co-operative which has managed to survive almost unnoticed for a long time, or about a political figure or industrial planner proposing co-operatives to help solve the generally bad state of affairs in the economy. An old idea in the co-operative movement is being brushed up and examined more sympathetically than ever before.

Along with this revival, of course, comes a steady stream of documents and material on workers' co-operatives (workers' production co-operatives or industrial co-operatives, as they are variously called), until a bibliography on the subject, published by the International Co-operative Alliance about a year ago, runs to 61

pages. Not many years ago, it was hard to find new writings on workers' co-operatives and one usually had to be content with musty pamphlets from another age—the Webbs had condemned producers' co-operatives, and that was that. In Britain itself, after Rochdale, co-operatives became so absorbed in the business of buying and selling profitably, they almost forgot about the far more basic business of producing efficiently.

The book by Robert Oakeshott is obviously a major addition to the literature in this field. Published last year, it examines workers' co-operatives mainly from the British standpoint and their potential as an antidote to the "British disease" of low industrial productivity and constant labour-management wrangling. It also provides a good account of workers' co-operatives in several European countries (mainly France, Italy and Spain), with a brief mention of "experience elsewhere". The chapter on the Mondragon group in the Basque provinces of Spain, about which so much is being written lately, is especially valuable, for the author goes into the structural set-up and financing of this remarkable complex of co-operatives in some detail.

A number of facts of vital importance stand out from a reading of this book; for example, that basic errors in organisation, operating policies and financing have been repeated over and over again from one generation to the next over the past 140 years; that because of these errors, workers' co-operatives have rarely had the chance to compete on equal terms with capitalist enterprises; and that the organisation of a workers' co-operative is something much deeper and more complex than the mere ownership of company shares in the hands of the workers or employees.

Fully half of the book deals with the British situation, from the early part of the nineteenth century, through the struggling years to the 1880s, when the producer co-operatives were virtually rejected by the consumer co-operatives, to recent times and the latest efforts to

rescue ailing industrial and manufacturing plants by transferring control over to workers organised under some kind of co-operative banner. Of these last the author says: "It is hard to imagine a less promising set of starting conditions: you have previous capitalist failure; you have the disruption caused by a hiatus of longer or shorter extent; you have the re-born enterprise working within structures of no one's very enthusiastic choice and of which none have any direct experience." In other words, if you are going to organise a workers' co-operative, don't take the route of a government rescue operation, but take instead the route of a workers' dynamic movement, using the Mondragon model.

*The Case for Workers' Co-ops* deserves to be regarded as a foundation piece in the literature of a resurrected and revitalised movement that seems destined to have a profound influence, not only on co-operatives, but on the very structure of industry in many parts of the world. The Oakeshott

book cannot but leave the reader with pretty sanguine hopes for the future of workers' co-operatives, which have for long been treated as orphans in the household of the co-operative movement.

The final Chapter, *Conclusions*, is an excellent summing-up of the case for workers' co-operatives, especially in the context of the present malaise of British manufacturing industry. However, the author holds out as unlikely the prospect that these co-operatives can be set up outside what he calls "the organised bureaucracy of the labour unions". If they were being started from scratch, far from the pressure of entrenched unionism, yes, perhaps they could. But even though the conventional labour union may appear to be an outmoded piece of industrial baggage which a workers' co-operative cannot afford to carry, it seems highly unlikely at this stage that such co-operatives will be able to get going in most Western countries without the blessing of union leaders.

ALEX LAIDLAW



# The International Co-operative Alliance 1895-1970

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This volume of ICA history commemorated the 75th Anniversary of the International Co-operative Alliance tracing its evolution from its first manifestation as a phrase on the lips of a few 19th century co-operators to its present status as the largest consultative organisation recognised by the United Nations with over 330 million adherents.



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# Alexander Petrovich Klimov

Alexander Petrovich Klimov, Vice-President of the International Co-operative Alliance and former President of Centrosoyus, died on 7th September, 1979, at the age of 65.

He sprang from a peasant family; after graduating from the Moscow Institute of Soviet Co-operative Trade, he worked as a teacher and director of Centrosoyus educational institutions, and was prominent in consumer co-operative activities. He served Centrosoyus for more than 35 years, and was Chairman of the Board from 1954 to 1978, in which capacity he made an important contribution to developing consumer co-operative activities and improving services for the rural population, thus promoting the role of the co-operative movement in the socio-economic life of the USSR.

Mr. Klimov was also keenly interested in the development of the international co-operative movement; he was elected to the Central Committee of the International Co-operative Alliance in 1954 and served as its Vice-President from 1957 until the time of his death. As Vice-President of the Alliance he strove for cohesion and mutually advantageous economic collaboration between movements from countries with different political and economic systems.

