



**International
Co-operative
Alliance**

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IN THIS ISSUE:

CO-OPERATION IN NORWAY
(Consumers', banking, insurance,
agricultural and housing co-operatives)
CO-OPERATIVES IN CHINA
(Supply & Marketing Co-operatives)
**MONDRAGON SOLUTIONS TO PROBLEMS OF
WORKERS' CO-OPERATIVES**
DAIRY CO-OPERATIVES IN INDIA
SNAIL GATHERING IN POLAND
CO-OPERATIVES & CO-OPERATION
BOOK REVIEW



The International Co-operative Alliance

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

It comprises organizations in every continent, and its total affiliated membership through national organizations exceeds 360 million from consumers, agricultural, housing, credit, workers' productive, artisanal, fishery and other co-operative societies.

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

It promotes, through auxiliary trading, housing, banking and insurance organizations, 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 to co-operation.

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

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

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

INDEX

VOL. 77 1984

THE INTERNATIONAL CO-OPERATIVE ALLIANCE

PROFILE ON NEW ICA PRESIDENT & MEMBERS OF THE EXECUTIVE COMMITTEE

- Mr. Lars Marcus, President (Sweden) by Helge Lundberg
 Mr. R. Mathimugan (Malaysia) by H.P.S. Samsudin
 Mr. Jørgen Thygesen (Denmark) by Poul Dines
 Mr. Lloyd Wilkinson (United Kingdom) by E.T.M. McDonnel

GENERAL

The Role of the Co-operative Movement in Developing African Economies by Sam MSHIU	2	23
Co-operative Socialism in China by L. Stettner and B. Oram	1	21
The Role of Co-operatives in a Socialist Economy by Dr. János Juhász	2	18
Forming of Co-operatives in Yugoslavia Towards the End of the 19th & Beginning of the 20th Century by Luka Petkovic	3/4	—
Portrait of a Funeral Co-operative by Kenneth R. Reeves and David Klugman	2	40
Co-operative Health Care Delivery Systems by E. Morgan Williams, Stewart A. Kohl and Rory Cohen	2	29
and Purchase Co-operatives in the Solomon Islands by John Launder	3/4	—
view on Dilemmas of Organizational Success in Co-operatives by Dr. Musa S. Khalidi	3/4	—
Co-operatives Help the Disabled by Dr. Eva Kratochvilova	1	45
Co-operatives and Co-operation by R. Cujes	3/4	—
Co-ops Past, Present and Future by David Klugman	3/4	—

INTERNATIONAL CO-OPERATION

International Relations of the Consumer Co-operatives of Berkeley by David Klugman and Wendy Gleason	2	36
--	---	----

REGIONAL AND NATIONAL ASPECTS

Africa		
The Role of the Co-operative Movement in Developing African Economies by Sam Mshiu	2	23
China		
Co-operative Socialism in China by L. Stettner and B. Oram	1	21
The Supply and Marketing Co-operatives in New China by Yang Deshou	1	26
Czechoslovakia		
Co-operatives Help the Disabled by Dr. Eva Kratochvilova	2	23

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Book Review:		
The Co-operative Way: Worker Co-ops in France, Spain and Eastern Europe; Antoine Antoni and Alistair Campbell (Sheila Kurowska)	1	50
Sri Lanka		
Book Review		
Co-operation for Survival: Konraad Verhagen	2	43
Thailand		
Book Review		
Co-operation for Survival: Konraad Verhagen	2	43
USA		
Co-operative Health Care Delivery Systems by E. Morgan Williams, Stewart A. Kohl and Rory Cohen	2	29
International Relations of the Consumer Co-operatives of Berkeley by David Klugman and Wendy Gleason	2	36
Portrait of a Funeral Co-op by Kenneth R. Reeves and David Klugman	2	40
Yugoslavia		
Forming of Co-operatives in Yugoslavia Towards the End of the 19th & Beginning of the 20th Century by Luka Petkovic	3/4	—

SPECIFIC ASPECTS

Agrigultural and Rural		
The Role of the Co-operative Movement in Developing African Economies by Sam Mshiu	2	23
The Supply and Marketing Co-operatives in New China by Yang Deshou	1	26
Norwegian Agrigultural Co-operatives by Odd Gran	1	10
Dairy Co-operatives and Rural Development – The Indian Experience by V. Kulandaiswamy	1	38
Snail Gathering in Poland by T. Litwin	1	42
Book Review		
Co-operation for Survival: Konraad Verhagen	2	43
Banking		
Samivrkebanken by Rolf Locken	1	7
Consumer		
The Supply and Marketing Co-operatives in New China by Yang Deshou	1	26
German Consumer Co-ops	2	15
A Survey on the Consumer's Co-operative Movement in Norway by Harald Korsell	1	3
International Relations of the Consumer Co-operatives of Berkeley by David Klugman and Wendy Gleason	2	36

Eastern Europe		
The Co-operative Way: Worker Co-ops in France, Spain and Eastern Europe; Antoine Antoni and Alistair Campbell (Sheila Kurowska)	1	50
Book Review:		
The Co-operative Way: Worker Co-ops in France, Spain and Eastern Europe; Antoine Antoni and Alistair Campbell (Sheila Kurowska)	1	50
Federal Republic of Germany		
The Origins of Co-operative Insurance in Germany by Gesa Bruggeman and Rüdiger Mehl	2	3
German Consumer Co-ops	2	5
Housing Co-ops in Germany	2	15
France		
Book Review:		
The Co-operative Way: Worker Co-ops in France, Spain and Eastern Europe; Antoine Antoni and Alistair Campbell (Sheila Kurowska)	1	50
Hungary		
The Role of Co-operatives in a Socialist Economy by Dr. János Juhász	2	18
India		
Dairy Co-operatives and Rural Development – The Indian Experience by V. Kulandaiswamy	1	38
Ireland		
Job Creation through Workers' Co-operatives by Raymond Donnelly	3/4	–
Korea		
Fisheries Co-operative Movement in Korea by Lee Eun-Soo	3/4	–
Norway		
A Survey on the Consumer's Co-operative Movement in Norway by Harald Korsell	1	3
Samvirkebanken by Rolf Locken	1	7
Co-operative Insurance in Norway by Thor Andreassen	1	8
Norwegian Agricultural Co-operatives by Odd Gran	1	10
Housing Co-operatives and their Development in Norway by Ivar O. Hansen	1	14
Poland		
Snail Gathering in Poland by T. Litwin	1	42
Solomon Islands		
Land Purchase Co-operatives in the Solomon Islands by John Launder	3/4	–
Spain		
The Mondragon Solutions to the Traditional Problems of Workers' Co-operatives by B. Drimer and A. Kaplan de Drimer	1	29

Fisheries		
Fisheries Co-operative Movement in Korea by Lee Eun-Soo	3/4	—
Housing		
Housing Co-ops in Germany	2	15
Housing Co-operatives and their Development in Norway by Ivar O. Hansen	1	14
Industrial and Workers' Co-operatives		
The Mondragon Solutions to the Traditional problems of Workers' Co-operatives by B. Drimer and S. Kaplan de Drimer	1	29
Job Creation Through Workers's Co-operatives by Raymond Donnelly	3/4	—
Book Review		
The Co-operative Way: Worker Co-ops in France, Spain and Eastern Europe; Antoine Antoni and Alistair Campbell (Sheila Kurowska)	1	50
Insurance		
The Origins of Co-operative Insurance in Germany by Gesa Bruggeman Rüdiger Mehl	2	3
Co-operative Insurance in Norway by Thor Andreassen	1	8

BOOK REVIEWS

Antoine Antoni and Alistair Campbell: The Co-operative Way – Worker Co-ops in France, Spain and Eastern Europe (Sheila Kurowska)	1	50
Goenraad Verhagen: Co-operation for Survival (T.N. Bottomley)	2	43

CONTRIBUTORS

Andreassen T.: Co-operative Insurance in Norway	1	8
Antoni A.: The Co-operative Way: Worker Co-ops in France, Spain and Eastern Europe	1	50
Bottomley T.: Book Review: Co-operation for Survival	2	43
Bruggeman G.: The Origins of Co-operative Insurance in Germany	2	3
Campbell A.: The Co-operative Way: Worker Co-ops in France, Spain and Eastern Europe	1	50
Cohen R.: Co-operative Health Care Delivery Systems	2	29
Cujes R.: Co-operatives and Co-operation	1	45
Deshou Y.: The Supply and Marketing Co-operatives in New China	1	26
Dines P.: Portrait of Mr. Jørgen Thygesen (Denmark)	3/4	
Drimer B.: The Mondragon Solutions to the Traditional Problems of Workers' Co-operatives	1	29
Hanson H.: International Relations of the Consumer Co-operatives of Berkeley	2	36

Gran O.: Norwegian Agricultural Co-operatives	1
Hansen I.O.: Housing Co-operatives and their Development in Norway	1
Juhasz J.: The Role of Co-operatives in a Socialist Economy	2
Kaplan de Drimer A.: The Mondragon Solutions to the Traditional Problems of Workers' Co-operatives	
Klugman D.: International Relations of the Consumer Co-operatives of Berkeley	2
Co-ops – Past, Present and Future	3/4
Portrait of a Funeral Co-op	2
Khalidi M.S.: A View on Dilemmas of Organizational success in co- operatives	
Kurowska S.: The Co-operative Way: Worker Co-ops in France, Spain and Eastern Europe	1
Korsell H.: A Survey on the Consumer's Co-operative Movement in Norway	1
Kratochvilova: Co-operatives Help the Disabled	2
Kulandaiswamy V.: Dairy Co-operatives and Rural Development – The Indian Experience	1
Lauder J.: Land Purchase Co-operatives in the Solomon Islands . . .	3/4
Litwin T.: Snail Gathering in Poland	1
Lundberg H.: Portrait of Mr. Lars Marcus, (Sweden) President of the ICA	
Locken R.: Samvirkebanken	1
McDonnell E.T.M.: Portrait of Mr. Lloyd Wilkinson (United Kingdom)	3/4
Mehl R.: the Origins of Co-operative Insurance in Germany	2
Morgan Williams E.: Co-operative Health Care Delivery Systems . . .	2
Mshiu S.: The Role of the Co-operative Movement in Developing African Economies	2
Oram B.: Co-operative Socialism in China	1
Petkovic L.: Forming of Co-operatives Towards the End of the 19th & Beginning of the 20th Century	3/4
Reeves K.R.: International Relations of the Consumer Co-operatives of Berkeley	2
Samsdudin H.P.S.: Portrait of Mr. R. Mathimugan (Malaysia)	
Stettner L.: Co-operative Socialism in China	2
Verhagen K.: Co-operation for Survival	2

INTERNATIONAL CO-OPERATION

International Relations of the Consumer Co-operative of Berkeley by David Klugman and Wendy Gleason	2
--	---

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Contents

CO-OPERATION IN NORWAY

- A Survey on the Consumer's
Co-operative Movement in Norway,
by *Harald Korsell* 3
- Samvirkebanken by *Rolf Locken* 7
- Co-operative Insurance in Norway
by *Thor Andreassen* 8
- Norwegian Agricultural Co-
operatives by *Odd Gran* 10
- Housing Co-operatives and their
Development in Norway by
Ivar O. Hansen 14

CO-OPERATION IN CHINA

- Co-operative Socialism in China
by *L. Stettner & B. Oram* 21
- The Supply and Marketing Co-
operatives in New China
by *Yang Deshou* 26
- The Mondragon Solutions to the
Traditional Problems of Workers'
Co-operatives by *B. Drimer and
A. Kaplan de Drimer* 29
- Dairy Co-operatives and Rural
Development. The Indian Experience
by *V. Kulandaiswamy* 38
- Snail Gathering in Poland
by *T. Litwin* 42
- Co-operatives and Co-operation*
by *R. Čuješ* 45

Book Review:

- The Co-operative Way: Worker
Co-ops in France, Spain and
Eastern Europe* by *Antoine Antoni
and Alastair Campbell* 50

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A Survey on the Consumers' Cooperative Movement in Norway

By Harald Korsell*

Historical background

The roots of the Norwegian Co-operative Consumers' Movement were planted in Norwegian soil in the middle of the last century, patterned on models from France, Germany and Switzerland but later inspired and influenced mostly by co-operative experiences in England. The first attempts were made under the auspices of a social, semi-revolutionary movement headed by Marcus Thrane, but were crushed at the same time as Marcus Thrane's own movement.

A second start was made in the 1860s under the sponsorship and endorsement of Eilert Sundt, a pioneer in social science; Jacob Neumann Mohn, an outstanding civil servant; and Helge Væringsaasen, a rich proprietor and patron of the arts. Unfortunately the Movement faded away as a severe depression struck the country in 1878. Some local co-operative societies survived however, thus forming a platform from which the next co-operative step could be taken "in the fullness of time".

The standard-bearer was Ole Dehli, a well known lawyer in Oslo and a liberal politician who was familiar with the Movement in England and became its new spokesman in the Norwegian capital, where he succeeded in re-establishing and consolidating the scattered forces. He saw clearly the importance of

creating a joint central co-operative body and after several attempts a meeting of representatives from 29 local societies met in Oslo and agreed upon founding NKL, the Norwegian Co-operative Union and Wholesale Society on the 27th of June, 1906.

It was a very feeble and tiny Society that was born 78 years ago, just one year after the country gained its complete political independence after having been in a personal union with Sweden since 1814 and before that for 400 years a country dominated by Denmark. The only assets of the new Co-operative Central Organisation were confidence in the future, the devotion of the "founding fathers" and the firm belief that the Movement would be an instrument for promoting a better standard of living for the common people.

The first business transaction took place in 1907, when NKL purchased and stocked 20 sacks of potato flour meal. The event illustrated the very modest beginning of its commercial development.

Growth continued steadily and at the outbreak of the First World War the number of societies was 149 with a membership of 31,000. NKL's turnover had passed 3 million Norwegian Crowns.

The First World War was a threat to the young Movement which was not yet firmly consolidated, but it withstood the ordeals of food-shortages and restricted

* Harald Korsell is Secretary to the Board of Directors of NKL, the Norwegian Consumers' Cooperative Organization.

imports and was ready to cope with the challenges of the post-war period with its serious unemployment and economic crises. The 1920s and 30s became a period of growth. NKL started its own production through subsidiary companies like the soap factory, the flour-mill, the shoe-factory and the margarine factory. New local co-operative societies sprouted in townships and in the countryside, which is still its stronghold.

At the 25 year jubilee in 1931 the number of affiliated societies was 445 with a membership of 11,000 and the turnover reached 30 million Norwegian Crowns. NKL branches had been organised and were in operation in Oslo, Trondheim, Stavanger, Bodø, Bergen, Kristiansand and Drammen.

The period up until the outbreak of World War II is characterised by steady growth. At the last Congress of NKL before the war, the then chairman of NKL, the ardent co-operator Andreas Juell, said in his opening speech to the Congress:

"In the past 3-year period we have made greater numerical progress than ever before. We have 103 new local co-operative societies, thus bringing the total number of societies to 626. Our first aim – a coop society in every municipality in our country – is very near. We have 30,000 new members and thus we have altogether 170,000 member-families. It means that approximately 25 % of the total population are members of coop societies affiliated with the NKL."

The occupation of Norway during the Second World War was a severe trial for the Movement in all respects. War damages, rationing and shortage of supplies were key words for those years. Besides which the Co-operative movement was a thorn in the side of the occupiers.

When NKL celebrated its 50th anniversary in 1956 the chairman, Mr. Olav Meisdalshagen, stated:

"There are now 1,150 coop societies, with 300,000 members, affiliated to the NKL. The societies run more than 2,000 shops and last year's turnover was 1 milliard Norwegian Crowns."

The years from 1956 up to the present time have been a period of construction, co-ordination and co-operation between the local cooperative societies and their apex organisation, the NKL. Many ardent co-operators and co-workers deserve credit for the results achieved. Among those whose names deserve to be put in the foreground we find Peder Søliland, President of NKL for not less than two decades, and the General Manager, Knut Moe, who served in the capacity of General Manager from 1968. A well-organised system of supplying the societies from district warehouses has been introduced, advanced EDP-systems (Electronic Data Processing) are in operation and modern marketing methods under the logo "S" have meant a face-lift for the whole Movement. "S" stands for Samvirke which is the Norwegian word for co-operative.

The structural side has been marked by a decrease in the number of societies from 1,150 in 1956 to 614 today. There is still a long way to go before the movement can be said to have a satisfactory structure. However, the movement is moving in the right direction, albeit a bit slowly.

The 75th anniversary was celebrated in 1981 by a magnificent gathering in the Oslo Town Hall in the presence of the Prime Minister and the Lord Mayor of Oslo. During his speech the President, Magne Bølviken, said:

"Today our Movement is a popular movement with 530,000 members co-operatively organised through 643 societies running 1,700 shops all

over the country. The local coop societies have 26 per cent of total Norwegian sales of everyday commodities and between 10 and 20 per cent of other goods. The total sales of the societies amounted to 8,600 million Norwegian Crowns."

Knut Moe, the General Manager, also emphasised the development of the NKL from its modest beginning:

"... In the course of a period of 20 years we have constructed new warehouses for our 10 sales regions. I'm speaking of highly specialized buildings, tailor-made for rational distribution of goods and equipped with advanced technology and staffed with competent people. Parallel to the carrying through of the programme for the construction of new warehouses, systematic cooperation between the societies and their joint organisation has been implemented.

The policy we have pursued has resulted in fewer, but larger societies with a versatile chain of shops. Under the logo "S" we find today in town and in the countryside, besides the coop shops for daily goods, also the "corner shop", the S-Market, the Domus department stores, the Domus Interior, the "OBS Large Market" and the "S-Electro-shops."

In the autumn of last year the new General Manager of NKL, Knut Værdal, took office. He was previously the Manager of Trondos, the Cooperative Society of Trondheim, which has made under his guidance, remarkable progress during recent years.

On the agenda of the last NKL Congress in 1983 the main issue was an autocritical aspect discussed under the slogan "The searchlight on the NKL". The papers read by the President and the General Manager and the ensuing dis-

The Prix shops with low prices and long opening hours are the cooperative answer to the challenge of the discount shops.



cussion aimed at improving means and methods of business operations in order to strengthen the relations between the local societies and their central organisation for the benefit of members.

The Congress endorsed the implementation of a strategic planning task aimed at a closer interaction between the different levels of cooperative activity. This aspect represents the challenge of Consumers' Cooperation in Norway.

The present situation

The Consumers' Cooperation in Norway comprises the central organisation NKL and the affiliated local Cooperative Societies. NKL is both a National Union and a Wholesale Society. The NKL head-office is situated in Oslo. It manages 10 warehouses, situated in the major towns, each supplying the Societies' shops within certain Sales Districts, of which there are 15 throughout the country.

NKL Industries

NKL runs several industrial enterprises organized as Limited daughter companies: The flour-mill Nordkronen in Stavanger; the margarine factory "Norge" in Oslo with a branch in Bodø; the Stavanger Packing Company (tinned products); a chain of 12 industrial bakeries under the name of Goman; and the Røra Fabrikker which produces juice and jams (owned jointly with an organisation within the Agricultural Cooperative Movement). In addition NKL owns two coffee roasting plants, a spices packing plant, a plant for ripening and packing bananas, a test laboratory and a test kitchen.

In 1982 the total sales of the industries were 590,757,000 Norwegian Crowns.

The local Co-operative Societies

At the beginning of 1982 the number of Societies affiliated to NKL was 614, with a total membership of 547,970. Through the shop network consisting of 1,669 units the total sales amounted to NKL 10,5 milliards which gives a share of the total market of approximately 11 per cent, but for everyday commodities (mainly food) the share of the total market was approximately 25 per cent.

The types of shops can be divided into the following categories: Department stores of varying sizes, S-shops and S-Markets and Prix-shops (Discount stores).

The total sales area is measured as 612,000 square metres. Two thirds of the 1,669 shops operate in a sales area of less than 300 square metres. To further illustrate the shop structure it should be noted that 40 per cent of the shops have an annual turnover of less than 3 million Crowns. On the other hand, the Department Stores represent 10 per cent of the total number of shops, but their share of the turnover represents 37 per cent. The fact that there were 614 Coop Societies reflects both the topographic and demographic conditions of Norway (i.e. the numerous valleys and small communities).

The country is far-flung. The distance from the south to the North Cape is approximately 1,752 kilometres and at the narrowest part only 6 kilometres across. It should also be observed that the Cooperative stronghold lies in the rural districts.

A long-term programme of amalgamating smaller Coops into bigger units was started back in 1960. It has proved to be a slow process although the number has been reduced by 468 local Societies.

The following key figures related to the local Coop Societies' statistics for 1982 will give an overall view of their situation.

Member of individual Coop Societies	547,970 million
Number of employees	11,559 million
Net turnover NOK	10,490 million
Increase compared with the previous year	9.1 %
Gross surplus NOK	2,375 million
Gross surplus in percentage of turnover	22.6 %
Expenses in percentage of turnover	19.8 %
Net surplus NOK	151 million

Net surplus in percentage of turnover	1.4 %
Members' shares NOK	419 million
Members' deposits NOK	2,698 million

Last year's Congress concluded with wholehearted support for a new strategic plan. The steps to be taken will be laid down in this plan, which is presently under development, and given top priority.

Samvirkebanken a.s, Oslo – Trondheim – Tromsø

Samvirkebanken, which was established in 1936 and is owned by the Norwegian Consumer Co-operative Movement, is a commercial bank whose main task is to serve the entire Co-operative Movement and its employees. There are 636 independent consumer co-operative societies in Norway which are linked to the Central Organization NKL (The Norwegian Co-operative Wholesale Association). Besides its Head Office in Oslo, Samvirkebanken has established branch offices in Trondheim and Tromsø in order to serve the co-operative societies in the

best possible way. The total assets of Samvirkebanken amount to approximately 1 billion Norwegian crowns and share capital and funds make a total of 78 million crowns. Samvirkebanken is active in handling payments to and from foreign countries and it maintains accounts with most co-operative banks in Europe. The bank is shareholder of the International Co-operative Bank Ltd. in Basel. Samvirkebanken is member of the I.C.A. and is represented in the Central Committee by its General Manager Rolf Løcken.

Co-operative Insurance in Norway

By Managing Director, Thor Andreassen *

A group of insurance societies, the Samvirke Insurance, is one of the members of the co-operative family of Norway. Samvirke, which is the Norwegian word for co-operative, is composed of three companies:

1. Samvirke General (1921)
2. Samvirke Life (1930)
3. Samvirke Credit (1979).

The Samvirke General and the Samvirke Life are organized as joint-stock companies. The shares are mainly owned by large, popular and nationwide organizations. The Norwegian Co-operative Union and Wholesale Society and the Norwegian Federation of Trade Unions each control 45 per cent. The remaining 10 per cent are divided between some local co-operative societies, the Norwegian Farmers and Smallholders' Association, The Norwegian Fishermen's Association and the National Federation of Norwegian Housing Societies.

The Samvirke Credit is a subsidiary of the Samvirke General and wholly owned by the parent.

The Samvirke Group has joint governing bodies and administration. Life insurance and general insurance have to be operated in separate companies in accordance with Norwegian legislation, but the law does not prevent joint ownership and other joint arrangements between insurance societies.

Although the ownership is reflected in the group's business policy, and a number of insurance arrangements

have been developed to serve the shareholding organizations, it is an obvious objective for Samvirke to compete in the open insurance market.

The insurance business in Norway, measured merely by premium income, is dominated by a few private owned groups, but mutual societies are also among the largest. The Samvirke Group is the fifth largest general insurance organization in Norway, with a market share of 5.6 per cent of the total premium income. In life insurance the group is the ninth largest, holding a share of 2.3 per cent of the total assets of the entire life insurance of the nation.

The market-shares mentioned will not, however, give a fair and correct picture of the situation between the competitors. Despite the fact that one private group controls about 32 per cent of the general insurance market (measured by premium income), there is very strong competition between the five largest insurance groups. The co-operative insurance group plays a significant role in this competition. Fortunately, we have enjoyed good results and satisfactory development over recent years.

Through a special insurance arrangement for affiliated organizations, about 40 per cent of Norwegian homes are insured in Samvirke. The affiliates are the policy holders and in many cases home insurance comes automatically with the membership of these organizations. In this way approximately 650,000 homes in Norway, out of a total of 1,600,000, are given comprehensive insurance cover through co-operation.

* Thor Andreassen is managing director of the Samvirke insurance group.

Samvirke's market-share on privately owned houses is about 15 per cent and for automobiles about 8.5 per cent.

The Samvirke group has for many years been the leading company in Norway for group life insurance, with approximately 28 per cent share of the market. About 500,000 Norwegians and their families are covered by Sam-

virke's group life activities.

From the facts mentioned, one can see that the premium income itself does not necessarily give the right impression of the importance and the extent of an insurance company. Very often it will be more correct to consider the number of people and families insured.

Norwegian Agricultural Cooperatives

by Odd Gran *

A large share of the market

The agricultural Cooperatives are fairly strong and well developed in Norway. Measured in terms of market share the cooperatives are dominating the producers' market.

As examples, it can be mentioned that the dairy cooperatives take care of practically 100 per cent of the milk production, and the slaughterhouse cooperatives receive 78 per cent of the meat production. For eggs, the figure is 83 per cent. The supply co-operatives provide about 68 per cent of all feed concentrate and 67 per cent of all fertilizers, but supply a somewhat lower percentage of farm machinery.

In general the share of the market for processed food is smaller than that of the producers' market.

The total picture of the cooperatives in the agricultural sector is a wide one and includes: Marketing Cooperatives, Supply Cooperatives, Credit, Banking and Insurance Cooperatives, and Animal Breeding Cooperatives.

Multipurpose co-operatives are not common and co-operatives are not involved in the marketing of grain, as a state grain monopoly was established around 1930.

The activities of the agricultural cooperatives are comprehensive in na-

ture. The functions have steadily increased in number, and the previous activities have been further expanded according to changing demands and conditions. The activity is distributed among more than 600 enterprises and units of various sizes throughout the country, employing 22,000 workers. The Norwegian Agricultural Cooperatives are, therefore, of considerable importance from the point of view of employment and regional policy.

In 1982, the turn-over of the Marketing and Supply Cooperatives at producer level amounted to 18 milliard Norwegian Crowns. *

Structural development

Norwegian Agricultural Cooperatives were established at grass-root level as early as 1856 and, during the last 130 years, have developed through four fairly distinct stages:

From 1856-1930, primary cooperatives were founded as a result of spontaneous local initiatives throughout the country.

During the 1930s, national cooperative branches were founded with coordination and market regulation as the main purpose.

In 1945, the Central Federation of Agricultural Cooperatives, a general apex organization comprising 17 national

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* US \$ ≈ 7.8 N.kr.

member organizations was founded. In 1981 the Federation was reorganized and incorporated as a section of the Norwegian Farmers' Union, with the name Norwegian Farmers' Union – Division of Agricultural Cooperation. However, the agricultural cooperatives are still behind the section and its financing, according to an agreement between the agricultural cooperatives and the Farmers' Union.

Over the past 35-40 years, the Norwegian Agricultural Co-operative Movement has consolidated.

The four stages show that an organizational system like this never ceases to develop. Changing times and circumstances require a continuous adjustment of ways and means.

The decision that competition between cooperatives shall not take place is of great importance. This principle is accepted by all agricultural cooperatives.

Consolidation and adjustment

Over the last 30-40 years:

- The number of primary cooperatives has decreased; the average size has increased.
- Technical equipment, marketing methods and manpower qualifications have been improved.
- Coordination and collaboration between primary and national cooperatives has been an important task; responsibility has been moved from primary cooperatives to national cooperatives.
- Collaboration between the 16 national cooperative branches has been improved through special organizations such as the Joint Computer Centre, the Auditing Office, and the Construction Consultants Firm.
- Many Marketing and supply Cooperatives have established advisory services to cater for the special needs of their members.

- The close collaboration between the agricultural cooperatives and the general farm organizations is of great importance. The latter are responsible for annual negotiations with the Government about farm incomes, goals and means. The agricultural cooperatives play an active role in preparing background material by providing an evaluation of trends and tendencies. The agricultural cooperatives and the Norwegian Farmers' Union jointly publish a farmers' journal with a weekly circulation of 100,000.

Market regulation

Market regulation is one of the main tasks of the national marketing cooperatives who are given responsibility for market and price stabilization in such basic produce as milk, meat, eggs, horticultural products and potatoes.

Thus Agricultural Cooperatives are responsible for activities that in other countries are taken care of by marketing boards or other Governmental or Semi-Governmental bodies. The market regulations are decided in Parliament and carried through in close collaboration with the Government.

In order to finance the market regulation, a law has been passed authorizing the government to levy a fee on sales by the producer of agricultural products (except grain). The funds created by the "marketing fee" are made available to the national marketing cooperatives, who are authorised to carry out the actual market regulation activities. The "marketing fee" is levied on all products, regardless of whether the farmer is a member of a co-operative or not. This is done because it is generally accepted that all farmers benefit from the effects of market regulation activities. In recent years, as a result of the agricultural agreement negotiations, consider-



Processing of goat cheese.

able amounts have been granted directly from the Government for the same purpose.

In addition, the Marketing Cooperatives are asked to carry out important elements of the agricultural policy laid down in the Agricultural Agreement. The agreement has the general farm organizations and the Government as negotiating parties.

The market for timber and forest products is not subject to the same regulation as most farm products. However, forestry is a typical part of farming on many ordinary holdings. The Norwegian Forest Owners' Association negotiates, on a national basis, annual contracts of prices and other terms of delivery, with the major buying groups (pulp, paper industry, saw-mills, and hard-board factories).

Support to Developing Countries

Since the 1960s Norwegian Cooperatives have been engaged in the promotion of cooperatives in developing countries, mainly in relation to the Nordic cooperative projects and the recruitment of personnel. The Agricultural Cooperatives have been represented in the Nordic Cooperative Advisory Group for many years, but for a long time the activity was of a fairly moderate nature.

In 1977 it was decided to increase the activity. Two years later the agricultural cooperatives made an agreement with the Royal Society for Rural Development (RSRD). According to the agreement the Committee for International Cooperative Development was established, which meant that the Agricultural, Fishermen's Consumers' and Housing Cooperatives could begin channelling their efforts supporting

cooperatives in developing countries through the RSRD. This system of organization is similar in principle to the Swedish Cooperative Center although the activities are at a more modest level and volume.

The Society and the Committee cover a wide range of activities including information, evaluation, planning and projects. For the time being there are only two projects. Firstly, the Cooperative

Education Project which is part of ICA's regional office in West-Africa and secondly, the Cooperative Project in South Sudan, which is undertaken in close collaboration with Norwegian Church Aid.

The Agricultural Cooperatives are financing their part of the two projects in addition to contribution to other activities of the RSRD and the Committee for International Co-operative Development.

Housing Co-operatives and their Development in Norway

by Ivar O. Hansen *

Introduction

Non-profit housing agencies of several types have developed in a number of European countries since the middle of the 19th century. They seem to have had more enduring success in Scandinavian countries than elsewhere.

In its development the movement has followed no uniform pattern, and the present-day organizations differ considerably in type, not only among the different countries, but also within each of them. In general, Swedish and Norwegian housing cooperatives have many points in common, while Danish organizations have developed on somewhat different lines.

The common features of all kinds of cooperative housing in the proper sense are the following:

- 1) The purpose of the agencies is the building and administration of dwellings on a non-profit basis.
- 2) The agencies are organized as companies with limited liability.
- 3) The tenants contribute to the financing of the dwellings.
- 4) The tenants have influence on the administration of the dwellings, and all tenants have an equal amount of influence.
- 5) The tenant has an inalienable right to his dwelling.

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Patterns of organization

Four main types of non-profit housing agencies may be distinguished:

I. Philanthropic associations, where the necessary capital is supplied by socially conscious people who do not intend to become occupants of the dwellings, have played an important part in the Netherlands, England and Germany. They were also the first kind of non-profit housing agencies to be introduced in Norway. These associations, though non-profit agencies, are not truly cooperative, as ownership is not in the hands of the tenants. Since 1900 they have been of no importance in Norway.

II. "Closed" building societies, organized as cooperative share-holding societies, have been a significant factor in the early stages of cooperative housing in most countries. In Norway they were still of importance until a few years ago.

In the "closed" building societies the future occupants contribute to the financing of the dwellings and, when the houses are finished, they own and administer the property. As a matter of fact these societies comply with all the criteria of housing cooperatives mentioned above.

The characteristic feature of the "closed" building societies is that the association has a definite number of members who club together for the purpose of building houses for themselves. As soon as the houses are finished, the society stops being a productive organization and changes into an ownership

and administrative organization. The obvious disadvantage of this form of housing cooperation is that each society is an independent unit. Each venture has to go through all the difficulties of organizing without being able to use the experience of earlier groups.

III. The most interesting form of housing cooperatives is the **"open" cooperative building society**. Originally these were organized as open shareholding societies with fluctuating membership and capital on the pattern of ordinary consumers' cooperatives. The pioneers of housing cooperation were not yet aware that the two forms of cooperation are incongruous. The members of a consumers' cooperative are subject to a constantly recurring need for buying the goods that are sold in their store, such as food and clothing. Housing is different. A family is not ordinarily interested in buying a dwelling more than once, and when their dwelling is finished they lose all interest in building. In the early housing cooperatives this proved to be the case. As soon as the majority of members had got their dwelling finished they were no longer interested in risking their money for the building of houses for new members. The society which was intended to be "open" after a time turned into a closed society of the type mentioned above.

This experience led to the development of new forms of housing cooperation which solve both the problem of continuous building and that of the administration of completed houses. This is achieved by organizing the housing co-operative into a "mother society" and "daughter societies".

All the prospective tenants are gathered in the "mother society" which is a cooperative share company with fluctuating membership and capital. The purpose of the "mother society" is to build houses as long as there are members who want a dwelling, and the

society is open for new members as long as it exists. There are no restrictions regarding membership.

The mother society is a planning body which initiates new building projects, procures sites, engages architects, arranges the financing, administers the work of building and takes over the management of the completed buildings. In this way an efficient staff can be built up which amasses experience, learns from its mistakes and takes advantage of the knowledge thus acquired in its new projects. However, the "mother society" does not act as a contractor, nor does it own the buildings.

For each new housing scheme (or block of flats) a "daughter society" is organized, consisting of the prospective "tenants" who are selected from the members of the mother society on the basis of seniority. The purpose of a "daughter society" is to rent out to its members the dwellings which it builds or buys. Such a "daughter society" is thus identical with the previously mentioned "closed societies" after the buildings have been completed.

The members of the daughter societies make a small initial payment for their share in the "daughter society" and make a further down payment which varies according to the building costs and financing of the projects (individual capital). This latter sum is a loan from the member to the daughter society.

The "daughter society" is the real owner of the property. The individual "tenant" is in reality neither tenant nor owner of his dwelling but rather something which lies between these two concepts. He has an inalienable right to live in his dwelling as long as he pays his rent and complies with the regulations of the society.

The "daughter societies" are financially and legally separate from the mother society and from one another.

They are not liable for the obligations of the mother society beyond the shares owned by their members. The relationship between mother society and daughter society is laid down in contract. In order to preserve continuity and enjoy the benefits which the administration of a larger unit has to offer, the daughter societies are obliged to leave their business management to the mother society. But the highest authority of each daughter society is its general assembly and its board which is elected by and among its own members.

In order to ensure that building activity be continuous, and to prevent what one might call the "vested interests" of property owners from getting the upper hand in the "mother society", and thus causing the interest in new housing projects to die out, all societies of this type have a rule that members of the mother society who are prospective "tenants" should always be in the majority on the "representative body" of the "mother society". This important device is common to all such societies. Otherwise the type of organization can vary somewhat according to the number of members.

IV. The fourth form of non-profit housing associations is the **semi-public housing societies**. These are not cooperatives, as the residents in dwellings constructed by these organizations are tenants only, and are not shareholders in the association. In principle they are identical with the philanthropic associations mentioned above, except that the state or municipality has taken the place of private philanthropists. They are an alternative to direct ownership by local authorities.

History

Although the first Norwegian example of really successful cooperative housing dates from 1934, the history of cooperative housing in Norway is much

older. As a matter of fact the first attempt at establishing a housing society on cooperative lines was made in 1865. The initiative was taken by the Workers' Union in Oslo, and it was planned to establish house-building associations with the future occupants as members and with no outside capital. The intention was to build small one-family houses. The plan failed, partly because the workers lacked sufficient capital; partly because rents were too high. Similar attempts were made later in the century, but in the few cases where houses were actually built, they were always taken over by more well-to-do people.

The first Norwegian example of genuine housing cooperation was the founding of the Oslo Housing and Saving Society (OBOS) in 1929, which was reorganized on municipal initiative in 1934 along the lines of the Swedish HSB (Federation of Tenants' Savings & Buildings Societies). The society received considerable municipal support in the form of guarantees for secondary priorities, tax rebates, cheap loans etc. It replaced the previous municipal house-building for low-income groups.

The majority of the pre-war OBOS flats consisted of 1 or 2 rooms, besides kitchen and bathroom, and were generally of a high technical and architectural standard. OBOS also succeeded in keeping building costs at a fairly low level compared with private building of the same standard.

After the Second World War there was an enormous need for new dwellings, as little building had been carried out during the war and many dwellings had been bombed or burnt down.

The political parties in Norway, of which there were six in 1945, made up some common political goals for the rebuilding of the country. One of those goals, and the most important one for our sector, was: "*No-one should make a profit on somebody's housing need.*"

And this goal was accepted by all political parties from the right to the left wing.

Since 1946 housing cooperation has developed rapidly in Norway. That is to a large extent due to the housing policy of the authorities. In 1946 a National Housing Bank of Norway was established with the aim of securing people a reasonable housing standard at a socially justifiable rent. The means of accomplishing this are (1) high loan limits, (2) long duration of loans, (3) low interest, (4) capital subsidies, (5) rent subsidies for large families. The point which is of importance in this connection is, however, that housing associations can, as a rule, command higher loans in the Housing Bank than individuals. Maximum loan limits were usually reckoned as 90-95 per cent of valuation for housing associations, while they were 85 per cent for single individuals.

However, the Bank makes it a condition that there are no freehold interests in the association, apart from those of the actual occupants.

The loan regulations of the Housing Bank have stimulated the development of two different types of housing associations: (1) Cooperative housing societies of the OBOS type which aim at a continuous building and (2) the "closed" shareholding building societies, which were common before World War I and in the 20s, where each of the future occupants provides his share of the capital.

The loan regulations of the Housing Bank have also another effect. While the pre-war building societies mostly built blocks of flats, it is now also usual to organize share-holding building societies for the building up of larger areas with detached or terraced houses. The society remains the owner of the houses after they are finished. Only future occupants are members of the society, and there is no outside capital involved.

While pre-war housing associations were first and foremost an Oslo phenomenon, they are now responsible for 15 - 20 per cent of the total housing production in Norway. This is a very high figure, considering that a large percentage of housing is located in rural areas, where building is sufficiently scattered to render cooperatives impracticable.

The foundation of the State Housing Bank and the Housing Directorate was an indication of a new housing policy. Investment control within the building sector was administered by the Housing Directorate under the Ministry of Local Government and Labour. The Housing Directorate was also in charge of the reconstruction of war-damaged areas. The Directorate was closed down in 1965 and its functions transferred to the Ministry itself.

This new policy inspired the establishment of many new co-operative housing and building associations on the OBOS model. Already in 1964 the Norwegian Federation of Co-operative Housing and Building Associations (NBBL) was founded. The purpose of the NBBL was, and still is, to promote co-operative building, exchange ideas and experiences and carry out information activities. - In 1982, 103 co-operative housing and building associations were members of the Federation, comprising approximately 675,000 individual members. The association administered approximately 203,500 dwellings organized in 3,200 co-operative housing societies, or "daughter societies" as they may be called.

Organizational Principles

The associations and the societies operate according to the "Co-operative Housing and Building Associations' Act" and the "Co-operative Housing Societies' Act" respectively. Both acts

were passed by the Norwegian parliament "Stortinget", in 1960. The general assembly is the highest authority of both the associations and the societies. This body controls the annual accounts, passes byelaws and draws up general guidelines for the activities of the associations and societies. In principle, all members can participate in the general assembly, but in large associations this is not practical. For that reason a system has been adopted under which a delegate is elected to represent a specified number of members. In the associations, the General Assembly must elect a committee of representatives and an auditor who are charged with the task of supervising the accounts and financial affairs of the association and also of ensuring that its affairs are conducted in accordance with the Act, bye-laws and resolutions passed by the General Assembly. The General Assembly in both the associations and the societies always elects an Executive Committee, which is responsible for daily activities and in the associations also includes the staff. The number of staff varies from nearly 300 in "OBOS", (the biggest association in Norway, working in Oslo) to 1 or 2 in the smallest associations. The average association would have a staff of 5 to 10 people.

According to the Act, at least one member of the Executive Committee must be appointed by the municipal authorities. A similar rule may be practised for the committee of representatives, according to its bye-laws. This arrangement is made to ensure a close contact between the association and the municipal authorities.

The co-operative principles of openness and equality are predominant in the associations. This means that they are always open to new members, and all members have only one vote in the General Assembly or in the election of delegates.

In the housing societies, unlike the housing and building associations, the number of shareholders is fixed, and normally corresponds to the number of dwellings.

Interaction

When the housing and building association decides to build new dwellings, it establishes a housing society. In the period of the planning and the construction of the dwellings, the housing and building association owns the shares in the housing society. When the construction is finished, the ownership of the housing society is transferred to the residents, who now buy one share each. In other words, the number of shareholders must correspond to the number of dwellings. The only exception is that "juridical persons" (i.e. firms, municipalities etc.) may own more than one dwelling each, but this is more the exception than the rule.