He was a staunch fighter for social progress and world peace. Alexander Petrovich was highly valued in his own country and was awarded three Orders of Lenin, an Order of the October Revolution and several medals. His death is a great loss, not only for Soviet co-operators but for all of us who had the privilege of knowing him and working with him.

J.H.O.

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General Co-operative Association of Labour in Israel  
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(Histsadnut Building, 93 Arlosoroff St.)  
POB 303, Tel-Aviv.  
Tel. 26.11.11 Cables OVDIM

**ITALY**

Associazione Generale delle Cooperative Italiane  
Via Ravenna 8, 00161 Rome.  
Tel. 859198

Confederazione Cooperative Italiane  
Piazza dell'Esquilino 5, 00184 Rome.  
Tel. 47-28-11 Cables CONF COOPERATIVE  
Lega Nazionale delle Cooperative e Mutue  
Via A. Guattani 9, 00161 Rome.  
Tel. 841371 Cables LEGACOOOP

**IVORY COAST**

Chambre d'Agriculture de Côte d'Ivoire  
POB 1291, Abidjan.  
Tel. 32-16-11

**JAMAICA**

National Union of Co-operative Societies Ltd.  
2a Manhattan Road, Kingston 5

**JAPAN**

Norinchukin Bank  
(Central Co-operative Bank for Agriculture and Forestry)  
8-3 1-chome, Otemachi, Chiyoda-ku, Tokyo.  
Tel. 03 279 0111 Cables CCBFAF Telex J.23918  
Zenkoku Nogyokuyokumiai Chuokai  
(Central Union of Agricultural Co-operatives)  
8-3 1-chome Otemachi, Chiyoda-ku, Tokyo  
Tel. 270 0041 Cables CHUOKAI

**KOREA**

National Agricultural Co-operative Federation  
75, 1st Street, Chung-Jong-Ro, Sodaemun-ku, Seoul.  
Tel. 73-0021 Cables KONAFCO

National Federation of Fisheries Co-operatives  
88 Kyung Wun-Dong, Chongro-ku Seoul 110.  
Tel. 70-6211-20 Telex F1SHCO K24359

**MALAYSIA**

Co-operative Central Bank Ltd.  
(29 Leboh Ampang) POB 685, Kuala Lumpur 01-19.  
Tel. 26531/4

Co-operative Union of Malaysia Ltd.  
Peti Surat 685, Kuala Lumpur.  
Tel. 23903

Federation of Housing Co-operatives Ltd.

c/o Railway Co-operative Multi-Purpose Society Ltd., Wisma-Merlin,  
Jalan Sultan Ismail, POB 2528, Kuala Lumpur 04-04.

Malaysian Co-operative Insurance Society Ltd.  
(36 Jalan Ampang) POB 817, Kuala Lumpur 01-16.  
Tel. 87915/6 Cables MCIS

National Union of Co-operatives (ANGKASA)  
103 Jalan Templer, Petaling Jaya, Selangor.  
Tel. 771258

National Land Finance Co-operative Society Ltd.  
No. 1 Lorong Segambut Pusat Satu, Peti Surat 2133, Kuala  
Lumpur 02-12.  
Tel.

**MAURITIUS**

Mauritius Co-operative Union  
Co-operative House, Dumas Street, Port Louis.  
Tel. 2-2922

**MOROCCO**

Union Nationale des Cooperatives agricoles laitières  
Rue Patrice Lumumba, B.P. 569, Rabat-Chellah.

**NETHERLANDS**

Dutch Federation of Workers' Productive Co-operative  
Societies  
Nieuwe Gracht 5, Utrecht.  
Tel. 331 331

## **NIGERIA**

**Co-operative Federation of Nigeria Ltd.**  
c/o Co-operative Bank Ltd., Co-operative Buildings,  
New Court Road, PMB 5101, Ibadan.

## **NORWAY**

**Landbrukets Sentralforbund**  
(Schweigaardgt. 34) POB 3746, Gamlebyen, Oslo 1.  
Tel. (02) 19 88 00

**Norges Kooperative Landsforening (NKL)**  
(Revierstredet 2) POB 451 Sentrum, Oslo 1.

**Norske Boligbyggelags Landsforbund (NBBL)**  
Trondheimsveie 84-86, Oslo 5.  
Tel. 35 75 20

## **PAKISTAN**

**Mercantile Co-operative Finance Corporation Ltd.**  
197-A The Mall, Rawalpindi. Tel. 3754.

## **PERU**

**Banco Nacional de las Cooperativas del Perú Ltda.**  
Av. Tacna 411, Apartado 4895, Lima.  
Tel. 276569 Cables BANCOOP

**Cooperativa de Credito Central del Perú Ltda.**  
Antonio Miro Quesada 247, Of. 407, Apartado 4429, Lima.  
Tel. 27-3752

**Cooperativa de Seguros del Perú Ltda.**  
Máximo Abril 552, Apartado 4360, Lima 11  
Tel. 46769

## **PHILIPPINES**

**Central Co-operative Exchange Inc.**  
Rms. 113-115 Arle Building, Aurora Boulevard Ext., Corner J. Ruiz  
St., San Juan, Rizal.  
Tel.