The housing society is, therefore, finally entirely owned and ruled by the residents. The connection between the housing and building association and the housing society is, however, still maintained in several ways:

1. The shareholders of the housing society have to be shareholders also in the housing and building association.
2. The housing and building association normally signs a non-terminable agreement with the housing society. Under this agreement the association undertakes to act as manager for the society, upon payment of a fee which is calculated on the number and the size of the dwellings.
3. Normally, the shareholders of the association have the first right to purchase dwellings for sale. This principle is stated in the bye-laws of the society. As the society was established by the association, its bye-laws were also compiled by the association.

Allocation of dwellings

The new dwellings are normally allocated to shareholders of the association according to seniority, i.e. the date of their becoming a member (or shareholder). However, the bye-laws of the association usually allow for some dwellings to be allocated to people with special needs. Often the municipal authorities have stipulated, as a condition of the building project, that a certain number of the dwellings are allocated by the municipal authorities themselves. Recently, however, many new dwellings have been sold on the open market, i.e. to people who have not been a member previously. This is due to the increased amount requested as down-payments, combined with less favourable mortgages in the private market.

When a used dwelling is for sale, the right of pre-emption stated in the bye-laws of the society may be used. This right of pre-emption may normally be used by two groups: 1) the other shareholders of the society to which the dwelling for sale belongs, normally according to their seniority within the society, 2) the shareholders of the association, normally according to their seniority within the association. According to the Housing Society Act, the right of pre-emption has to be used within 30 days from the date when the dwelling was notified for sale. If no serious buyer is found within this time, the seller is free to find a buyer on the open market. To-day many used dwellings are sold on the open market, as the prices demanded by the sellers are often too high for the shareholders with the right of pre-emption.

Shareholders' Influence

In the housing societies the shareholders are both owners and lessees of the dwelling. They own a symbolic share of the total property of the society, includ-

ing common areas, playgrounds etc. At the same time, they have signed a lease with the society on their particular dwelling, regulating their rights and obligations towards the society. The system of "one share – one vote" makes the housing society a democratic organisation where the members have every possibility to influence their surroundings and the running of the society. Often, sub-committees are organized for special purposes, such as playground-committees, environment-committees, special activities committees etc.

When a person buys a dwelling in a housing society, he has to make a down payment. If the dwelling is new, the down payment is payed to the society. The combined down payments usually cover approximately 50% of the total cost of the housing project. The average down payment to-day is 200,000 - 250,000 Norwegian Crowns. The other half of the cost is normally covered by a loan in the State Housing Bank. This loan plus other common expenses such as insurance, rates etc. are paid by the shareholders through the monthly rent to the society. Normally the society is responsible for the outside maintenance of the buildings. Such expenses are also covered through the rent. Average monthly rent in a new housing society is to-day approximately 1,500 Norwegian Crowns.

When a person buys a used dwelling, the down payment is made to the seller. In most municipalities, the down payments for used dwellings are given a maximum limit by the local authorities, above which it is illegal to sell. Until last year, the maximum prices were kept quite low, compared with market values. This caused a great deal of criticism among sellers. The present conservative government has, therefore, abolished this system in a number of municipalities according to the wishes of the local



A finished co-operative housing project.

councils. However, in towns and cities with very high demand for dwellings, the maximum price system still contributes to keeping the prices of attractive dwellings under the market value. Nevertheless, during the last year the "market value system" has made its way into the co-operative housing sector in Norway, and we expect this trend to continue and probably increase in the imminent future.

State Housing Bank

As already mentioned, the situation of the housing market after World War II caused a "new deal" in the housing policy of the Norwegian Government. The growth of the co-operative housing sector in Norway would not have been possible without the establishment of the State Housing Bank in 1946. Approximately 70% of all dwellings built in Norway since 1946 have been financed via loans from the Housing Bank. Almost 100% of co-operative dwellings have been financed through this Bank. Originally, the interest rate of the Housing Bank was kept at 2 ½ %, and the amortization period was 75 - 100 years. Since 1957 the interest rate has been gradually stepped up, and at present the starting rate of ordinary loans is 5%, increasing to 11 ½ % after 7 years. The amortization period is now 26 years, including a grace period of 8 years, and with an increasing repayment percentage.

The loan from the Housing Bank is not paid out when the building begins. The bank has to approve the project as conforming to its standards, before issuing a guarantee that a loan will be given. The builder then has to obtain a temporary private loan for the construction period. When the construction is finished, the private loan is substituted by the loan of the Housing Bank.

Originally, the Housing Bank financed approximately 70% - 80% of the total cost of co-operative housing projects. Now the Bank finances only around 50% of the total cost. In other words, the rest of the financing has to be raised through the private banking system, mainly by the individual shareholders as down payments. The interest rate of such private mortgages is now around 12% - 14%, and has also been stepped up considerably in the last few years. The result of this development is that the Housing Bank, which a few years ago was looked upon as a social institution, almost unique in Europe, now plays a much less significant part in the financing of housing in Norway than before.

This development is, of course, a result of decisions in the Parliament. The NBBL is not satisfied with the situation, as the demand for new dwellings recently has decreased in many areas.

This is obviously a result of the less favourable financing conditions. The dwellings have simply become too expensive. The NBBL is constantly "lobbying" to convince our politicians of our views.

Co-operative Socialism in China

by Leonora Stettner and Bert Oram*

This article is based on a three week study tour in September 1983 at the invitation of the All-China Federation of Supply and Marketing Co-operatives – plus an earlier visit by Bert Oram as member of a Parliamentary delegation in April 1982. However, this experience was supplemented by a careful study over many months of information available in English. Moreover, the eagerness of the Chinese co-operators to answer fully all of our endless questions transformed what could have been a pleasant sight-seeing jaunt into an intensive, strenuous and fascinating three week “seminar”.

We travelled several thousands of miles in China – by air, railway, car and minibus – from Hongkong to Peking to Sichuan (Szechwan) and Hunan Provinces and back to Peking; and we visited innumerable co-operative headquarters, communes, factories, shops and individual farm households.

Three very general observations – the first two of which are familiar to most readers – emerge from what we have seen, heard and read: (1) China is very much a developing country, (2) The Chinese economy is a socialist

economy. (3) Chinese socialism is distinctly different from that of any other country precisely because of the extent to which co-operatives are used as instruments of social and economic development.

1. China is a Developing Country

Despite remarkable increases in output and living conditions in the last thirty years, the Chinese economy is still very underdeveloped. The country is extremely rich in natural resources (to say nothing of its human resources which account for one-quarter of the world's population) but to a large extent these remain unexploited. Some 80 percent of the population are still engaged in agriculture, and standards of living are very low by comparison with the West.

At the same time it is crucial to note that the current pace of development is rapid indeed. Tremendous strides have been made since the land reforms that followed establishment of the People's Republic in October 1949, and for practically all of the population living conditions are very much better than they have ever been. There is no starvation and everyone appears to be well-nourished and comfortably clothed. Great progress has been made in eradicating disease, improving housing and hygiene, eliminating illiteracy, raising standards of education, science and technology, and preserving and beautifying the environment. Moreover, the growth of productivity and incomes has been accelerating since the

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major changes in economic policy instituted following the death of Mao and the demise of the Gang of Four.

2. The Chinese Economy is a Socialist Economy

Although the term "socialism" is notoriously difficult to define, the following features of production and distribution in China today add up to a strong prima facie case for characterising the economy as "socialist".

– Ownership of the major instruments of production is collective. Land is owned by the government and, even when it is allocated for use to individuals or households, it cannot be bought, sold or leased. Investment capital and all major forms of agricultural and industrial production are publicly owned and operated either by the State or by co-operatives, as well as major installations for irrigation, energy, transport and exploitation of natural resources.

– The State exercises overall planning control over key commodities, investments, credits and pricing guidelines for a wide range of goods.

– Most employment is provided under contract with the State or with co-operatives, and those producers who enter into contracts (farm households, individual workers and industrial enterprises) are required to make substantial contributions to collective welfare funds and other collective reserves.

– Economic rewards are allocated in proportion to work – i.e. effort and capacity – rather than to ownership of property, and there are no "unearned incomes". Hence differentials in incomes and wealth are kept within narrow limits.

– There is no economic exploitation of workers by other individuals – "capitalists" or employers – and there are strict limits on the hiring of employees by self-employed businessmen or by farmers.

– Increasingly, workers in agriculture and in industry are exercising democratic control, in their co-operatives or in State enterprises, over production decisions and elections of management and officials.

3. Chinese Socialism is Co-operative Socialism

Chinese socialism is distinctly different from the kinds of socialism developed elsewhere in the world; and the distinction arises from the extent to which the Chinese are making use of co-operatives as instruments of development.

The recent remarkable growth of productivity and incomes in China can be attributed largely to the increasingly important role assigned to genuine co-operatives since 1979. This development, in turn, needs to be seen in the historical perspective of the evolution of co-operatives in China.

Co-operatives of various kinds, but particularly rural supply and marketing co-operatives and small workers' co-operatives, played an important role in mobilising the resources of the peasants during the war against Japan and later against the armies of Chiang Kai Chek. One of their inspirers and leaders was a New Zealander named Rewi Alley who came to China in the early '30s, and has lived and worked there ever since. It was a very great pleasure for us to meet him in Peking where he lives, now 87 years old, an honoured resident of China, still full of energy and fascinating memories, and continuing to write, to lecture, to organise and to travel in pursuit of his many interests.

Even more important, however, was the decision taken by Mao and his colleagues, immediately following "Liberation" in 1949, to centre on rural rather than industrial development as the major focus of socialist economic development – and to use co-operatives as the organisational instrument for mobi-

lising the efforts and enthusiasm of peasants to this end. This decision was unique in the history of socialism worldwide.

In 1949 a National Co-operative Commission was set up to promote co-operative organisations; and following the land reforms of 1949 and mid-1950, in which 43 percent of total cultivable land was redistributed to peasants, there was a dramatic development of new voluntary, democratically controlled co-operatives, formed with the active encouragement and support of the government.

These included supply and marketing co-operatives for farmers; credit co-operatives to mobilise rural savings and provide short-term loans for agricultural equipment; and in the cities thousands of industrial co-operatives.

In 1958, however, starting with the Great Leap Forward, some 750,000 agricultural co-operatives were forcibly integrated into 26,000 huge collectives known as "communes" which had a dual political and production role. The purpose was to mobilise mass labour for farming and public works. In the process individual households lost their control over production planning and were required to give up cultivating the private plots which had been a substantial source of incomes and to accept payment in work points which tended to equalise all incomes regardless of effort or skill – a process which came to be known as "eating from the iron rice pot". During the Cultural Revolution (1966-1976) political influence over agricultural production was accentuated by the introduction of "revolutionary committees" at all levels of the commune, and the awarding of work points for "correct" political attitudes.

Not surprisingly the adverse impact on incentives and productivity of two decades of crude egalitarianism and extreme centralisation and authori-



Cotton collecting centre.

tarianism led to a sharp reaction after the downfall of the Gang of Four, and in 1979 the Third Plenary Session of the Central Committee of the Chinese Communist Party signalled major policy changes in the economy.

These changes are complex and difficult to summarise, but their main features include depriving communes of their political functions which are being transferred to local authorities at township and village level; relaxing restrictions on the cultivation of private plots, on sideline production by farm households and on private markets; and, most important of all, introduction of the so-called "responsibility system" which places on workers and managers of enterprises responsibility for the results of their work. Under this system producers – and particularly agricultural co-operatives – contract with smaller groups or with households for the production of an agreed output under specified conditions. Profits resulting from "surplus" production – i.e. production in excess of the agreed target – can be retained by the farmers but by the same token they must bear any losses or shortfalls that are

incurred. In short, if they work successfully they get the benefit directly in higher incomes, but if they fail they accept responsibility for failure through lower incomes.

The record shows that these policies have resulted in remarkable increases in productivity and incomes since 1980; and certainly our discussions with co-operators revealed unanimous satisfaction with the new system.

Although the main principles of these changes are clear, and indeed are embodied in decisions of the Party Congress and the Constitution, they are not being hurriedly implemented in a uniform or sweeping fashion. A great deal of experimentation is going on, and methods of organisation are being pragmatically, flexibly and gradually devised to suit the practical needs of each of the 27 provinces.

The changes are perhaps most fully advanced in Sichuan Province; indeed that is why we asked to go there. In one area of Sichuan some communes have been entirely eliminated. Their former political role is now being taken over by local authorities. Agricultural production is in the hands of agricultural production co-operatives which have replaced the former production teams associated with the communes. From discussions we had elsewhere it seems highly likely that similar changes will soon be popularised throughout rural China.

This will mean that a typical Chinese peasant will belong to three co-operative societies – his agricultural production society, his credit co-operative and his supply and marketing co-operative. Through these means the whole of rural life is fast becoming co-operatively organised.

At present it is the supply and marketing co-operatives that are most firmly and powerfully organised on a national basis. They are the main channel

through which the farmers market their surplus product (surplus over the quota required by the State marketing organisation) and they run shops both for the supply of farming requisites and of consumer goods. Their Federation has had a continuous existence since 1945. Their trade and the variety of their operations are greatly expanding under the new policies; and it has now been decided by the government that they should be developed into multi-purpose co-operatives – an important prospect in view of the need for processing, improved transport and industrial development in the countryside.

It is not only in rural China, however, that co-operatives are taking on a much greater significance. Operating in the towns and cities there is a second national federation, the All-China Federation of Handicraft Co-operatives. This we soon discovered was a misnomer, for the scope of its enterprises embraces far more than handicrafts; for example, in Sichuan Province of its 6,900 enterprises only 200 are concerned with arts and crafts. In the main these “handicraft” co-operatives operate over a wide range of light industry producing, for example, clothing, shoes, furniture, hardware, electrical appliances, plastics, leatherware and repairs. Their constitution, methods of democratic control and distribution of surplus are very much the same as those in workers’ co-operatives in Europe.

In addition to these long established co-operatives there is now arising a new generation of urban societies comparable in principle to the new workers’ co-operatives currently being established in Britain. In China there are already some 17,000 of these co-operatives, employing nearly 3 million workers. Their main purpose is, as in Britain, to provide jobs for “job-awaiting” youths, which is the Chinese euphemism for the young un-



Retail store.

employed; and for this reason they have been actively encouraged by the Chinese labour ministry.

* * *

The economic changes that are currently taking place in China are as fundamental as any of the many policy swings that have occurred since 1950; and their implications are far-reaching and extremely complex. We hope over the next few months to record some of these

in greater detail. But even a preliminary and inevitably cursory evaluation convinces us that these changes represent a major shift back to the kind of co-operatives that characterised the original concept of socialism in China – voluntary, autonomous, democratically controlled co-operatives, benefiting their members in proportion to their personal efforts. We believe that China, in turning its back on the excesses and rigidities of the Cultural Revolution, is returning to true co-operation as a powerful instrument for shaping its new socialist State.

The Supply and Marketing Cooperatives in New China

by Yang Deshou *

History of Co-operation in China

Before the liberation of 1949, China was a semi-colonial country. Economically, China was rather backward and her people lived a miserable life. In the early 1920s Chinese workers, peasants and students started to organize themselves into Consumer, Production, Transportation and Credit Cooperatives with the purpose of lightening feudalistic and capitalistic exploitation and improving their productive conditions and livelihood. However, due to prolonged civil wars which resulted in the disunity of the country, those cooperatives were rather scattered, located in isolated and remote regions, so that it was impossible to create a co-operative network across the country and development was limited.

After the founding of the People's Republic of China in 1949, various kinds of co-operatives were organized, on a parallel with the development of the State-owned national economy, both in cities and in rural areas with a view of promoting agricultural and industrial production and improving the material and cultural life of the people. The People's Government gave co-operatives preferential treatment in price, credit and transportation.

Relevant Figures

There are now many kinds of coops in China, of which the most outstanding

are Supply and Marketing Coops (SMCs), Credit Coops, Handicraft Coops and Social Service Coops with multiple purposes. The SMCs are widely organized by peasants throughout the rural areas and have a large sphere of influence. At present, the SMC movement has a membership of 140 million individual peasants, accounting for 80 per cent of total households in the rural areas; with 35 thousand basic supply and marketing cooperative societies. They have also organized themselves into federations on country and provincial levels. The basic coops own altogether over 500 thousand retail stores and collective centers with over 4 million employees. Above 80 per cent of the farm families in the rural districts are now members of the Supply and Marketing Cooperatives, which are responsible for the marketing of their farm and sideline products, supplying them with the means of production and other daily needed commodities, while providing them with catering and other social services. As their business has expanded, SMCs have won higher reputation among the peasants, becoming an inseparable part of the rural economy and playing an active role in the different stages of the country's reconstruction.

Improvement of Peasants' Welfare

The Chinese SMCs regard the promotion of agricultural production and the improvement of the peasants' livelihood as their duty. The SMCs provide market information and sign contracts

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Transportation of orange.

with peasants to organize and direct their production to fit in with the state and market needs. Over 200 thousand staff members from SMCs are engaged in helping to guide the farm and sideline products. Their services include assisting the peasants to formulate their production plans, providing technological skills, introducing fine strains and ensuring markets for their produce. Every year, the basic SMCs put aside 15 percent of their profits as interest free production loans for financing peasants in their commodity production. In China, the total purchase value of agricultural and sideline products by SMCs accounts for one third of the state purchase data. The total supply of production and consumer goods accounts for two third of the peasants' needs. At the moment, SMCs are widening their activities and making steady contributions in line with the progress of agricultural production.

Chinese SMCs pay great attention to the education and training of various kinds of specialized personnel. SMCs now run two colleges in coordination with the National Ministry of Education and 160 cooperative and vocational schools. There are also short term courses at county level, providing specialized training for staff members, in order to improve cooperative management and achieve good economic results.

Aims

To meet the needs of the country's progress towards modernization, Chinese SMCs are now undertaking serious organizational reforms according to the new economic circumstances in the rural areas. The brief contents of the reforms are as follows:

Under the principle of voluntary association, mutual aid and equality, to emphasize further mass participation, democratic control, and flexible management;

To take in more shares from peasants and distribute the profit or dividends according to the sales of agricultural and sideline products and services, hence, coordinating the coop's operation with the economic interests of the peasants;

To promote the control and supervision of coop enterprises by cooperative members through general meetings at regular intervals and the democratic election of leaders;

To bring coops members' initiative into full play and expand their decision-making powers; to widen their business activities including sales on commission basis, the processing of farm products and other technical services.

Cultivation of edible fungus.

Our ultimate aim is to gradually direct the organizations of SMCs into a comprehensive rural service centre dealing with supply and marketing, processing, storing, transportation and technology in order to satisfy the increasing needs of the peasants in their material and cultural life.

International Co-operation

The history of Chinese SMCs is relatively short. We lack managerial experiences and advanced facilities. We are willing to promote friendly cooperative relationships and economic and technical exchanges with friendly cooperative organizations abroad, absorbing their valuable experiences on management and learning their advanced expertise and technology, so as to expedite the progression of the Chinese Cooperative Movement and contribute our humble part in the furtherance of international cooperation.



Introduction

The Mondragon group of co-operatives dates from 1956 when five individuals, well-versed in technical matters and searching for an alternative and more evolved social and economic lifestyle, began working together in a small industrial works.

As this coincided with an important period of industrial growth in Spain, the group expanded rapidly, with the necessary help of the Caja Laboral Popular (Workers' Savings Bank), the co-operative bank founded in 1960.

27 years on, the group now comprises:

- 7 agricultural co-operatives
- 1 consumer co-operative
- 44 teaching co-operatives
- 14 housing co-operatives
- 3 service co-operatives.

Besides the above mentioned establishments, the group also includes four specialized organizations:

- La "Caja Laboral Popular" (finance and advice)
- Ikerlan (centre of technological research)
- Lagun-Aro (social security funds)
- Polytechnic College (high level technical education).

Significant figures are as follows:

Personnel	18,788 persons
Sales	94,484 million pesetas
Development	20,954 million pesetas
Investments	4,255 million pesetas

The Mondragon Group of Co-operatives is a progressive open-minded experience which adapts to the fundamental changes of today's society.

Maria Jesús Zabaleta

The Mondragon Solutions to the Traditional Problems of Workers' Co-operatives

by Dr. Bernardo Drimer * and Dr. Alicia Kaplan de Drimer *

The regional Mondragon Co-operative complex, founded during a period when the Spanish political system was not what it is today, mainly comprises organizations which in Argentina we refer to as Workers' Co-operatives (In France: Workers' Productive Co-operatives, in Great Britain: Productive Co-

operative Societies and in Spain usually Industrial Co-operatives or Co-operatives of associated work).

These industrial co-operative enterprises, which began to be known to a certain extent about 20 years ago in the Basque region of Spain, where they were regarded with suspicion by some and with hope by others, have grown in strength. In consequence their success, as well as the originality of certain of their methods, has attracted general attention.

This interest stems from the hope which the Mondragon experience offers in solving the grave economic and so-

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cial problems which most countries in the world face nowadays. The problems affect both those countries euphemistically referred to as developing countries, where the problems are those of under-development leading in extreme cases to famine, misery, arbitrary governments and the degradation of the human being, and the developed countries which are plagued with conflicts between workers and management and, more recently, by the disquietening phenomena of social agitation, inflation, recession and unemployment.

The proposal to promote Workers' Co-operatives as one of the best methods of dealing with the problems of the moment is not new. It has emerged in other periods and in other social and economic conditions no less preoccupying than those of today. This trend can be explained by the evident advantages which these organizations can offer as manual and white collar workers pull together as both employee and boss of their enterprise. In this respect, one should bear in mind the improvement in living standards of member/workers; the creation of new employment opportunities and the maintaining of jobs which would have otherwise disappeared; the increase in productivity; the positive reaction towards middle-men and contractors; the diffusion of democratic principles in the management of enterprises and fair standards for the distribution of profit; the improvement in attitudes and knowledge in member/workers; the protection of human dignity and the promotion of the sense of responsibility and solidarity among the member/workers.

Unfortunately, one must note that the development of Workers' Co-operatives has followed the path of those of Consumer, Credit and other types of co-operatives which have had both enormous successes and lamentable setbacks

and disillusion. Periods of growth in the number and importance of co-operatives have been followed by periods of recession. This is illustrated by the example of the Boimondau Co-operative which inspired the Working Community Movement (Le Mouvement "Communautés de travail" in France and then disappeared after gaining the hope and attention of George Lasserre, Henri Desroches and other distinguished co-operators throughout the world.

Economic Researchers and Co-operators, surprised by the economic and social success and expansion of the modern co-operative enterprises of Mondragon, started to study the standards and rules which they have applied, hoping they would glean some new ideas necessary for solving the problems which have habitually impeded the success of Workers' Co-operatives elsewhere. They have tried to ascertain whether the standards and functioning of the Mondragon Group were only applicable in a certain geographical, historical and socio-economic framework or whether their could be adapted to promote similar successes in other regions, especially as a basic for an integrated formula for regional economic development.

This article is based on these studies, on conversations with several distinguished co-operators from various European countries and on documents of diverse origin.

We will try then to answer the question "In what manner have the Workers' Co-operatives of Mondragon come to terms with the traditional problems of similar enterprises?" or to put it another way "What are the means, instruments and systems created and used by Mondragon in order to deal with these traditional difficulties?"

This will help us to better understand the still vibrant success of the Mondragon experience and eventually pick out

the elements susceptible to inspire and to serve as the basis for similar solutions.

We will then try to expound the main points of the problems habitually affecting Workers' Co-operatives, the solutions which have been used up till now and those which the Mondragon Co-operatives appear to offer.

1) Financial Problems

A. Brief Outline of Problem

Normally it is necessary to have a large capital to create, maintain and improve modern enterprises. However, the resources of workers are obviously limited to such an extent that auto-financing of such co-operatives proves to be difficult and requires considerable sacrifices, frugality and lasting effort. Besides which, if the anticipated results are slow in emerging, the acquired situation itself can deteriorate, given the immediate obligations which the member/workers have to face.

At the same time it is difficult to obtain capital loans for this type of co-operative as money-lenders and private banks have little sympathy for such enterprises, which they esteem as being to much of a risk.

B. Proposed Solutions

It is possible to overcome such difficulties by various means: by calling on co-operators' savings and, thanks to a reinvestment of benefits, the co-operatives themselves. Contributing also are organizations which gather savings from different sources in order to finance this type of co-operative and to offer adequate guarantees. In addition, the support of the State and other co-operative organizations, thanks to loans with particularly favourable conditions, can help to resolve the problem.

C. The Mondragon Methods

It should be noted that, in the Mondragon case, certain elements of a historical, political and social character have contributed to the solution of this problem. One should bear in mind that the Basques are not only hard workers but also very thrifty, which gives them the necessary mentality for success in such ventures. In addition to which the Basques are profoundly regionalistic and autonomistic. This situation has undoubtedly meant that the whole population has supported progressive initiatives which have a regional character.

Nevertheless, even taking account of the above facts one must point out the pluck and realism with which the Mondragon Co-operatives have dealt with their financial problems, without hesitating to request from their workers sacrifice, self-denial and perseverance; for example by keeping back part of the profits when they are needed as initial capital, by not crediting down-payments which are higher than those usual in the area for similar undertakings, by reinvesting the dividends in the co-operatives for as long as the co-operators to whom they are due remain members of the organization, and so on.

Without underestimating the importance of self-financing, nor discounting the possibility of official aid in the form of special loans, the Mondragon group has known how to obtain the support of the local community through the intermediary of the Workers' Savings Bank, an important banking organization which, besides centralizing and co-ordinating the system, has effectively stimulated and guaranteed the deposits of the local population with the object of strengthening and developing the regional industrial complex.

The role of the Workers' Savings Bank as the orientation and compensation institution of the regional Mondragon

system is fundamental and its importance should be emphasized as a solution to financial and other problems.

We ought to point out the sound arrangements displayed by the self-financing of the Mondragon co-operatives and the financial collaboration of other sources, emphasizing the austere principles which ensure the re-investment of a large part of the profits in the co-operatives. We know that statutory arrangements vary with time and circumstance in such a way that some have been, or will be, modified. In any case we judge it useful to outline some of the methods which are generally applied.

We should bear in mind that, to start up a Workers' Co-operative, the Workers must supply at least 20% of the initial capital; an additional 20% will be provided by the State, thanks to a special loan fund set up to help establish new co-operatives; the balance comes from the Peoples' Savings Bank and will be repaid by the co-operative from the first profits. Finally, in order to make this capital available, the new co-operators must devote their savings and/or consent to deductions being made from their salaries during the first two years of membership. Besides which, in order to meet their obligations, they have to take out semi-official loans from friendly societies or loans from local banks or even additional loans from the Workers' Savings Bank.

The partnership which binds the Workers' Savings Bank and the co-operatives obliges the latter to devote at least 30% of their surpluses to a comprehensive collective reserve and social security fund (art. 6.1 & 6.2). In addition, this contribution increases when the proportion of profits which should be remitted to the shareholders rises above 50% of the total amount which is legally due to them (in other words if the dividends rise above 50% of the salaries

and social benefits received during the year). In this case a predefined arithmetical formula is applied, to calculate the percentage of the surpluses destined for the reserve funds and social benefits, in terms of the surpluses to be distributed and the total of contractual payments made to the shareholders.

On the other hand, a percentage of the Workers' paid-in capital is directly remitted to the communal funds of their co-operative. In the case of a loss being made, only 30% can be deducted from the reserve funds, the balance must be taken from the Workers' capital accounts (unless it concerns new co-operatives up until the time when they are considered to be profitable).

Each year the advanced payments are subtracted from the dividends and the balance is credited to the capital accounts of each member. However, the member normally cannot draw out his annual dividends, nor the amount in his "compulsory contributions" account, which is established on the basis of his initial investment and the accumulation of dividends. In reality such withdrawals are not absolutely prohibited but are subject to many conditions. The amounts indicated in the members' capital accounts should be withdrawn when he or she stops working and leaves the co-operative. These accounts cannot be sold or transferred to a third party. However, they are often used as a guarantee on loans destined for the acquisition of a dwelling place or for similar goals. (art. 6.4 of the Contract of Partnership with the People's Savings Bank).

Add to this the fact that the assets of the co-operative, and the paid-in capital of the members are periodically revised according to currency values. (art. 13.6 & art. 21 of the 1974 law on co-operatives) and, in order to dissuade members from prematurely leaving their co-operative, 20% is deducted from the

could not only sell their products in Spain but, thanks to intelligent sales techniques and persistent efforts, also in various European countries and in other continents. All this, without forgetting to take into account the combination of circumstances and the location where these co-operatives have developed, without omitting either that the Mondragon Co-operatives are affected by inflation, recession and other problems which affect other enterprises.

4. Use of Profits

A. Brief Outline of Problems

The members are principally people with limited resources, relying on their co-operative for the major part of their income. Therefore, it can happen that a form of opposition may occur between their individual and family needs and the requirements of the co-operative.

We have often observed the lack of enthusiasm of workers who are enjoying a reasonable standard of living when it comes to expanding the activities of their co-operative, and have frequently noticed the phenomena of under-investment (when one opts to remunerate the members rather than re-invest in the co-operative) and over-investment (when the obligation to re-invest the surpluses has led to the acquisition of sophisticated machines which have subsequently reduced the number of workers required by the co-operative).

B. Proposed Solutions

As these are problems of a general aspect, we must merely wait until they are resolved, provided that the members are applying adequate economic and financial knowledge in a true co-operative spirit. In this case we ought to make the short term results which activate the workers (for example the augmentation of remuneration or the improvement of

working conditions) compatible with the needs of the enterprise (e.g. investments needed for new installations) and equally with the needs of the community (e.g. new employment opportunities and better services).

It is evident that, without neglecting the actual necessities of the co-operators, we must apply an economic and financial policy which will allow the investment of a large part of the resources in order to strengthen the position of the co-operatives, increase their productivity and expand their activities.

C. The Mondragon Methods

Numerous standards, amongst the most interesting and original in force in Mondragon, tend precisely to mitigate these difficulties, traditionally experienced by productive co-operative societies.

Above all, and as we have already seen, these co-operatives must not be considered as isolated entities operating in the same area by chance, but as an integrated ensemble comprising essentially industrial co-operatives, but also other types of co-operatives which contribute to the well-being of the community (agricultural, consumer and housing co-ops and co-operative schools). We must also bear in mind that the whole group evolves under the patronage of its own credit institution "La Caja Laboral Popular" (Worker's Savings Bank) which centralises and co-ordinates the system, providing financial services and technical administrative assistance to affiliated institutions under conditions implicating a series of austere standards.

While we are on the subject, we should also remember that it is only possible to become a member thanks to solid initial contributions, that the guaranteed revenues are modest (meaning they cannot be superior to those offered in the area for the same job) that the co-operators must invest the profits which are not paid out in salaries or so-

cial benefits, and that the invested capital cannot be drawn out until the member leaves the co-operative.

We have established that the Workers' Savings Bank can, by applying legal and binding laws, and by the intermediary of its important financing and advisory services, orient the activities of the co-operative in such a way as to act as a counterbalance between the individual needs of the workers and those of the whole regional group, in order to assure the reinvestment of a large part of the profits in the collective enterprises.

5. Contrary Tendencies

A. Brief Outline of Problems

We have noted in certain cases that the workers tend to restrict access of new co-operators to the co-operatives on the grounds that they have not participated in the initial efforts, and in gaining the same rights as the founder members, they can share in the profits as well as representing a threat in the case of an employment crisis. In such cases there is a tendency to engage salaried personnel. This situation is paradoxical when an appreciable part of the staff of an enterprise destined to promote co-operative work proves to be composed of salaried workers.

On the other hand, the eventual inclination of certain members to reserve for themselves the profits of the communal enterprise leads too often to the transformation of Workers' Co-operatives into private or limited companies.

B. Proposed Solutions

It is recommended to fight against such tendencies by adequate co-operative training and by increasing the intermediary agencies (councils, committees, boards etc.) and by forming small groups of co-operators in charge of pre-

cise functions, in order to integrate the co-operators more fully in their co-operative.

Besides which, even though it is a difficult task, it is advisable to adopt rules foreseeing probationary periods of a limited duration for new workers. These provisions should also define precisely the circumstances allowing the admission of workers who are not necessarily members (i.e. temporary or seasonal workers etc.) and forbid the transformation of these co-operatives into other types of societies.

C. The Mondragon Methods

One of the fundamental goals of the Mondragon group is to permanently provide new employment possibilities for workers in the region. This goal directly opposes, in principle, the egoistic attitude of member workers who are trying to forbid access to the industrial co-operative to new members or to adopt other measures which may distort the character of these co-operatives.

Besides which, and conforming to the realistic and practical character of the Mondragon Co-operatives, certain provisions have been adopted to ensure that the co-operative only gives work to their members, except in certain exceptional and specific circumstances. In this respect for example, article 5.5 of the "Contract of Association" with the Workers' Savings Bank states that, in emergencies the co-operative may hire independent workers, provided that they do not exceed 5% of the members. In addition, probationary periods of a limited duration are foreseen for workers wishing to join the co-operative.

Furthermore, the Mondragon co-operators recognize the fact that, in order to counteract various difficulties, they may have to change their function within the co-operative when necessary or even accept the possibility of tem-

porarily, or even permanently, transferring to another co-operative in the group, under the agreements which exist between the different co-operatives.

In the same way, in order to preserve their originality and in particular their democratic organization, the Mondragon Co-operatives encourage, among other intermediary bodies, the development of a "Board of Workers" or a "Social Board" in each of their co-operatives.

This consultory and advisory body, democratically elected amongst the workers, takes care of internal problems related to work, forecasting and remuneration systems, etc. As a result of extensive research based on experience, the Mondragon Co-operatives have agreed to avoid forming too large enterprises in the future, esteeming the optimum man-

power of each industrial co-operative at 400 or 500 members and favouring the creation of small or medium-sized federated co-operatives.

To conclude, we should remember that the success of the Mondragon Co-operatives as well as that of the Israeli "Kibutzim" (which are equally Workers' Co-operatives without individual shares) can, to a great extent, be attributed to the profound convictions of their members and/or to the existence of a tight community holding regionalistic or nationalistic ideals. It appears then, that the mere application of institutional standards and procedures would not suffice for the creation of other allegedly similar experiences if one does not satisfactorily obtain or replace certain of the spiritual foundations which are supporting them.

Dairy Cooperatives and Rural Development The Indian Experience

by V. Kulandaiswamy *

Development Potential

The need for rural development in India is obvious: An overwhelming majority of the population are living in rural areas, many below the poverty line; agriculture has a limited capacity for contributing to development due to the preponderance of small holdings; there is a high incidence of unemployment and under-employment; and a low capital formation in the rural sector. These factors are the ostensible indications of an imperative need for rural development in India.

The process of development is viewed as the art of living and working together, which in turn is the essence of cooperation. Conceivably the Dairy Cooperatives, a small sub-sector of the larger economy, are considered as an effective medium for rural development. These institutions serve as: the channels through which the social and economic actions flow; the means of organising human and material resources; and the effective medium for meeting the farmers' needs. The Dairy Co-operatives, though directly designed to support the farmer, also contribute to rural development in the following ways:

Firstly, development denotes an increase in income. In order to increase the income flow, it is essential to

create alternative income streams. Dairy Cooperatives provide an income source which can be acquired with comparatively little investment.

Secondly, the success of development strategy lies in the capitalising of human resources. In capital starved countries like India, labour is the real source of wealth and the supply of capital can be increased by making use of unemployed labour. The dairy cooperatives can help to make the optimum use of idle human capacity as dairying is a labour intensive occupation.

Thirdly, the cooperative organisations provide greater market access to the milk producers and an assured market for the milk surpluses produced in the villages. Without a market outlet there can be no real incentive for production and the full potential of milk production cannot be harnessed.

Fourthly, the institutionalised marketing system shifts the age-old traditional processing and production towards more favourable terms for the village milk producer. The cooperative dairy organisations furnish the producer with a powerful bargaining weapon in disposing of his produce and avoiding a heavy toll on his income which is associated with the existence of numerous intermediaries between producers and consumers.

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Fifthly, cooperation has the distinct merit of integrating the interests of small producers with the benefits of modern sophisticated technology and management. It integrates the capital intensive technology of large-scale production with the labour intensive small-scale production. While employing modern technology with the scale of operation appropriate for minimising the processing costs of milk, it intends to keep the primary agricultural production, labour intensive at village level.

Sixthly, co-operatives can contribute to augmenting the real income of the milk producers, not only by removing the depressing effect of the exploitation of private milk traders, but by improving the milk yield by better feeding, improved breeding, scientific dairy management and improved animal health.

Development Strategy – 'AMUL' Experience

The Kaira District Cooperative Milk Producers' Union, popularly known as 'AMUL' is a symbol of the success of dairy cooperatives as a medium of Rural Development. The theoretical advantage of the expansion of the dairy cooperative sector is supported by the empirical example of AMUL. Apart from being a processing and marketing organisation, it represents a philosophy and method of organisation which were evolved during its long chequered history. Studies conducted in Anand have uncovered revealing facts and provided a greater perception of relevant factors in the development context. The development strategy adopted by AMUL may be conceptualised under the following headings:

1) Time-path Growth Strategy: A development nucleus like 'AMUL' cannot be built in a short time. 'AMUL' Union's success is the result of the

strategy meticulously evolved and adopted over a period of more than a quarter of a century, with a careful selection of priorities. This has been termed as the 'time-path growth strategy'. The Union's first tactic was to stabilise the fluid milk market. Thereafter, the Union started acquiring and expanding processing facilities to make more complete and profitable use of liquid milk and to provide an around the year outlet. Finally it took up farm level development by providing new low-cost inputs, coupled with extension and education programmes, which proved to be outstandingly successful in increasing the productivity and income of the farmers.

2) Technology Choice: The choice of technology for rural development is a crucial question facing the development scientists and organisation builders. It is a mistake to think that the basic problems of rural India can be tackled with the help of traditional tools or outdated technology. Besides, there exists a critical functional relationship between a new technical opportunity and a new institution. The attempt to install a cooperative without creating a new economic opening (by means of new technology) would be heavily handicapped. The leaders of 'AMUL' had the wisdom to opt for the most modern and sophisticated technology for dairy processing, which greatly helped the union to achieve cost effectiveness and competitive strength. In addition, the advanced processing technology was adapted to local conditions by means of research.

3) Appropriate Political Linkage: The success of the Union can be traced to the appropriate political linkage developed there. The 'AMUL' Union had a common cause with the Peasant Movement, which is part of the Independence Movement, and headed by eminent leaders like Sardar Patel,

against the monopolistic traders and industrialists. It also successfully used political lobbying as a strategy to get monopoly rights to procure milk for the Bombay milk scheme and to obtain non-commercial investment capital. The political linkage developed by the Union also helped it to overcome the negative influence of bureaucracy in evolving and implementing schemes.

4) Constructive Dichotomy: The acknowledged principle of efficient cooperative management is the clear division of function and responsibilities between democratic leadership and executive leadership, the former being confined to broad policies and the latter being responsible for the organisation and management of operations, and decision-making. A clear understanding of the respective spheres of activities, and a policy of non-interference of each in the other's decision sphere, is prerequisite for managerial efficiency, which Prof. Manubhai M. Shah has referred to as the "Principle of constructive Dichotomy".

5) Integration Network: The District Milk Unions in Gujarat developed strong bonds of integration and thereby acquired greater organisational effectiveness. The integration was multi-dimensional in nature: it was vertical, horizontal, lateral; administrative, personnel, technical, financial, marketing; inter-district and intra-district. Such a strategy of integrated development contributed very distinctively to the development of dairy cooperatives.

6) System Strategy: The organisers of Anand Union successfully adopted the system strategy for organisation building. They viewed the Union as a total system meant to achieve certain specific objectives, with production, processing, transportation and input sub-systems. The sub-systems were effectively co-ordinated to achieve the overall objectives of the union. The system

was effectively interfaced with the external environment and the superstructure was developed with appropriate forward and backward links. The system strategy has led to the clear enunciation of goals and the delegation of authority and responsibility.

Development Impact

The dairy cooperatives of the Anand model has been accepted as a strategy for rural development. The Operation Flood Programme, the country-wide massive milk production and marketing programme, applied the Anand methods in 52 districts throughout the country. Anand practices by and large provided the guidelines for key operations like the organisation of primary societies, milk procurement, transportation, pricing, and the marketing and supply of technical inputs. In 1971, within a decade of its implementation, the scheme has created visible impact in different facets, particularly the benefit it has extended to the rural milk producers. On 30th November 1982 there were 65 milksheds under 'Operation Flood' with 17,688 village Milk Producers' Cooperatives benefiting 2.03 million farmer members. The opportunities provided by the dairy cooperatives for the easy sale of milk, periodic payment and incentive bonus has stimulated the farmers to take up dairying on a more permanent and regular basis, creating a spiralling effect in the rural economy. The multi-dimensional impact of the Indian Dairy Cooperatives are discussed hereunder.

Economic Impact: Of all the benefits that accrue due to the development of dairy cooperatives, it is the economic incentive, yielding direct and tangible returns for the milk producers, which provides lasting solutions to their problems. The dairy cooperatives have been instrumental in elevating the economic

conditions of rural households by generating larger incomes and by directing a substantial cash flow into the rural economy. The micro-level empirical studies conducted in different parts of India showed vividly the direct economic impact of dairy cooperatives such as: an increase in the bovine population, an increase in milk yield and the enhancement of income and employment opportunities.

Social Impact: The social dimension of the benefit of cooperative dairying is intangible and long-term in nature. The dairy co-operatives have been instrumental in cutting across the barriers of social segmentation like caste and social status, stimulating the desire for social participation, and developing rational economic perceptions among the rural people. These institutions have introduced the modern concept of organisation and management, becoming the instrument of grass-root democracy and social justice, and improving the status of women and other weaker sections of

the population. They also serve as an effective means of fighting rural poverty. It is this social dimension which renders the dairy cooperatives more relevant to rural development than even the economic dimension.