## **ROMANIA (cont)**

**UCECOM** (Central Union of Handicraft Co-operatives)  
Calea Plevnei 46, Sectorul 7, Bucharest.  
Tel. 13-16-48

**UNCAP** (National Union of Agricultural Producers' Co-operatives)  
Bd. Gheorghe Gheorghiu-Dej 25, Bucharest.

## **SINGAPORE**

**Singapore National Co-operative Union Ltd.**  
(3-J/K Clifford House) POB 366, Singapore 1.

## **SOMALIA**

**Organisation of the Somali Co-operative Movement**  
POB 1272, Somali Street, Mogadishu.

## **SRI LANKA**

**National Co-operative Council of Sri Lanka**  
(Co-operative House, 455 Galle Road) POB 1669, Colombo 3.  
Tel. 85496 Cables NACOSIL

## **SWEDEN**

**Folksam Insurance Group**  
(Folksam Building, Bohusgatan 14) Fack, S-104 60 Stockholm 20.  
Tel. 743-60-00 Cables FOLKSAM Telex 190.84 FOLKSAM S  
**HSB'S Riksförbund ek för**  
Fack, S-100 21 Stockholm 18.  
Tel. 785 30 00 Cables HAESSBE Telex 11.724 HSB COOP

## **Kooperativa förbundet**

Fack, S-104 65 Stockholm 15

Tel. 743 10 00 Cables KOOPERATIVA Telex 19490

## **Kooperativa Gillesförbundet**

Fack, S-104 65 Stockholm 15.

Tel. 44-90-60

**Lantbrukarnas Riksförbund** (Federation of Swedish Farmers).  
(Klara O Kyrkogata 12) Fack, S-105 33 Stockholm 33.  
Tel. 14-16-00 Cables LANTFORBUNDET  
Telex 11098 Lantek S

## **Svenska Riksbbyggen**

(Hagagatan 2) POB 19015, S-104 32 Stockholm 19.  
Tel. 34-05-20 Cables RIKSBYGGEN

**Cooperative Insurance System of the Philippines Inc.**  
(300 De La Merced (Delta) Building, West Avenue) POB 419  
Araneta Centre, Quezon City.  
Tel. 97-35-68 Cables COOPINSURE

**National Association of Training Centres for Cooperatives (NATCCO)**  
Pleasant Homes Subdivision,  
Punta Princesa, POB 950,  
6401 Cebu City.  
Tel. 7-16-15 Cables VICTO

**Sugar Co-operative Development Institute of the Philippines**  
Rm. 211-213 Cuenca Gonzaga Bldg., San Juan St., Bacolod City 6001.  
Tel. 20666

#### **POLAND**

**Central Agricultural Union of Peasant Self-Aid Cooperatives,**  
Kopernika 30, 00-328 Warsaw.  
Tel. 26-36-69 Cables CENTROLNA

**Central Union of Building and Housing Co-operatives**  
Ul. Marchlewskiego 13, 00-828 Warsaw.  
Tel. 20-90-29

**Central Union of Work Co-operatives**  
Surawia 47, 00-680 Warsaw.  
Tel. 28-51-86 Cables CZESP

**"Spolem"—Union of Consumer Co-operatives**  
Grazyny 13, 02-548 Warsaw.  
Tel. 45-32-41 Cables SETESES

**Supreme Co-operative Council**  
Ul. Jasná 1, 00-013 Warsaw.  
Tel. 26-72-21 Cables ENERES

#### **PUERTO RICO**

**Co-operative League of Puerto Rico**  
458 Fernando Calder, Apartado 707, GPO San Juan 00936.  
Tel. 764-2727

#### **ROMANIA**

**CENTROCOOP** (Central Union of Consumer Co-operatives)  
Str. Brezoianu 31, 70711 Bucharest.  
Tel. 13-87-31 Cables CENTROCOOP Telex 11591

#### **SWITZERLAND**

**Genossenschaftliche Zentralbank AG**  
Aeschemplatz 3, CH 4002 Basel.  
Tel. (061) 23-84-00

**Coop Lebensversicherungsgenossenschaft**  
Aeschenvorstadt 67, CH 4002 Basel.  
Cables COOPLEBEN

**Coop Schweiz**  
(Thiersteinallee 12) POB 1285, CH 4002 Basel.  
Tel. (061) 20-61-11 Cables COOPSUISSE Telex 62 133

**Verband sozialer Baubetriebe**  
c/o SBHV, Sihlpostfach, Zürich.

#### **TANZANIA**

**Union of Co-operative Societies Ltd.**  
POB 2567, Dar es Salaam.

#### **THAILAND**

**Co-operative League of Thailand**  
4 Pichai Road, Dusit, Bangkok.  
Tel. 811414

#### **TURKEY**

**Köy-Koop** (Central Organisation of Village Development and Other Agricultural Co-operative Unions).  
Gazi Mustafa Kemal Bulvari 97, Maltepe, Ankara.  
Tel. 30 22 40 Cables KOYKOOP

**Türk Kooperatifçilik Kurumu** (Turkish Co-operative Association)  
Mithatpasa Caddesi 38A, Yenisehir, Ankara.  
Tel. 18 82 44

#### **UGANDA**

**Uganda Co-operative Alliance**  
POB 2215, Kampala.  
Tel. 56984/6 Cables ALLIANCECOOP

## UNITED KINGDOM

### **Co-operative Bank Ltd.**

(New Century House, Corporation St.) POB 101, Manchester  
M60 4EP

Tel. (061) 834 8687 Telex 884 533/4

### **Co-operative Insurance Society Ltd.**

Miller Street, Manchester M60 0AL.

Tel. (061) 832 8686 Cables COLLECTIVE

Telex 66 86 21 COLLECTIVE MCHR

### **Co-operative Union Ltd.**

Holyoake House, Hanover Street, Manchester M60 0HS

Tel. (061) 832 4300 Cables CONGRESS

### **Co-operative Wholesale Society Ltd.**

(New Century House, Corporation Street) POB 53, Manchester  
M60 4ES.

Tel. (061) 834 1212 Cables WHOLESale

### **Plunkett Foundation for Co-operative Studies**

31 St. Giles, Oxford OX1 3LF.

Tel. (0865) 53960

300

## URUGUAY

### **Centro Cooperativista Uruguayo**

Dante 2252, Montevideo.

Tel. 41-25-41 Cables CENCOOPUR

## U.S.A.

### **Co-operative League of the U.S.A.**

1828 L Street, NW, Washington, DC 20036.

Tel. (202) 872-0550 Cables CLUSA

## U.S.S.R.

### **Central Union of Consumer Societies—CENTROSOYUS**

B. Tcherkassky per 15, 103626 Moscow:

Tel. 221 7253 Cables MOSCOW K-3 Telex 7127

## **YUGOSLAVIA**

**Glavni Zadružni Savez FNRJ**  
Bul. Revolucije 78, 11000 Belgrade.  
Tel. 454-842

## **ZAMBIA**

**Zambia Co-operative Federation Ltd.**  
POB 3579, Lusaka.  
Cables ZAMCOOP

## **INTERNATIONAL ORGANISATIONS**

**International Co-operative Bank Co. Ltd. (INGEBA)**  
(Aeschengraben 12) POB 243, CH 4010 Basel, Switzerland.  
Tel. 23-58-27 Cables INGEBA

**International Co-operative Housing Development Association (ICHDA)**  
11 Upper Grosvenor Street, London W1X 9PA, U.K.  
Tel. 493 1137 Cables ICHDA INTERALLIA

**International Co-operative Petroleum Association (ICPA)**  
28 West 44th Street, New York, NY 10036, U.S.A.  
Tel. 354 0870 Cables INCOPETROL Telex 22 49 14

**Nordisk Andelsförbund**  
3 Axeltorv, 1609 Copenhagen V, Denmark.  
Tel. 15.15.33 Cables NORFORBUND Telex 27 111 NAF

**Organisation of the Cooperatives of America (OCA)**  
Avenida 46 Nro 17 21, Aptdo. Postal 241263, Bogota, Colombia.  
Cables OCAMERICA

**Sociedad Interamericana de Desarrollo y Financiamiento Cooperativo (SIDEFCOOP)**  
(Reconquista 365, 2° piso) POB 4311, Buenos Aires, Argentina.

**World Council of Credit Unions**  
(5910 Mineral Point Road) POB 391, Madison, WI 53705, U.S.A.  
Tel. (608) 238-5851 Telex 910-296-2725 CUNA MUT MDN