Peripheral Impact: The economic and social benefits generated by the dairy cooperatives are not confined to the members of dairy cooperatives – the direct beneficiaries – alone. It extends far beyond and encompasses the entire rural society. Viewed, from a larger perspective the dairy cooperatives have generated employment opportunities for both skilled and unskilled workers, created a network of institutions as focal points for collective action, developed supportive infrastructure and ancillary industries, created public institutions like schools and hospitals and undertaken welfare measures including water supply, roads, libraries etc. Thus the dairy cooperatives have come to be recognised as the harbinger of all-round development of rural areas and as the precursor to total rural transformation.

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Snail Gathering in Poland

by Teresa Litwin *

Snail Gathering in Poland

The Central Union of Agricultural Co-operatives "Samopomoc Chlopska" (Peasants' Mutual Aid) the largest co-operative organization in Poland, with 4 million members and considerable production & trade potential, engages in multiple economic activities. One of these activities is the conclusion of contracts and the purchase of products originating from the harvesting & gathering of natural products. The conclusion of contracts and the purchase of these products are carried out by the communal co-operatives, of which there are approximately 1,800 units throughout Poland.

The purchase of cultivated products is more usual in economically developed countries, as the collection of natural products, originating from meadows, woods and other green areas is decreasing with the development of industrialization and motorization which pollutes the natural environment. Moreover, in order to commercialise these natural products it is necessary to take advantage of the leisure enjoyed by numerous population groups. It is, therefore, mainly pensioners, youngsters and leisured people who are engaged in this activity. The sums obtained from the sale of collected products, represent an additional source of income.

Agricultural co-operatives in Poland purchase such articles as: pinecones and chestnuts, and live snails which are already internationally well-known. It should be emphasized that in Poland snails are not generally used for alimentary purposes, being regarded merely as elements of nature, characteristic of parks, gardens, roadside ditches etc.

The large-scale export of live snails from Poland originated in the early sixties. For many years the number of snails harvested fluctuated depending on the abundance of these gasteropods in a given season. However, the number was always under 400 tons per year, except in 1983 when the harvest greatly exceeded this level. Besides agricultural co-operatives, State enterprises are also suppliers of snails.

The snails exported are Roman snails (*Helix pomatia* Linné) characterized by their tasty meat which is especially rich in protein, mineral salts and micro-elements.

Snails are mainly found in the southern and south-western areas of Poland which are characterized by a warmer climate, heavier rainfall and a longer period of vegetation; they are also found in the lake district of north-eastern Poland. The greatest number of snails are found on lime soil. In Poland the season of collecting the snails usually begins at the end of April and continues till the end of May. For ecological reasons the snails are not collected outside this period. Moreover, snails are not collected under a certain size.

The purchase centres supply the collectors with special calipers to measure

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the snails, as those intended for export should have a diameter of at least 28 mm. The size of the snails is again controlled at the purchase centers and snails which are too small are let loose. In certain years the collection of snails is forbidden in regions of the country where the nature wardens consider the proliferation of Roman snails could be threatened.

From the purchase centres the snails are dispatched to special bases where they are selected and prepared for export. There are 8 such bases in Poland, 3 of which belong to the agricultural co-operatives and 5 to the State. The gastropods are transported by rail, in special fruit-cars and the average load is 8 tons. The snails are packed in perfor-

ated boxes each weighing 20 kg and are not fed during the journey as they travel better when they are slightly dehydrated.

It should also be emphasized that tests are underway in Poland to find methods of deep-freezing snails. This could lead to the exportation of a product, which instead of being seasonal would be available all year round.

The export markets for Polish snails are, first of all, France, then the Federal Republic of Germany, Switzerland and Belgium. The purchasers of snails are mainly large factories who, in turn, supply them to wholesale and retail shops, in the form adapted for consumption. A foreign consumer, served with the spe-



ciality "Escargots de Bourgogne", does not, generally, realize where the original product comes from. Polish snails enjoy a great success because of their distinctive flavour as well as their careful selection. These qualities are particularly appreciated in France, where, according to tradition, they have been imported from Poland for several centuries.

The exclusive exporter of live snails from Poland is a Foreign Trade Enterprise (POLCOOP) which belongs to the

Central Union of the Agricultural Cooperatives (CZSR) "Samopomoc Chlopska", POLCOOP, is one of a few important Polish exporters of agricultural & food products. The snails are only a small item amongst these exports. However, it is an original export which secures a currency income for the country, without prejudicing domestic supplies and does not require any special investments.

Competition, Co-operatives and Education

by Rudolf Čuješ *

Cooperatives have a dual nature. They are at the same time a union of persons and a business enterprise. They can also be considered as a purposeful application of the general social process of cooperation to the economic sphere of life.

Social processes – recurrent forms of social interaction – are many. Early sociologists (E. A. Ross, *Principles of Sociology*, 1920) identified a large number of social processes: 38 to be exact, while contemporary sociologists usually list only five or six.

Not all social processes are of equal importance; neither are they practiced in everyday social experience to the same degree. What is somewhat surprising is that individual cultures sometimes neglect the social reality and give an excessive prominence to some, while at the same time neglecting or even overlooking others. There was a period in American sociology when only four social processes were discussed: COMPETITION, CONFLICT, ACCOMMODATION and ASSIMILATION (R.E. Park and E.W. Burgess).

W.F. Ogburn and M. F. Nimkoff (*Sociology*, Boston 1949, p. 345) explain this cultural blindness of sociologists by observing that:

Because of our highly competitive society, sociologists are under considerable compulsion in their selec-

tion of subject matter, although perhaps unwittingly so. They are competition-conscious.

M. Brooks and M. A. Eaton made a curious discovery:

A check of sixty-five textbooks of sociology, published between 1930 and 1939, showed that twenty-eight either failed to mention cooperation altogether while only some fifteen treated it to any extent at all (*Cooperation and the Sociologists*, in: *Consumers Cooperation*, July, 1942).

Hazel Henderson characterized the North-American culture:

For example, we in the U.S. tend to overvalue and overreward competitive activities, which can only exist within an equivalent field of cooperation and social cohesion. At the same time, we undervalue all these cooperative activities which hold the society together, such as child nurture and the vast array of services lovingly performed in the voluntary sector... (*The Finite Pie*, in: H. Henderson, *Creating Alternative Futures*. New York: Berkley Publ. Corp., 1978, 2nd ed., p. 48).

Some other cultures give proper evaluation to cooperation (such as Inuit and most Indian cultures in North America).

Competition/Conflict Process

As everybody can experience for himself cooperation is the basic process in society, a fact which cannot be disprov-

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ed by cultural overemphasis of competition/conflict.

Cooperation is the only social process which is included in the definition of society. The Dictionary of Sociology defines society as

a group of human beings cooperating in the pursuit of several of their major interests, invariably including self-maintenance and self-perpetuation.

A closer look into the so-called "competitive/conflict" societies proves that reality is not what culture would like us to believe it to be. It is true that competitive/conflict processes may be more frequent than in cooperative cultures, and are certainly more visible because they are emphasized by news media and are considered normal and desirable. Competition is being praised and given credit for almost everything people appreciate. Competition is being praised and practiced in economic life, in dating, in schools, in sports, in politics, and even, sometimes, in religion. But even in such cultures sooner or later, people realize that competition has to be regulated, that fair-play is necessary to prevent competition from becoming a throat-cutting carnage. News media seldom report on a thousand decently living families, but one incidence of family scandal will be widely reported. News media don't report on unnumerable cooperative processes taking place in economic activities, but any interruption of services will make news. Despite the fact that in recent times Canada got the reputation of a country with great industrial unrest, in the period 1973-1977 work hours lost in strikes and lock-outs amounted to only 0.15% in the year with the smallest amount of work stoppages, and to 0.55% of all working hours in the worst year.

One of the consequences for cooperatives in competitive/conflict cultures is that they are, by their very nature, out of step with it. They have a hard time to as-

sert themselves and have difficulties in attracting new members as well as to retain loyalty of members.

Another characteristic of culture is that social processes have some affinity with a general value system of the society. In societies in which cooperative processes predominate, not only in practice (they do in all existing societies) but also in evaluation, spiritual values have precedence over material ones, while in societies in which competition/conflict is overvalued, emphasis is on material values. In such an environment cooperatives very often, mostly subconsciously, adjust themselves to such an environment. Often they adopt features which are incompatible with co-operative principles – some to the degree that they can be considered co-operatives by name only (e.g., overemphasis on material benefits when they attempt to attract new members; relying on advertisements instead of education for their success; using "loss leaders" and/or other questionable means to eliminate competition, etc.). And, then, they are surprised that members don't show much loyalty to the cooperative and that they switch to other organizations whenever these offer some apparent better conditions (e.g. they forget to add to the price of "loss leaders" higher prices they pay for other articles which they, in most cases, buy in the same store, the additional time and gasoline which they spend for such purchases, etc.).

Early Co-operative Education

Greater knowledge of different cultures allows us to realize that social processes are not something inborn in men, but are learned, in most cases, indirectly. The change in basic orientation is possible for individuals as well as for whole societies. Since basic human attitudes are acquired in the early years it makes sense that any attempt to change the

orientation of people will be the more successful and easy the earlier it starts. The efficiency is also increased if it is done in group settings because of mutual reinforcement.

This indicates that the best beginnings would be in homes and in schools. But before much progress will be made people must realize that overemphasis on competition/conflict brings more damage than benefits, both to individual persons as well as to the society. Enough evidence has now been accumulated for empirical proof that cooperation is also more productive than competition. Present economic crisis also attests that economic competition does not provide a general well-being, but ruins a large number of members of society (unemployment), even some of the so-called successful ones, as the following data attest:

In 1923 a group of the world's most successful financiers attended a very important meeting. And 25 years later? The President of the largest independent steel company died a bankrupt and lived on borrowed money during his last five years. The President of the greatest utility company died a fugitive from justice and penniless in a foreign country. The President of the largest gas company – insane. The greatest wheat speculator died insolvent. The member of the President's cabinet was pardoned from prison so that he could die at home. The greatest bear on Wall Street committed suicide. Another decided, at last, to get married but was found dead while his bride was readying herself for the wedding.

In sports, too, the most prominent coaches in North America started to publicly acknowledge that overemphasis on competition (to win at any cost) is destroying the personalities of top athletes. Some of the mis-uses were also

widely publicized as, e.g., the case of one hockey player who acknowledged that he was not hired for his excellence as player, but on account of his physique as well as his willingness to attack always the strongest player on the opposing team and to get him off the ice one way or another.

Learning Through Play

In Ottawa, Prof. Terry Orlick (Psychology of Sport, University of Ottawa) was interested in play originally as a means for promotion of physical fitness. Now, he considers cooperative games as "children's socialization spring-boards for more cooperative lives" (Cooperative Games Newsletter, vol. 1, No. 1, May 1979, p. 1). He studied many "cooperative cultures" himself and also utilizes material from different anthropologists. In 1975 he published a book "Every Kid Can Win" and in 1978, "the Cooperative Sports and Game Book". His more theoretical work, which, nevertheless, contains also reports on the effects of the introduction of cooperative games by many teachers (some under his guidance) in schools, especially in the Ottawa region, is entitled "WINNING THROUGH COOPERATION" (Washington, D.C.: Acropolis Books, 1978) with subtitle: Competitive Insanity – Cooperative Alternatives.

In this book Orlick emphasizes the interrelations of all sectors of culture. Every culture develops its basic ideas in all sectors, concepts, ideology, social relations, economics, etc. Any discrepancy in such a basic orientation, either in lives of individual persons or institutions, leads to tensions, conflicts and problems both on the personal level, and in social life.

The following are a few quotations from this book:

To better our own society and increase our quality of life, we must develop a genuine stake in each other's security and welfare. We must promote cooperative endeavours which will foster the development of a genuine desire for others to do well, rather than poorly. We must cling to the positive elements of human behaviour today and nurture them for tomorrow. p. 40.

* * *

However, if we wish to have a gentler, more peaceful society then we would be wise to downplay all forms of aggression, even if it happens to be in a film or in a game.

We cannot expect to be entertained by violence and not entertain violence in the streets. We cannot both glorify human destructiveness and expect constructive behaviour. If we allow the promotion of rivalry and aggression to inundate children's play and games, we must be prepared to suffer the logical consequences in day-to-day living. This is not to say that sports like hockey and football cannot exist, but rather, if we expect to develop empathy, mutual cooperation, and harmony, they cannot exist in a destructive form. p. 97.

* * *

Experiences in human cooperation are the most essential ingredient for the development of psychological health. Cooperative interaction with others is imperative for developing self acceptance, trust, self-confidence, and personal identity, which are the foundations for a person's psychological well-being. Consequently there are no skills more important to a human being than the skills of cooperative interaction. p. 121.

* * *

Games are an extremely powerful means of shaping behaviour. p. 135.

* * *

We cannot legislate constructive play patterns, cooperation, love, security, identity, happiness, and affection. But a society that does not give all the necessary external support to bring this about may find that it is lost in violence, juvenile delinquency, mugging, and crowded prisons. Not only is this a spiritual loss, but also a heavy financial burden for all of us. p. 141.

* * *

The best preparation for being a humanistic, responsible and happy adult is to live fully as a child. One reason that cooperative games have great potential in this regard is that the structure of the game itself should ensure a certain level of acceptance for each child and should ensure that certain desirable behaviour is reinforced. p. 142.

* * *

If we do not seize upon these opportunities to teach children about human values and let them experience the value of other people, we are missing the boat completely. p. 143.

* * *

The value of cooperating with others and the significance of fun becomes increasingly important as our society becomes increasingly competitive and technical. p. 144.

* * *

The primary objective of cooperative games is to provide opportunities for cooperative learning and fun-filled cooperative interaction. p. 159.

* * *

Games and sports are a reflection of the society in which we live but also serve to create that which is reflected. Many important values and ways of behaving are learned through play, games and sport. Games are important, primarily because the target population is children in the process of developing, who spend countless hours engaged in game-like activities. In our games we must think of the kind of society which we would like to have and reward children for behaviour which would be desirable in that society. One of the greatest lessons to be learned from our cooperative experience is that we can create or alter games to accomplish specific humanistic objectives. p. 239.

* * *

At this point, we can only plant the cooperative seed, we may never personally witness humanity in full bloom. However, it is conceivable that an entirely new ethic could permeate society within one or two generations if cooperation were actively promoted at different age levels and in different environments. By the time today's preschool children have children of their own, the foundation for a more humanistic society could be solidly implemented. What we desperately need now are people committed to solutions and to the implementation of solutions. The quality of our games and lives hang in the balance. pp. 242/243.

* * *

Orlick concludes the book:

"You're a dreamer," some will say, "an idealist." I am reminded of something I once heard: When a man dreams alone, it is only a dream; when many dream together, it is the beginning of a new reality. Perhaps we need more "dreamers" whose visions of today allow them to glimpse a better tomorrow...

The power of dreams, of ideals, of change, rests within people, everyday people... like you and me. p. 243.

* * *

Orlick and his teachers are not the only ones contributing their best to change the orientation of the North American culture. A frustrated physical education teacher and father, Jim Deacove, invented cooperative games for his students and for his two girls. His games were liked so much that now he produces them for sale as "FAMILY PASTIMES" and finds customers all over the world. Jean-Paul Legare (Ste Foy, Quebec) invented a play CITECOOP in which players build a cooperative community. His play was reproduced in an improved version in France (in French only). Cooperative plays received some publicity not only in the cooperative press, but also in the popular press (The Toronto Star, July 23, 1977; Homemakers Magazine, April 1979; L'Actualité) as well as in a professional one (ORBIT 47, April 1979, published by The Ontario Institute for Studies in Education, Toronto) and in THE FUTURIST (December 1979).

Cooperation and Cooperative Development Department of the Government of Saskatchewan published a small brochure "PLAYING COOPERATIVELY. ANOTHER WAY TO WIN". A similar brochure was reproduced also by the Cooperative Section of the N.S. Department of Agriculture and Marketing in Truro, Nova Scotia, entitled COOPERATIVE GAMES.

It is time that both leaders and members of cooperatives around the world recognize this interdependence between culture and its basic orientation and the success of cooperative organizations, stop aping the competitive practices of profit oriented business and engage fully in the promotion of the cooperative orientation of their culture.

Book Review

The Co-operative Way: Worker Co-ops in France, Spain and Eastern Europe

by **Antoine Antoni and Alastair Campbell**

(Foreword by Jenny Thornley)

ICOM CO-PUBLICATIONS, London, Paperback, 76 pages, Price: £ 2.95.

Available by post from Corner House Bookshop, 14 Endell Street, London WC2

Price: £ 3.25 (including postage)

The worker co-operative movement in Britain is going from strength to strength. The number of co-ops has grown from around 20 in 1975 to over 700 today. This rapid expansion has happened despite the fact that Britain lacks many of the facilities which exist to help co-ops in other countries. Even more could be achieved if, for example, more secondary co-ops providing essential business services and a properly funded bank for worker co-ops were set up here.

The book aims to stimulate new ideas and approaches to co-operative development by highlighting the achievement of worker co-ops in other countries and describing different methods of co-operative organisation.

Antoine Antoni, who has forty years' experience of co-operatives in France, gives practical advice on self-management within co-ops. He emphasises the need for co-operatives to reconcile economic and social objectives if they are to compete successfully in a capitalist market.

Alastair Campbell, one of the earliest

researchers to document the famous Mondragon co-ops in the Basque region of northern Spain, describes the integrated network of social, educational and business organisations there, which has proved strong enough to survive the economic recession afflicting Western capitalism. In a second paper, he outlines the features of the less well-known worker co-ops which exist in large numbers in Czechoslovakia, Poland, Hungary, Romania and Bulgaria.

In the foreword, Jenny Thornley, author of 'Worker co-ops: jobs and dreams', considers to what extent co-operative practices from one country can be adopted in another. She warns against attempts to transplant co-operative practices wholesale, without regard to the different history and culture of the workers involved. She concludes that a co-operative system must emerge from the drive and energy of the people who need it rather than from the theoretical visions of politicians.

Sheila Kurowska

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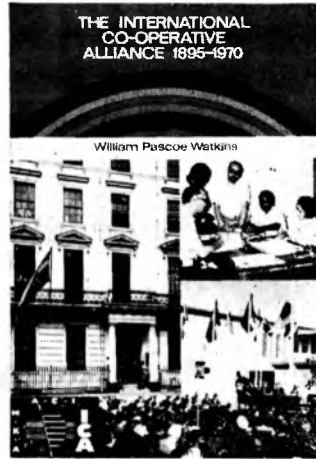
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**International
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Alliance**

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IN THIS ISSUE:

**CO-OPERATION IN THE FEDERAL REPUBLIC
OF GERMANY**

(Insurance, Consumers' and Housing Co-ops)

THE ROLE OF CO-OPERATIVES IN HUNGARY

DEVELOPING AFRICAN ECONOMIES

CO-OPERATIVE HEALTH CARE IN THE USA

INTERNATIONAL RELATIONS AT BERKELEY CO-OPS

FUNERAL CO-OPS IN THE USA

BOOK REVIEW

The International Co-operative Alliance

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

It comprises organizations in every continent, and its total affiliated membership through national organizations exceeds 360 million from consumers, agricultural, housing, credit, workers' productive, artisanal, fishery and other co-operative societies.

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

It promotes, through auxiliary trading, housing, banking and insurance organizations, 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 to co-operation.

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

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

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

Review of International Co-operation

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The official organ of the
International Co-operative
Alliance

Editor: J-F. Kister

Contents

CO-OPERATION IN THE FEDERAL REPUBLIC OF GERMANY The Origins of Co-operative Insurance in Germany by <i>Gesa Bruggeman and Rüdiger Mehl</i>	3
German Consumer Co-ops	5
Housing Co-ops in Germany	15
The Role of Co-operatives in a Socialist Economy by <i>Dr. János Juhász</i>	18
The Role of the Co-operative Movement in Developing African Economies by <i>Sam Mshiu</i>	23
Co-operative Health Care Delivery Systems by <i>E. Morgan Williams, Stewart A. Kohl and Rory Cohen</i>	29
International Relations of the Consumer Co-operatives of Berkeley by <i>David Klugman and Wendy Gleason</i>	36
Portrait of a Funeral Co-op by <i>Kenneth R. Reves and David Klugman</i>	40
Book Review: Co-operation for Survival by <i>Koenraad Verhagen (T. N. Bottomley)</i>	43
The International Co-operative Alliance, its Regional Offices and Affiliated Organisations	47

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

The Origins of Cooperative Insurance in Germany

by Gesa Bruggemann and
Rüdiger Mehl

Solidarity Within the Guilds

As early as the Middle Ages, the Germanic areas of Northern Europe had seen the formation of voluntary societies and associations, with a closely restricted membership, whose aim was to provide mutual assistance and support in the event of fire damage, death, shipwreck, death of livestock and similar emergencies. These institutions, which were known in Germany as "fire guilds", "death guild", "brotherhoods" and "fellowships", represent the roots of co-operative insurance. The dominant principle of these co-operatives was solidarity between neighbours, or between members of a trade or profession, which frequently found expression in the cultivation of social life and an obligation to pay one's last respects to a dead comrade by attending his funeral.

The development of the fire guilds in what is now Schleswig-Holstein, a region of Northern Germany, is of special interest. The statutes of these guilds required the members to help one another in the event of fire damage to buildings or movable property, by paying certain compensation in accordance with fixed rules. The most important, and in some cases the sole function of these co-operatives, of which the oldest statutes date from 1537, was mutual assistance in case of fire.

Until the end of the 18th century, this kind of fire insurance was operated exclusively by comparatively small local co-operative societies. Major fires, like the Hamburg fire of 1842, were more

than the resources of the small societies could cope with. It became necessary to give thought to a construction which would ensure that even major claims for compensation could be met. The new institutions which were founded as a consequence were, therefore, organized on commercial lines.

The insurance companies which grew up during the period that followed made use of new advances in insurance legislation and actuarial principles. For example, the levying of contributions after the event was replaced by a system of prophylactic premiums. The rise of such insurance companies at the beginning of the technological age was associated with a simultaneous decline in the guilds and other co-operative welfare schemes. Since the co-operative organizations were bound to distribute any surpluses to their members, they did not build up reserves. As a result there were an increasing number of instances in which co-operative schemes were unable to provide assistance in a case of sickness or invalidity. Far-reaching social changes led, on the one hand to the setting up of new organizations of a co-operative nature and on the other hand to state intervention.

State Intervention

An imperial communiqué stemming from Prince Otto von Bismarck (Chancellor of the German Empire from 1871 onwards) laid the foundations for social

insurance as we know it today. The introduction of compulsory insurance for all employed persons, and the establishment of the independent administration of social insurance institutions by their members, was a revolutionary step at that time. The period was notable for the establishment, in close succession, of schemes for sickness insurance (1883), accident insurance through the occupational accident insurance societies (1884), and disability and old-age pension insurance (1889).

The beginning of the 19th century, however, had also seen the emergence of private, non-profit-making, mutual societies. They carried on the co-operative principle of "mutual assistance". The legislature later took this co-operative form as a model when instituting the "mutual insurance society" (Versicherungsverein auf Gegenseitigkeit) as a legal form.

In the late 19th and early 20th century the "Volksversicherung", or "people's insurance" – a form of life insurance with a low policy value – became increasingly popular in Germany. The "Volksversicherung" was dominated almost exclusively by joint stock companies. However, the way they conducted this business became the subject

of fierce criticism. In particular, the practice of allowing policies to lapse without making any reimbursement was felt to be intolerable. This occurred, for example, if policy-holders were unable to keep up their premium payments due to unemployment.

Co-operative Insurance

There was a need to protect the insured community, most of whom were wage-earners. To this end the trade unions and the consumers' cooperatives jointly founded the VOLKSFÜRSORGE LEBENSVERSICHERUNG (People's Provident Society) on the 16th of December, 1912. The objective of this organization was to reform the "Volksversicherung" in the interests of the community at large. Then as now, its prime task was direct promotion of the consumer's interests and a commitment to the common good. Its success proved its founders right. Thanks to sustained benefits tailored to the needs of its policy-holders, the "VOLKSFÜRSORGE" Group operated by the trade union and co-operative movements is today the second-largest insurance group in the Federal Republic of Germany.

German Consumer Co-ops

From the Consumer Association "Ermunterung" to "Co-op"

The first German consumer co-operative – the savings and consumer association "Ermunterung" was founded in Chemnitz* in 1845. In 1894 the "Gross-einkaufs-Gesellschaft Deutscher Konsumgenossenschaften (GEG)", similar to the Co-operative Wholesale Society, was founded by 47 consumer co-operatives and five years later joined the International Co-operative Alliance (ICA).

The "Zentral Verband deutscher Konsumvereine" (Central Association of German Consumer Societies) was founded in 1903, comprising 666 consumer co-operatives with a membership totalling 573,000. At this time 1,597 outlets achieved an annual turnover of almost 150 million marks.

By 1932 the consumer co-operatives had more than 3.5 million members and their total turnover exceeded one thousand million marks. However, in 1933 the "Zentral Verband deutscher Konsumvereine", the "Verlagsgesellschaft" (Co-operative Publishing House) in Hamburg and the "Reichsverband deutscher Konsumvereine" (National Association of German Co-operatives) in Cologne were dissolved by the Hitler regime. Furthermore, in 1941 the "Law on the adjustment of consumer co-operatives to wartime conditions" brought about the final compulsory dissolution of the consumer co-operatives, transferring their assets to the German workers' front organized by the national socialists.

After the fall of the Third Reich, the assets of the German workers' front came initially under the control of the military regime. During the following years, these assets were returned to the consumer co-operative movement, which was now gradually reforming. By 1948 there were already 244 consumer co-operatives with 750,000 members. The "Zentral Verband deutscher Konsumgenossenschaften (Zdk)" (Central Association of German Consumer Co-operatives) was founded in Hamburg as the central organization and the GEG became the sole business headquarters of the co-operatives in the sectors under the control of the Western Allies.

In 1949, the first consumer co-operative self-service shop was opened by the Hamburg consumer co-operative "Produktion". However, in 1954 the dividend received by members of the co-operatives was limited by law to 3% – a rate equivalent to the maximum cash discount permissible in the retail trade. This deprived the consumer co-operatives of an important competitive advantage.

Ten years later a reform commission was entrusted by ZdK with the task of submitting recommendations which aim at improving the efficiency of overall consumer co-operative organization. As a result of this study the ZdK was dissolved and replaced by the "Revisionsverband deutscher Konsumgenossenschaften (RdK)" and the "Bund deutscher Konsumgenossenschaften (BdK)" in 1967. Since then the RdK has been the official auditing body of the consumer co-operatives. The BdK initially took over the role of co-ordinating

* Now Karl-Marx-Stadt in the GDR.

body of the co-op organization. It retained this function until 1972, after which it became established as the association of the Co-op Group.

The co-op symbol was introduced for the entire group in 1969 and in 1971 smaller consumer co-operatives were amalgamated into larger groups of firms – a step initiated by Bdk. The following year the GEG was reorganized and changed its name to “Co-op Zentrale AG” Hamburg and became the apex organization and business headquarters. A parent company, “Co-op AG”, was created in Frankfurt am Main for emerging retail firms and, after a further reorganization in 1975, the “Co-op Zentrale AG Hamburg” became the “Co-op Handels- und Produktions-AG”, Hamburg.)

“Co-op AG” is now responsible for the co-ordination of the centralized purchasing operations for its own retail outlets and for the consumer co-operatives belonging to the Co-op Group. Purchasing is done by legally independent companies owned entirely by “Co-op AG”.)

At the end of 1983, the Co-op Group comprised approximately 900,000 members with a total staff of 63,000; of these, 59,000 worked in the co-op retail organizations and 4,000 were responsible for wholesale operations. The turnover for the co-op retail trade – 14,014 thousand million marks – was achieved by 52 co-op retail organizations operating 3,264 outlets. The co-op retail trade market share for food, drinks, tobacco, etc. is slightly over 10%.)

Co-op retail trade

The co-op retail trade turnover for 1983 – DM 14.014 thousand million, an increase of 2% compared with 1982 – was made on a total sales area of 1.973 million sq. m. (an increase of 4.1%).

The following table illustrates the structure of the Co-op Group sales network. It shows a breakdown according to specific types of retail outlets, the percentage of sales space and the turnover for each type of outlet.)

Sales network of the Co-op Group in 1982 and 1983

Type of outlet	Units		Proportion of total sales area in %		Proportion of total turnover in %	
	1983	1982	1983	1982	1983	1982
Fresh food stores	2,487	2,573	44.7	45.9	51.3	53.4
Small discount stores	204	211	4.0	4.0	4.7	4.7
Supply stores	408	382	26.3	25.3	15.8	15.8
Self-service department stores	54	51	18.0	18.0	15.8	15.8
Other shops	111	102	7.0	6.8	3.8	3.2
	3,264	3,319	100.0	100.0	100.0	100.0



Providing Co-operators with materials, tools and advice: halfway between supply and service – A true co-operative way. (Geesthacht near Hamburg).

NOTES

- Fresh food stores are local super-markets which place emphasis on fresh produce, usually under the name "Co-op".
- Small discount stores are sales outlets with up to 800 sq. m. of sales space and an area devoted to a limited quantity of low-price goods. These operate under the name "Prix".
- Supply stores are discount markets with over 800 sq. m. of sales space. They also offer goods at competitive prices, both in residential areas and on the edge of residential areas with good transport connections. These supply stores are usually called "Depot".
- Self-service department stores are large sales outlets with a sales area in excess of 4,000 sq. m. They are called "Plaza", and offer a comprehensive range of goods at particularly favourable prices.
- Other shops
(These include building and hobby shops, sport and leisure shops, furniture shops, etc.).

(In order to remain competitive the retail organizations of the Co-op Group have merged together to form larger units since the beginning of the 1960s. For this reason the number of Co-op retail organizations fell from 248 to 52 – a reduction of approximately 80%. Similarly, the number of sales outlets dropped from over 9,000 to approximately 3,000. However the sales area increased threefold during the same period. Turnover rose by 300%, while the number of members dropped by more than half. Full details are provided by the table entitled "Developments in the Co-op Group – 1962, 1972, 1982".)

(With a turnover of DM 9.38 thousand million, Co-op AG in Frankfurt is now the largest single retail organization in the Co-op Group. It accounts for some 65% of the entire turnover in co-op retail activities.)

(The second largest co-op retail organization is the Co-op Dortmund Konsumgenossenschaft eG, which – with a turnover of 1,830 million marks – accounts for 14% of the Co-op Group's total business.)

Data (1958/1983)

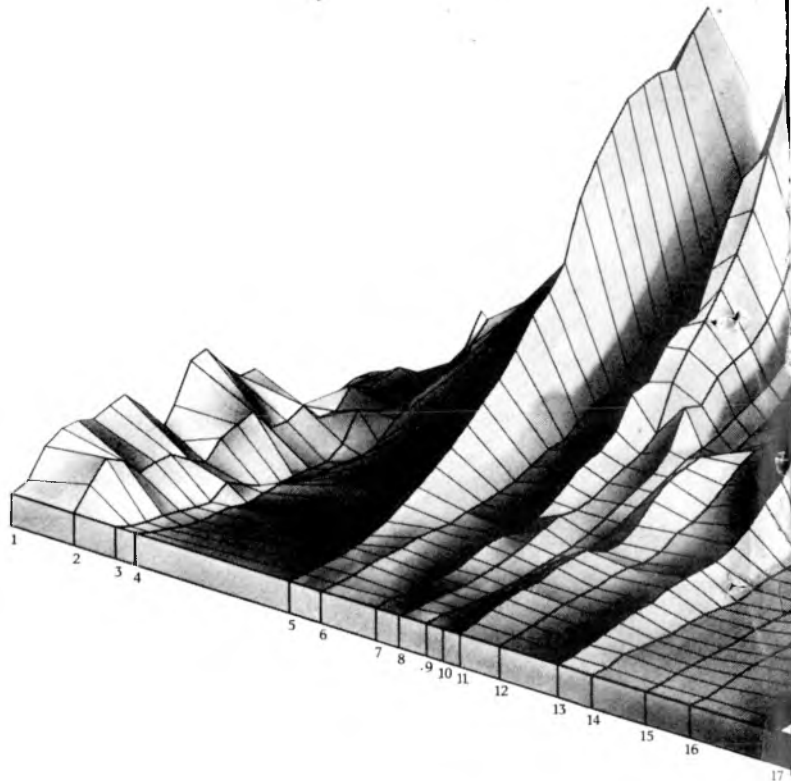
1. Vacancies in 1,000 (216/75)
2. FAZ Share Index at year end (100/351.83)
3. No. of unemployed in 1,000 (683/2,258)
4. No. of insolvencies (3,535/16,500)
5. Savings deposits in DM bn (36.102/566)
6. Money stock M1 in DM bn (42.46/297)
7. Imports at current prices in DM bn (44.81/500)
8. Public sector indebtedness in DM bn (46.122/676)
9. Exports at current prices in DM bn (53.46/539)
10. Domestic use of GNP at current prices in DM bn (225.65/1626)
11. Investments in fixed assets at current prices in DM bn (52.38/346)
12. Tax revenue in cash terms in DM bn (52.4/395)
13. Government consumption at current prices in DM bn (31.27/331)
14. Gross entrepreneurial and property income in DM bn (71.65/359)
15. Private consumption at current prices in DM bn (138.4/935)
16. Gross wage and salary income in DM bn (111.63/914)

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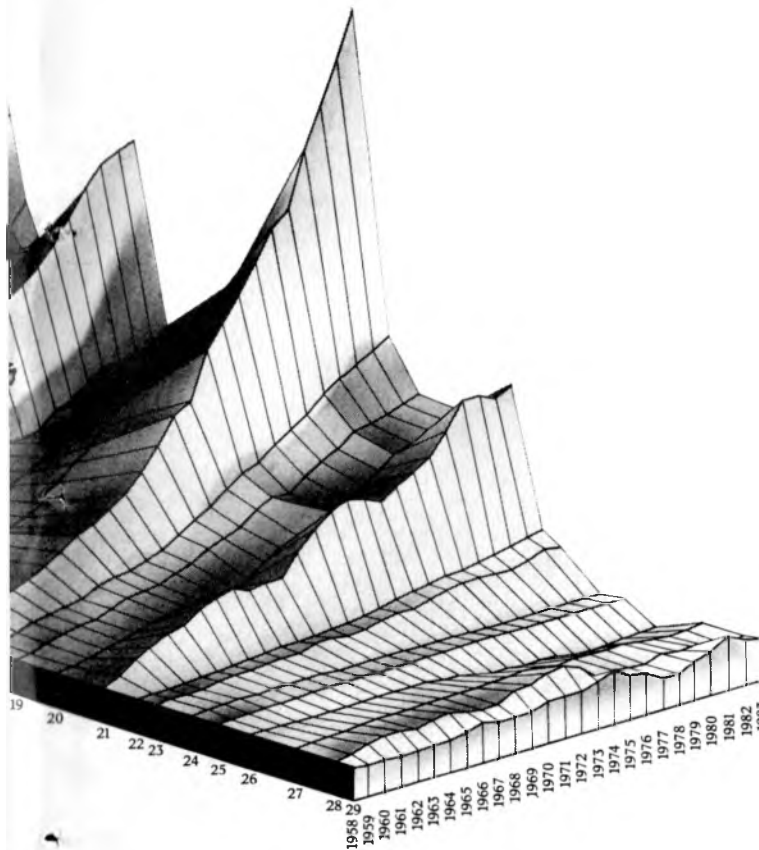
foremost nationwide commercial banks, represented by branches in all the larger cities. Diversity is the cornerstone of BfG activities. It serves private clients, self-employed professionals, medium-sized and large business. For foreign operations, we maintain bases at all the key international financial centers and cooperate with more than 3,000 corre-

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nniversary.

with the German economic landscape.



17. Value added by service enterprises at current prices in DM bn (25.6/428)
18. GNP at current prices in DM bn (234.37/1627)
19. Value added by processing industry at current prices in DM bn (96/528)
20. Value added by distributive trades and transport at current prices in DM bn (47.16/251)
21. Value added by construction industry at current prices in DM bn (14.94/100)
22. Cost-of-living index for 4-person households (wage and salary earners), Index 76 = 100 (54.3/133)
23. Value added by agriculture, forestry and fisheries at current prices in DM bn (16.16/35)
24. No. of gainfully employed persons in millions (24.124/25.16)
25. Population in millions (51.056/61.45)
26. Exchange rate of US dollar, in DM (4.19/2.5467)
27. Terms of Trade, Index 76 = 100 (82/92)
28. No. of building permits (311,254/378,000)
29. Capital-market interest rates, yields on fixed-interest securities in % (6.5/8)

Fiscal 1983*

Total Assets	58.7 bn DM
Total Customers' Deposits	27.2 bn DM
Loans to Customers Outstanding	35.5 bn DM
Capital and Reserves	1.9 bn DM

* Consolidated Balance Sheet Figures/BfG:Group

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(The third largest organization – the Co-op Schleswig-Holstein eG in Kiel – has a retail trade turnover of 1,050 million marks and accounts for 8% of overall co-op business.)

These are followed by five organizations with turnover ranging from 100 million to one thousand million marks. Ten co op retail organizations account for a turnover of between 10 and 100 million marks, and more than 30 smaller consumer co-operatives – frequently with only one shop – account for the rest of the Co-op Group's turnover.)

Centralized purchasing via Co-op AG

(The centralized organization of goods for the entire Co-op Group is carried out by Co-op AG or direct subsidiaries.)

These are:

- Co-op Handels- und Import GmbH, Hamburg
- Co-op Gebrauchsgüterzentrum GmbH, Kamen
- Co-op Industrie GmbH, Hamburg
- Co-op Fleisch- und Wurstwaren GmbH, Oldenburg.

(These firms are responsible for wholesale trade, agency, import and export business, as well as production on behalf of the Co-op retail trade organization.)

(In 1983 the value of goods purchased centrally increased by 4.5% to 6.64 thousand million marks.)

(The Co-op has production plants for the following: meat and sausage products – confectionery and chocolate – coffee, tea – poultry – wine – spirits – tobacco products – chemical products, such as household and cleaning products.)

The Co-op derives its competitiveness in the purchasing of goods from its own brand-name articles. These are good-quality products offered at favourable

prices. This guarantee of quality demonstrates the Co-op's confidence in its own trade brands which currently account for approximately 3% of the Co-op's retail trade turnover. The Group aims at doubling the proportion of trade brands.)

The "Bund deutscher Konsumgenossenschaften" and other co-op organizations

(In keeping with the original principle of co-operation, the West German Co-op organizations work closely together not only in the central purchasing of goods, but also in other areas of the services industry. Firms in the Co-op Group provide services in the following areas: distribution, construction and technology – data processing – investment – financing – personnel consulting – forwarding of goods – industrial development consulting – tourism – advertising and marketing, and publishing.)

(The official federation of the Co-op Group is the "Bund deutscher Konsumgenossenschaften GmbH (BdK), Hamburg" (Federation of German Consumer Co-operatives) which is represented in Bonn, the seat of the German Federal Government.)

(One of the most important functions of BdK is to represent the interests of the Co-op Group, at a national and international level, particularly in the following sectors: agricultural policy – public health policy – policy on competitive practices – economic policy – food policy – financial/tax policy – legal policy – wages policy (Central Wages Association of the Co-op organizations).)

BdK is also responsible for the business management of the Co-op Consumer Council. Decisions on federation policy are taken at the Annual Meeting, which is usually held in June. In addi-

tion, political and economic topics are examined and discussed by prominent speakers at a public session.)

(The official bodies of the BdK are: the Members' Meeting, the Advisory Board and the President.)

Co-op members and consumers

(The Co-op Consumer Council coordinates the regional work of co-op women's guilds, co-op consumer committees and co-op consumer advisory boards. In its function as co-ordinator the Co-op Consumer Council caters for some eight to ten thousand active co-op consumers in the regional groups, thus promoting consumer consciousness and involvement among approximately 900,000 members within the Co-op Group.)

At the members' meetings, which are held twice a year – the Co-op Consumer Council provides delegates from individual regions with the opportunity to make detailed reports on local work. The Council itself also raises issues which are of general interest to the consumer.

(The Co-op Consumer Council is a member of the Arbeitsgemeinschaft der Verbraucher (AgV)*, which was established in 1953, due largely to the efforts of the consumer co-operative organizations. The AgV is the central representative body of consumer interests at a national level, with an office in Bonn. It also works closely with the consumer centres throughout Germany.)

(The Co-op Consumer Council is also active in many other organizations which deal with matters of interest to the consumer. It is also represented at the Federal Ministry for Food, Agriculture and Forestry in Bonn.)

* Consumers' Working Party.

Co-op at an international level

The Co-op Group is represented by both BdK and Co-op AG (as the Group's central purchasing agency) in the International Co-operative Alliance (ICA). It is thus closely involved in the exchange of information and experience within the international consumer co-operative movement. It has five representatives on the ICA's Central Committee. In addition, the President of BdK is a member of the ICA Executive Committee.

There is particularly intensive and fruitful collaboration between the central purchasing agencies of numerous national co-operative movements on the ICA committee-INTERCOOP. INTERCOOP promotes the joint purchasing of food, semi-luxury products and consumer durables, and helps to initiate bilateral business contacts between the wholesale purchasing associations of national member organizations.

The German Co-op Group takes part in the pooling of experience in the ICA's Consumer Committee. This embraces not only the general development of national consumer co-operative organizations, but also provides possibilities for improved and extended services to members and consumers in general.

The structure of consumer co-operatives varies from north to south and from socialist to non-socialist economies. In fact, there are hardly two countries where they are similar. The common element among the organizations is the shared objective of improving the supply of daily necessities to their members and to all consumers on the basis of their own growth and development as consumer co-operatives.

Within the European Community, the specific interests of consumer co-operatives are represented by EUROCOOP which has its head office in Brussels. The German Co-op Group is represented by BdK.



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fresh food under the Co-op Logo in a pedestrian
precinct at Wilmsdorf, near Bochum*

EUROCOOP has been accredited in Brussels since the beginnings of the European Community over 25 years ago. It represents the interests of the co-op organizations within the framework of the EC Committee for Trade and Distribution. Issues affecting the consumer are raised in the Consultative Consumers' Committee.

Matters of interest to the co-operative sectors, accredited in Brussels, are coordinated by a joint liaison office.

Our membership in the ICA and EUROCOOP serves not only to provide representation for the interests of all consumer organizations and their business establishments, but also to facilitate the pooling of experience and the initiation of business links, as well as the articulation of objectives relevant to consumers.

International collaboration also aims at promoting certain general political causes and objectives. It serves to advance international understanding, and thus represents an active contribution to the maintenance of peace.

Co-op and the challenges of today

When the first consumer co-operatives were established in the nineteenth century, their purpose was to improve the supply of goods to their members, whose needs were not met by other systems of distribution. Today, adequate supplies of high-quality consumer goods at reasonable prices are available to the entire West German population – whether in cities, towns or rural areas. This applies particularly to the supply of everyday necessities.

The current political and economic position in the Federal Republic of Germany can be summed up as follows: Lively competition – especially in the consumer sectors – ensures good supplies in terms of quantity. There now exists a very highly developed system of laws for the protection of the consumer. Social welfare policies shield the most economically deprived groups (including the unemployed), although it should be pointed out that long-term structural unemployment in the eighties is creating new types of problems.

Against this background, what aims should co-operative enterprises set themselves today?

1. As a major competitor in the consumer goods market, the Co-op group plays a part in ensuring that consumers are provided with a wide variety of goods at reasonable prices. At a time when mass income is stagnating, this is of particular importance. Experts predict the further amalgamation of firms in the food sector. Even if these forecasts prove correct, the Co-op Group will continue to support the interests of its members and consumers in a sector dominated by a small number of suppliers.
2. Apart from defending consumer interests and promoting competi-

Developments in the Co-op Group - 1962, 1972, 1982

Year/end of year	1962	1972	1982
Consumer co-operatives / co-op retail organizations	248	110	52
Shops/sales outlets	9,112 with av. sales area of 65 m ²	4,418 with av. sales area of 193 m ²	3,293 with av. sales area of 577 m ²
Total sales area	590,000m ²	853,000 m ²	1,900,000 m ²
Turnover	DM 3.5 thousand million	DM 6.1 thousand million	DM 13.8 thousand million
Members	2,583,000	1,906,000	910,000
Staff	62,250	48,300	approx. 63,000
Consumers co-operatives / co-op retail organizations according to turnover:			
up to DM 1 million	80	37	-
from DM 1 million			
up to DM 80 million	159	52	43
more than DM 80 million	9	21	9

- tion, the co-op firms and the Federation of German Consumer Co-operatives regard it as their duty to help increase consumer awareness. In pursuing this aim they do not compete with the consumer organizations – most of which are financed by the state – but instead co-operate with them.
3. A look back over the past 20 years justifies our claim that co-op firms have always taken the lead in improving the working conditions of employees. The humanization of working conditions is now a commonly accepted objective. Co-op is dedicated to helping young people embark upon their working life. It provides more training than any other organization in this sector.
 4. In the member countries of the European Community there is a surplus of practically all major foodstuffs. Co-op calls for a review of European agricultural policy in view of short supplies in Third World countries.
 5. Prepacked goods are essential to ensure a wide-ranging supply of daily necessities. Such products are generally sold via self-service outlets. Disposable items and discarded packaging materials have created new kinds of environmental problems for present-day society. Air and water pollution are, of course, the most pressing issues, but the co-op devotes serious attention to all such problems, and plays an active role in increasing public awareness.
 6. By virtue of a close association with all co-operative organizations at an international level, Co-op aims to make a contribution towards international peace and understanding.

Housing Co-ops in Germany*

The Housing Co-operatives form part of the German Co-operative Movement which dates from the 19th century and is closely connected with the names of Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch. The intellectual pioneer of co-operatives and non-profit housing was Victor Aime Huber (1800-1869), a Professor of History who specialized in Social Policy.

The first housing co-operative was founded in Hamburg in 1862. 109 housing co-operatives were in operation before the turn of the century.

The Co-operative Housing Movement was slow to develop at first because initially the members had to accept unlimited liability. However, when the Co-operative Law of 1889 was passed, permitting limited liability, housing co-operatives sprang up all over the country.

(There are now 1,196 housing co-operatives with more than 1.7 million members in the Federal Republic of Germany, forming part of the German non-profit housing sector which comprises a total of 1,848 enterprises. The central federation of all non-profit housing enterprises (including the housing co-operatives) in the Federal Republic of Germany is the Gesamtverband gemeinnütziger Wohnungsunternehmen e.V., Köln (German Head Federation of Non-Profit Housing Enterprises in Cologne).) The housing co-operatives

have seats and voting rights in its corporate bodies. (The housing co-operatives, like all other non-profit housing societies, are committed to the principles of public benefit, which means they:

- Aim at providing good housing for all sections of the population.
- Constantly try to improve the housing facilities and the housing environment.
- Perform their social engagement without gaining commercial profit.
- Combine entrepreneurial efforts with the aims of public benefit.
- Pay a maximum of 4% interest on business shares.)

Housing co-operatives are democratic enterprises which spur on their members to personal commitment through self-help and mutual aid. (The Housing Co-operatives in the Federal Republic of Germany have built 1.28 million dwellings since 1950 (744,000 rental flats and 503,000 owner-occupied houses and flats). They have thus made an important contribution to the process of general reconstruction and to the provision of housing for the population since 1945. The total housing stock of the German housing co-operatives is divided up in relation to age as follows:

4.6% date from the period before 1918
18.6% were erected between 1919 and 1945

76.6% are post-1945.

(Dwellings destroyed during the war are not included.)

Due to fusions, the number of housing co-operatives has decreased by 554 to 1,196 since 1950: their economic

* Information provided by the Gesamtverband gemeinnütziger Wohnungsunternehmen e.V. and adapted for publication.

capacity, however, has risen. All housing co-operatives today average a greater number of members, higher paid-up shares per member, and a larger housing stock.)

Housing co-operatives are self-help organizations and, as such, must prove their worth for members as economic enterprises in competitive circumstances. Their efficiency is based on the joint action of the members who participate in democratic decision-making and bear corresponding responsibility.

New Trends

(The growing saturation of the market and declining public support have forced the housing activities to take a new direction which has brought qualitative aspects increasingly into the foreground. This also applies to the field of housing co-operatives. Preservation and improvement of the existing housing stock have become just as important as the construction of new dwellings. In addition, participation in rehabilitation and municipal development projects becomes a further important field of activity.)

Through modernization, flats built in former years have been adapted to modern housing standards. Dwellings from the pre-1940 period, and those erected in the years immediately following 1945, were particularly in need of modernization as the housing shortage engendered by the war made it imperative to construct a maximum number of housing units in the shortest possible time, with the result that quantity took precedence over quality. The modernization of flats involves the solution of technical, economic and social problems. It is important to ensure that modernization maintains the existing social structures as far as possible. The rents charged following modernization must continue to be within reach of the tenants. (The main improvements under-

taken are the following: – installation of baths, indoor WCs, central heating systems and double-glazed windows; sound-proofing; the renewal of facades; and the improvement of outdoor facilities.)

The German Housing Co-operatives have spent over DM 7,800 million since 1962 in preserving the value of their housing units as living accommodations. DM 745 million were invested for this purpose in 1983 alone.)

Improving the Quality of Life

(Urban development and renewal provides further important tasks for the housing co-operatives.) This includes the elimination of badly-planned municipal areas and the development of districts and new towns. The preservation of monuments together with economic and infrastructural requirements, determine the type and scope of rehabilitation measures to be taken. Existing dwellings must be preserved as far as possible. However, the buildings are often in such a bad condition that they have to be demolished. The success of urban development projects is crucially dependent on participation by citizens in target-setting, preparation, planning and implementation of the steps involved. The creation of healthy living conditions is a task for the whole community.)

Housing co-operatives traditionally devote special attention to children and elderly people. Apartments suitable for the aged are constructed, kindergartens are opened, and communal events for people of all ages are organized to encourage the different generations to mix.)

(A "Ring of Housing Co-operatives" has been in existence for several years – numbering 270 member societies to date – which manages almost 500,000 housing units, more than half of the

existing co-operative housing stock. By the "ring system" all the rights which had accrued to a member in his former co-operative are preserved if he moves to another town. The "Co-operative Ring" manifests the co-operative solidarity of the members and contributes to their increased mobility.)

Co-operation and Efficiency

(The co-operative housing principle of "Aided Self-Help" is also applicable to the countries of the Third World. The German Development Assistance Association for Social Housing (DESWOS) – also supported by housing co-operatives – aims at applying experiences gained in co-operative work for the benefit of the developing countries. Special studies are carried out for this purpose, and the co-operative know-how applicable to developing countries is taught in detailed seminars

which are followed by practical courses in German Housing Co-operatives.

Housing co-operatives are economic enterprises managed according to business principles. Competition necessitates increased efficiency and rationalization through constant use of new techniques, both in the housing construction area, and on the operations and management side.

German Housing Co-operatives – born out of necessity – have turned into efficient enterprises prepared to cope with their tasks. The co-operative and non-profit approach is based on the principle that the background to good and healthy housing is not merely a home but also the environment, the neighbourhood and the social life.)

To offer something more than a mere place to live – that is the self-appointed task of all non-profit and co-operative housing enterprises in the Federal Republic of Germany.

The Role of Cooperatives in a Socialist Economy

The Hungarian case

by Dr. János Juhász

In the course of the past 35 years considerable changes have occurred in the economic life of Hungary while the country has maintained its socialist and planned character. The changes affected first of all the approach to planned economy. Initially the socialist planned economy was associated with a central plan containing compulsory quantitative indicators and instructions broken down into production units, i.e. enterprises and cooperatives. The history of the Hungarian socialist economy has shown that the directive planning system cannot assure the efficient and dynamic development of the economy.

The first overall economic reform was introduced in 1968, after a relatively long preparation period. The reforms included two main areas: the methods of planning and the economic management. Direct plan instructions were replaced by so-called economic regulators. Long term plans became the means of development strategy, while short term plans have been considered as economic action programmes. Economic regulators include price, taxation and credit policies, and state subsidies as the main means of economic management. According to the resolution of the 9th Congress of the Hungarian Socialist Workers' Party (1966) the organic unity of a planned central economic management and the oper-

ation of a market mechanism was needed. This was the first declaration of an indirect planned economy to be introduced in Hungary.

The economic reform programme proceeded rather steadily and successfully for a period after 1968. Enterprises gained increased independence and responsibility in decision making and production became more efficient. As a consequence, enterprises became also more differentiated, above all in terms of profitability. After the early seventies the centralized character of the system strengthened, and the whole reform process slowed down.

A new phase of economic reform started in 1979. The efforts made since then have been aiming at continuing the reform process launched in 1968. In other words, and in very general terms, the main objective remains to find the combination and organic unity of centrally planned economic management and the market mechanism. Now that the system of planning and management has been changed, present efforts focus on the third main area of economy, the system of institutions. The intended institution reform has also been closely linked to changing the system of interests.

The economic policy promotes the reform process. Its principles include the lasting maintenance of the multi-sectoral character of the economy. State, cooperative and private activities have been encouraged in various ways. In 1981, for example, a series of govern-

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ment decrees were issued enacting the possibility of operating so called small enterprises in each sector. This is in line with one of the major issues of the entire indirect planned economy, i.e. the question of socialist entrepreneurship, the entrepreneurial behaviour of both enterprises and individuals. Economic organizations are expected to seek ways and means of taking up and carrying on profitable activities at their own risk and for their own benefit.

The above very brief summary of the main general characteristics of the Hungarian economy in the process of continuous reforms also refers to the cooperative movement. Cooperatives, as it is quite well known, play an important role both in the economy in general and in the development processes.

The Significance of Co-operation in the Hungarian Economy

Hungarian cooperatives belong to three large branches corresponding to three main areas of the national economy.

The agricultural cooperative branch is the largest one, cultivating 68.2 per cent of the country's agricultural area and producing 69 per cent of the gross production of agriculture. This branch includes three main models of cooperatives: At present the most general form of agricultural production organization is the farming co-operative. It is the farming cooperatives that we think of when speaking about large-scale socialist agriculture in Hungary. There are 1302 farming cooperatives with a total membership of 868 thousand. The specialized agricultural cooperatives represent a model of agricultural cooperatives different from that of farming cooperatives. There are, at present, 62 specialized agricultural cooperatives with a total membership of 33 thousand

members. The third form of cooperatives belonging to the agricultural branch is the fishery cooperative. Due to Hungary's geographical situation, fishery means fishfarm activity and river fishing. The country's 21 fishery cooperatives are involved in both.

The consumer cooperative branch is composed of the general consumer and marketing cooperatives, the savings cooperatives and the housing cooperatives. The general consumer and marketing cooperatives constitute the largest movement within this branch. The primary cooperatives and the outlets belonging to them cover practically the whole country. The commercial supply of rural areas has been their principal objective and they carry out approximately one third of the total retail trade turnover. The main aim of the savings co-operatives is to provide their members with financial resources on the basis of the principle of cooperative self-help. They operate exclusively in rural areas but the villages are entirely covered by their network. The housing cooperative movement is the youngest in Hungary, with a past of some 20 years. Nevertheless, the movement has developed at a quick pace and includes two different forms of cooperatives, namely, the house building cooperatives (87 primary cooperatives) and the home maintenance cooperatives (984 primary cooperatives).

The industrial cooperative branch gives some 6 per cent of the gross production of industry and covers cooperatives active in various industrial fields, including engineering, iron and metal mass production, the chemical industry, practically all areas of light industry, handicrafts and homecrafts, construction and servicing. There are 539 industrial cooperatives, 96 home- and handicraft cooperatives, 172 construction industrial cooperatives and 65 service cooperatives.

Cooperatives try to find ways and means of responding to the challenges of our times. Attempts and methods of solving dilemmas include structural changes, changing production patterns, making production organization more flexible, making use of horizontal and vertical integration, developing the system of the institutions of cooperative democracy, etc. Some of the structural changes occurring in various cooperatives are dealt with in the following paragraphs.

Diversification Processes, New Developments in the Hungarian Cooperatives

It is a general phenomenon of the Hungarian cooperatives, that they gradually broaden the fields of their activities. As far as agriculture is concerned, one of the most characteristic features of the agricultural cooperatives is that they have also been increasingly involved in non-agricultural activities. These include inter alia various types of businesses such as industry, construction, transportation, communications and trade. These, together with the food industry, are referred to and reflected in the statistics as auxiliary activities, while the agricultural ones are called basic activities.

The farming cooperatives were the first to have started broadening their scope of activities and at present their production pattern could be characterized as a combination of agricultural and non-agricultural activities. This model of production has recently been called "pluriactivity" by the European Commission on Agriculture. There is no farming cooperative without auxiliary branches of activity. Beyond the food industry, they are often involved in industrial and service activities. The gross production value of the auxiliary activities makes up 31.4 per cent of the

total production of farming cooperatives. The average number of auxiliary branches in the farming cooperatives is 5.3. Notwithstanding, the farming cooperatives are, of course, still agricultural holdings. Basic activities have always played the leading role in their production.

The production pattern of specialized agricultural cooperatives is by definition pluriactive. Their original purpose was to promote the individual and family based agricultural production of their members by providing them with production materials and by organizing the processing and marketing of their products (mainly wine and fruits). However, they aim at the establishment of a gradually increasing land area cultivated collectivity, as well as at other joint activities. In other words, the specialized agricultural cooperatives represent an "intermediate" type of cooperative between the promotion types and the productive ones. This presupposes a rather broad scope of activity in which the combination of agricultural and non-agricultural branches prevails. The practice of the specialized agricultural cooperatives verifies this. The share of auxiliary activities in the gross production of specialized agricultural cooperatives came to 58.1 per cent in 1981. This high figure is only partly explained by the fact that it includes food processing.

The pattern of activities in the industrial cooperatives covers almost exclusively industrial production lines. In other words, their diversification policies are mainly realized through industrial innovations. In addition, they may also be involved in some commercial activities, such as the marketing of their own products, the maintenance of their own shops, etc.

Within the consumer cooperative branch the general consumer and marketing cooperatives carry out the

most diversified activities. Besides retail-trading, catering and the purchase of agricultural produce have always been included in their major activities. But their scope of interest is not exhausted by these. General consumer and marketing cooperatives are also involved in a number of other activities, including the provision of services for the rural population (repair, dry cleaning, laundry service, etc.) which have developed steadily and are of extraordinary importance, for there is no other organization that could provide such services for village people. The general consumer and marketing cooperatives also carry out industrial production activity. This line of their activity has developed in the course of the past 10-15 years and is based on local possibilities. Thus they produce building materials, utilizing local raw materials, and are involved in food industries by producing soft drinks and by maintaining food processing plants, bakeries, confectioner's trades, etc.

Furthermore, consumer cooperatives are involved in small-scale agricultural production, and this is the next issue to be dealt with in the context of economic pluralism. Small-scale activities have great significance in Hungary's agricultural output. Small-scale farms roughly make up one third of the total production of agriculture, however, in the case of many products their share is much higher than this. The small-scale types of farms include household plots, auxiliary farms and private farms. Both household plots and auxiliary farms are of a part-time character. Private farms are full-time but their significance is very limited in the country's agriculture. Small-scale farming mainly means household plots and auxiliary farms. Within this group the number of auxiliary farms is somewhat larger than that of household plots. At the same time the production ratio of household plots and

auxiliary farms is 58:42. This goes to show that there are important differences between the two types of part-time family farms.

The household plots are the small-scale family farms of the farming cooperative members. Actually, each farming cooperative is composed of a joint farm and a number of household plots. Between the two a particular division of labour prevails aiming at an optimal "symbiosis". Within this, the leading role is played, and the bulk of production is given by the joint farms. Household farming allows for the fuller utilization of available economic resources and the human resources of the cooperative, primarily in respect to labour-intensive branches. Household plots help to meet the needs of the population, and the income of farming cooperative members from their household plots is about one-third of their total income. In addition, family members who are not members of the co-operative, or who are not even in an agricultural line of work, can also get involved in agricultural production. In this respect, household farming represents a particular cooperative form of part-time agricultural production.

Auxiliary farms are called the part-time farms of co-operative employees and other wage-earners, and include both hobby-farms and market oriented family farms. These small-scale activities contribute approximately 13 per cent of the total agricultural production. The great number of small-scale farms and their high output makes the integration of their activities important. This is accomplished in two major ways at present. The integration of household plot activity is carried out by the cooperatives (farming and specialized agricultural) themselves, as we have seen above. The integration of auxiliary farms has traditionally been carried out by the consumer cooperatives, either through

a simple contract purchase or through the agricultural production associations. The latter represent a particular model of co-operatives involved in agricultural production.

The integrational links of small-scale farms have been gradually broadening in such a way that integration is built up more functionally, regardless of the type of holdings. In other words, this means that agricultural cooperatives integrate auxiliary farms, and household plots also join agricultural production associations of consumer cooperatives. The reason for this is the fact that the viability of small-scale farming depends to a great extent on how they are integrated into the whole of agriculture. In this respect their "symbiosis" with the large-scale farms is of decisive importance.

It should be noted here, that the model of production associations has recently been introduced by the industrial cooperatives as well. Over 300 industrial production associations have already been organized with an average membership of 5-7. Speaking of the industrial production association, mention should finally be made of the latest institutional changes and institutional experiments carried out by the co-operatives in Hungary.

As a general feature, the institutional experiments proceed in two main directions. One of them is the decentralization attempts within the existing cooperatives and the other one is the

establishment of new institutions that have not existed before. In agricultural cooperatives decentralization is promoted by widening the range of relationship between the joint farms and household plots. In addition, family based activities are extended to certain works of the joint farms through so called family cultivation (share cropping). Some farming cooperatives considerably increase the financial and operational independence of the production units within the cooperative. Indeed, farming cooperatives may, and do, create affiliated firms.

Independent units are created also by the industrial cooperatives. Furthermore, in the field of the industrial cooperative movement, more than 200 new small cooperatives have also been established during the past two years. New industrial and service activities have been launched by special associations working within the framework of general consumer and marketing cooperatives. Among institutional experiments, consumer cooperatives have introduced the so-called "leasing on contract" method by which cooperative retail shops are run by private people.

The institutional changes mentioned above have recently been introduced and are of experimental character. Therefore, the experiences gained so far do not allow their evaluation. These, and other new experiments, will be tested in the course of the continuing reform process.

The Role of the Co-operative Movement in Developing African Economies *

by Sam Mshiu**

By historical measures, co-operatives are a recent and modern phenomena in Africa. Most of the co-operatives in Africa were founded in the past sixty years or so. Some scholars have argued that there were co-operatives in Africa long before colonial rule. This argument may be a result of the confusion between co-operation in various economic and social activities and the co-operative as a formal institution with defined structures.

This paper attempts to look at the role of the co-operative movement in developing African economies. The argument is that so far, co-operatives have proved to be a vital institution in economic development in African although some problems have also been noticed. However, it will be noted later that these problems are not inherent in the co-operative as an institution and thus they could be solved.

Agriculture, and specifically small peasant farming, to this day represents the economic foundation of most African countries. Beside deriving a livelihood for the majority of their population from agriculture, the majority of African countries also depend on this small peasant farming to earn foreign exchange. This makes small peasant farm-

ing, even more important as this foreign exchange is indispensable as a means of purchasing machinery, replacement parts, medicines, raw materials and fuel for development.

Thus co-operatives among the peasants who produce the vital crops are essential in ensuring the efficient production and marketing of crops.

In agriculture, most of the co-operatives in Africa have concentrated on marketing the products of peasants and commercial farmers.

However, some of these co-operatives have also facilitated production by providing farm inputs and production credit to their members. The marketing role played by these co-operatives is of great importance since it has, to a considerable extent, contributed to economic growth at national level and at the level of rural development. This means that proper marketing has acted as a stimuli for peasants and farmers to produce crops which are vital for their well being and national development. The marketing of agricultural products has been a more important issue for small peasant farmers than for large scale commercial farmers. This is in regard to the marketing co-operatives. For many peasants the marketing co-operative has been the only available and reliable outlet for their crops.

Farming & Business

Commercial farmers organized their own marketing – whether it was on a co-operative basis or not. Most of these

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A true co-op is also a forum where ideas can be exchanged.

farmers in Africa were foreigners and had external connections which facilitated their marketing and even the supply of capital. In many cases these farmers were in competition with the small scale peasants for land and labour, and thus would not help in marketing the small scale producers' crops, or else they would be going against economic law. Before independence these commercial farmers were also favoured in various forms. For example, in Eastern, Central and Southern Africa, road and railway transport was concentrated in the commercial farmers' areas. The small scale producers' areas were generally neglected. This made the marketing of the peasants' crops difficult, and in some cases impossible.

The result is that in many parts of Africa, many peasants never bothered to begin cash crop production due to a small or in-existent market. Consequently, these peasants were left behind in the wind of economic development.

In Tanzania for example, the old non-cash crop areas are even today backward as compared to the traditional cash crop areas. In these traditional cash crop areas, co-operatives played an important role in marketing crops. (Traditional cash crop areas are those which started to grow cash crops in the early years of the colonial period).

Since the colonial period, there had been European trading houses and middlemen buying from the peasants to sell to exporting firms. However, there was no way these European trading houses could reach a considerable number of these peasants as they occupied very large geographical areas. The export firms never wanted to incur large expenses by trying to reach these small producers over wide areas with poor or no communication.

Thus co-operatives in these small-scale farming areas played the crucial role of organizing marketing for peasants' products. The cash returns from

these crops have helped peasants to improve their lives and expand the rural economy. They have also greatly contributed to the well-being of peasant families since, for many peasants, this has been the only way to obtain enough money to cover their childrens' school fees. The education of these peasant children has indirectly contributed to the social and economic development of African countries. Few will dispute the fact that many African heads of state, prime ministers, ministers, scholars, doctors, engineers, etc. have their origin in the rural areas and were brought up by peasant families.

As already mentioned, there had been middlemen in Africa, buying crops from the peasants to sell to export firms. However, this has not reduced the importance of co-operatives in developing the farming economies. Several reasons account for this. Firstly, these middlemen have traditionally been unreliable and have failed to reach many peasants. Secondly, history has shown that these middlemen have no interest in the economy and welfare of the peasants. They have been paying the lowest prices possible and often cheating the peasants. This had been so serious that we have some examples in East Africa, where both the colonial and independent governments had to intervene to restrict the expansion of these middlemen and, in some cases, even abolish their trading activities completely. Where this occurred the governments encouraged the creation of co-operatives among the peasants to facilitate the marketing of their crops.

Co-operatives were able to stabilize prices through price stabilization funds. This is very important in economic development because it prevented many peasants from giving up the production of cash crops, which are so important for economic development, due to fluctuations in prices. These fluctuations

are particularly severe in Africa because there are few industries to absorb the cash crops produced as raw materials. Most cash crops are therefore exported, making the continent vulnerable to the forces of the world market. The practice of price stabilization, which has been widely used by co-operatives in Africa, has made their role in economic development a very crucial one.

Resources & Economic Pattern

The question of resources is very important in economic development. In Africa it is even more important because most of the economies are very poor in both absolute and relative terms. Many development plans and projects have never gone beyond the stage of the drawing room due to the shortage of the resources necessary for their implementation. The question of co-operatives finds relevance here because most co-ops in Africa have been started with the members' own resources. In the case of crop marketing, it has been noted that the peasants raised the original capital through the profits made on the sale of their crops, and built their own offices and warehouses. In a sense, this is a net saving to the national economy, because the government would have to invest in a company or a crop authority to carry out the same duties. Where planning was good, the resources thus saved have been used for other important projects.

These co-operatives have not only been founded and funded by peasants. For many of the small scale producers, the co-operative was the first modern economic institution which they had to deal with. The co-operatives thus helped in shaping the peasants attitudes towards economic development. Co-operatives were innovative in encouraging peasants to grow new crops etc.

They built schools and hotels which have, in one way or another, contributed to economic development. It can easily be noted that in East Africa, the areas where co-operatives were most strong are also the most developed areas both in terms of production and in the number of institutions like schools and hospitals.

So far this paper has dealt with marketing and consumer co-operatives. This is not incidental because these two categories are among those which constitute the majority of co-operatives in Africa. Other types of co-operatives are also prevalent and have contributed a great deal in developing African economies.

Co-operative savings and credit societies are common in most countries of Africa, and in many they are very strong. In addition to mobilizing local savings, they also promote thrift and encourage the prudent use of money among their members. In the rural areas where commercial banks are not easily found, these co-operatives play a key role in safeguarding peasants' savings and in providing short and medium term loans to their members for various purposes. Thus some members may take loans to build or furnish their houses while others may take loans for expanding direct production such as farming. Many individual and co-operative projects have been financed through loans made available by co-operative savings and credit societies. Similar in purpose, but slightly different in structure, are co-operative banks, also common in many parts of Africa. These are formed and owned by individual co-operators directly or through their existing co-operative societies and have played a major role in financing the co-operative movement generally. At a time when commercial bank interest rates are constantly increasing beyond the reach of ordinary peasants – or for that matter

co-operative societies – the interest charged by these banks have generally been lower than that of commercial banks. What is more, whatever surplus is accrued by these institutions normally reverts to the member-owners. In Botswana, Kenya, Mauritius and Uganda where co-operative banks are very strong, they are economically very important institutions, providing loans and other financial services to various sectors of the economy – such as agriculture and industry. Thus they have contributed immeasurably to the development of the economies of the countries concerned.

These lending institutions are of special importance because most of our peasants and even many commercial farmers and small business or factory owners are poor and need loans at reasonable rates of interests to be able to expand their scales of operations.

Co-operatives have greatly contributed to rural development. For most African countries, rural development is a good measure of the overall national development because, as already mentioned, the majority of their populations are living and earning their livelihoods in the rural areas. Beside promoting crop production, the same co-operatives have provided transport and consumer services to their members and non-members alike, at prices lower than private business. This has contributed to rural development and so have the other institutions founded and funded by co-operatives, such as schools and shops providing inputs like seed, insecticides and fertilizers.

From a planning point of view, co-operatives have proved more useful in economic development than have, for example, middlemen and export companies which can not be included in the national plan. The ministries embracing co-operatives (or agriculture) have always found it easy to draw plans on

rural areas by taking the co-operative in the village as the starting point and unit of planning. This applies to crucial operations such as marketing, supply of farm inputs and provision of other important services like tractors or better bred animals for cross breeding.

Problems & Solutions

As pointed out earlier, co-operatives in Africa have also faced problems. Opponents of the movement have been very quick in pointing out these problems. But as already mentioned, none of these problems are inherent in the idea of co-operatives or the co-operative movement. Problems such as misappropriation of members resources may be due to shortage of skilled manpower or ignorance on the part of committee members. This can be solved through correct, well organized and co-ordinated plans of training for both members and employees of co-operatives. The problem of low prices has also been pointed out. However, this accusation is in most cases short-sighted because the question of prices may be beyond the power of the village co-operative, or even the union. In many African countries prices are fixed by government authorities taking into consideration factors like the world market and government tax. Thus co-operatives may have little influence in raising prices and hence we must commend them for the various measures they have taken in price stabilization.

Housing co-operatives have helped in providing loans, in cash or in kind, for their members at non-commercial rates of interest. These members have been able to build modern houses and raise their standards of living. This has also boosted the building industry and relieved the housing problem. But the most striking aspect as far as housing co-operatives were concerned was that for

most members of the co-operative movement this was the only way of obtaining loans at reasonable interest rates for building houses. Given the acute housing shortage in Africa, and especially the problem of slums or dilapidated housing, the question of housing co-operatives has to be taken more seriously by members. In addition, more encouragement from governments should be expected.

The co-operative movement has played a considerable role in industrial development. Co-operative industrial ventures have included cotton ginning, and coffee curing in, for example, Kenya, Tanzania and Uganda; vegetable oil production in Zambia and the dairy industry in Kenya. These ventures have directly contributed to the economies of these countries and even helped in earning foreign exchange through export. They have also acted as stimuli for peasants and commercial farmers to produce more crops and animal products. These particular co-operatives employ more people than the other types of co-operatives discussed in this paper. This is due to the very nature of factory production which employs many people over a small geographical area. Thus these co-operatives have helped in creating employment. The other co-operatives mentioned have also helped in creating jobs though not as many as those created by industrial co-operatives, at least in realtive terms.

As already mentioned, co-operatives have always been funded by their members. Thus when we measure their contribution vis-a-vis government and other non-government economic institutions, this has to be taken into full account. In addition, co-operatives have operated other large sectors of African economies. It is not uncommon for example to find in some countries, that a whole crop is handled through co-

operatives. However, even when the sector where the co-operative movement is involved is big, the qualitative factor must be taken into account. Co-operatives are members' own institutions and are democratic. The control and operation of a sector of the economy through co-operatives is thus a step, not only in economic development, but also in realizing the intellectual potential of citizens of a particular country.

In conclusion, the co-operative movement has a big part to play in the future economic development of Africa. Few African economies can afford expensive government ventures for economic development. The co-operative movement will, therefore, remain the necessary and suitable institution. Experience convinces us that when co-operatives are formed and run by members, they grow in size and economic competence. Since members see them as their own institutions, they have faith in them. Take the example of

food production. Few realize how co-operatives could play a great role in solving this problem in Africa. Hunger is at present the most immediate and most visible economic crisis in the continent. Sub-Saharan Africa has remained the only region in the world where food production per capita has declined in the past two decades. The average calorie intake per capita has now fallen below minimal nutritional standards in most African countries. About 150 million, out of Africa's 450 million people, suffer from some form of malnutrition due to an inadequate intake of foodstuffs. The problem has remained for such a long time that we have to start questioning old explanations like weather and political disturbances. Co-operatives can, besides buying and distributing surplus food, help in providing the vital farm inputs required at reasonable prices to both peasant and commercial farmers. Besides crop production, the same can be done in producing animal and sea foods.

Cooperative Health Care Delivery Systems

by E. Morgan Williams,
Stewart A. Kohl and Rory Cohen*

Cooperatives have played a rich and vital role in the development of pre-paid group health in the United States. These cooperatives have a continuing prominent place in the United States health care industry. New types of cooperatives, as well, may be developed in the 1980s to meet the rapidly changing nature of health care in this country.

The health industry is in a dynamic time of rapid change. The past few years have seen fast-paced changes in policy and direction in both the regulatory and financial communities. Ambulatory care organization is an alphabet soup of HMOs (Health Maintenance Organizations), for example Individual Practice Associations (IPAs), Pre-paid Health Plans (PPDs), and Meshes (joint ventures between doctors and hospitals). All of these entities are different forms of arranging the relationship between the health care provider and the health care consumer to maximize resources and quality of care.

The HMO idea was formalized into national policy under the Nixon Administration in the early 1970s, through the work of Paul Ellwood and others. Federal subsidy in the form of feasibility and start-up grants and loans, as well as through extensive management training programs, led to substantial growth in health maintenance organizations during this decade. According to Interstudy (a Minneapolis health care consulting firm), there were 265 plans operating in

the United States in 1982, representing a 9.1% growth over 1981. These plans enrolled 10,831,229 members, up 5.5% from 1981.

The HMO industry is in a state of change. Since 1978, there has been a 45% increase in the membership in national HMO firms ("chains" that manage multiple HMOs) so that they now account for 5,391,835 members, or one-half of the total HMO enrollment. (In comparison, enrollment in independent HMO firms rose by only 26% in the same period.¹) This trend reflects acquisitions and mergers as well as new plan development.

Another trend is the conversion of non-profit organizations to investor-owned for-profit entities. This has been accompanied by the unprecedented sale of public stock for for-profit HMO companies. In 1982, U.S. Health Care became the first HMO to convert to a for-profit status and to sell over-the-counter stock offerings. In 1982 six of the 265 operating HMOs converted to profit status², most of them in California where changes in state legislation made such conversions possible. In all, there were 56 for-profit companies in 1982. The Department of Health and Human Services has for the past two years contracted with the Touche-Ross consulting firm to produce an *Investors' Guide to HMOs*. The Department has also recently set up a department on "Private Sector Initiatives". The purpose of this department is to woo private investors into the HMO market, while concurrently working with non-profit plans to make them more attractive to potential investors.

* E. Morgan Williams is President, and Stewart A. Kohl Vice President, of the Cooperative League of the USA (CLUSA). Rory Cohen is a graduate student of the Yale School of Public Health.

The above trends and statistics paint an interesting picture of what our comprehensive health care delivery system might look like by the turn of the century. National, investor-owned HMO chains will control large market shares.³ IPAs and PPOs (Preferred Provider Organizations) because of their dramatically lower capital start-up costs, will develop widely, giving physician-providers a continuing leadership over service/policy decisions. Ellwood and others have prophesied that the HMO of the 1990s will look a lot like an insurance company, with physicians paid on a salaried or capitation basis, and most third-party payers reimbursing prospectively.⁴

Certainly a good case can be made for the benefits of increased private sector involvement in the health industry. The increased fiscal accountability can lead to greater attention to cost-containment, streamlined management, creative facility and staff planning and utilization, and peer review.

However, the economic, political, and professional control of the industry influences other important health care issues such as distribution of care, accessibility, resources for health education and health promotion, relationships of staff to community, and community health planning. In the clamor for the "privatization" of health care delivery, little attention has been paid to the potential negative effects of a health industry whose bottom-line responsibilities are to the protection of stockholders' investments, rather than to the quality of care.

The current system, bolstered as it has been by federal dollars and technical support, has been far too limited in its ability to respond to the increasing "health care gap", a gap which includes the nation's unemployed (usually ineligible for HMO enrollment) and uninsured (currently accounting for approxi-

mately 25% of the population).⁵ Although private health insurance does cover a majority of the population (70% in 1978) coverage is uneven. Deductibles, co-payments, limitations and exclusions restrict access to many types of care that have long been known to have the greatest long-range positive effects on the individual as well as the public health; services like preventive care visits, home care, dental care, and non-physician based obstetrical care. The gap also includes rural Americans, accounting for almost 25% of the population.⁶ Analysis of for-profit HMO development, shows a tendency to target the growing areas of the country, such as the sunbelt, while rural health facilities continue to struggle under the strain of reduced federal input and a diminishing wage-base.

So, the "system" is already inadequate. The question of whether the private sector can, or wishes to, do a better job, or will exacerbate the situation, is one which must be asked and pursued.

How could cooperative ownership of health delivery organizations affect the trends noted above? That, too, is a question that bears scrutiny. A look at the history of cooperative health care organizations can begin to provide an answer.

The United States is unique in supporting a consumer-controlled health industry. There are examples of cooperative health experiments in other countries; these are generally governmental and agricultural cooperative collaborations to provide basic, primary care to rural areas. As early as the 1900s, American labor unions in New York City sponsored health centers. In 1929, Dr. Michael Shadid began the cooperative health movement through his long, and often fruitless, work to set up a cooperative hospital for low-income families in Elk City, Oklahoma.

Also in the 1920s, doctors began to organize in group practices, offering services on a pre-paid basis. This laid the groundwork for the formation of the Group Health Association of Washington, DC in 1932, the oldest and largest existing consumer-controlled Health Maintenance Organization in the country.)

Health Care Cooperatives in the U.S. Today⁷

(There are 10 consumer-controlled health maintenance organizations currently operating in the United States.⁸ The plans cover large metropolitan areas such as Seattle, Washington and Washington, DC, and more rural areas, such as St. Cloud, Minnesota. Wisconsin and Minnesota, where the cooperative philosophy is well understood and accepted, are the most active states for cooperative HMOs. Minnesota has, for example, 4 out of 12 consumer-controlled HMOs.

As of 1982, total enrollment in cooperative HMOs was 706,278 or 7% of total HMO enrollment. This figure represents an 18% increase from 1980 enrollment figures. This is consistent with the overall increase in HMO enrollment of 16% in the same period. Hospital utilization for cooperative HMOs is consistent with the total average weighted annualized hospitalization rate of 412 days per 1,000 members. Cooperative HMOs employed 2314 physicians in 1982.^{9,10}

All cooperative health maintenance organizations noted in this paper are recognized for tax exemption under chapter 501(c)(3) or (c)(4) of the Internal Revenue Code. All are incorporated as non-profit, under the cooperative laws of their states. They are all staff or group-model plans, with the exception of the newly acquired Spokane plan, which is an IPA. These plans account for an estimated \$400 million in annual revenues.¹¹

Governance of Health Care Cooperatives

The distinction between cooperative, or consumer-controlled, and non-profit, consumer-oriented HMOs has not always been clear. Cooperative guidelines and principles handed down from the early Rochdale Pioneers form the criteria used by state incorporating bodies, cooperative lending institutions, and organizations like the Cooperative League of the USA.

The guidelines apply most directly to agricultural and other produce and marketing cooperatives. Because of their consumer *orientation*, many non-profit health organizations may function in a manner similar to that of a cooperative. However, health care organizations with self-perpetuating bonds, or without effective consumer-control of their governing bodies, may not be considered bona fide cooperatives.

(A commonality in cooperatives is that the consumer, through an electoral process, is given *control* of the Board of Directors. Some health organizations distinguish between "members" and "users" – members being those consumers purchasing a membership or a share of stock in the corporation.) A recent survey of seven cooperative HMOs¹² showed that four permit all adult users voting rights, while the others restrict those rights to those who paid either an annual or a lifetime membership fee. One cooperative allows one vote per subscriber contract. Because of that distinction, voting eligibility in these cooperatives ranges from 100% to 3.8% of all adult users. (All seven cooperatives use a nominating committee to present nominations for Board seats to the general membership. The average number of Directors is 15, with an average length of tenure in office of 3.6 years. They hold an average of 10 Director Meetings per year. As with other types of cooperatives, the number

of consumers taking advantage of voting privileges is very low, with a range in the cooperatives surveyed of 0.04% to 15%.)

Cooperatives as Private Sector Initiatives

There is a need for more substantial research into the advantages and disadvantages of the cooperative form of business, particularly in reference to its future role as an alternative to investor-ownership in the health care industry. Studies comparing consumer-sponsored to physician-sponsored HMOs show little difference in basic service coverage. However, there do appear to be significant differences in individual enrollment practices, complaint procedures, and extra medical and social care benefits.¹³ These studies must be updated and expanded, but they lay a base for the hypothesis that cooperatives can offer an alternative to for-profit conversion that will maintain the consumer, and not the stockholder, as the ultimate beneficiary in the health system.

While a detailed discussion of capital formation for cooperatives is beyond the scope of this paper, a few basic issues can be raised. A cooperative is a private sector business, owned and controlled by its members. It must run on sound business principles, and its projects must be as "bankable" as any other business entity.

A basic cooperative principle is that of limited return on invested capital, assuring that profits from the operation of the business are returned to the consumers. Nevertheless, it is theoretically possible to structure cooperatives to allow outside investors to receive a substantial return on their investments. Also, cooperatives allow the generation of equity capital by the sale of memberships to consumers – a condition fairly unique in health care organizations. In

addition, cooperative health firms can take advantage of membership in the family of American cooperative business, an advantage that includes access to cooperative agricultural and rural electric cooperatives, and to cooperative lending institutions. For the most part, this advantage has not been utilized to its fullest to date. The Cooperative League, working with the health and other members, is seeking to promote greater interest between health care and other types of cooperatives.

The debate over health care financing in the 1980s has two major competing philosophies. One centers on the market place as the best determinant for health care expenditures. This stance is countered by those who believe that when the return on stockholders' investments becomes the pre-eminent consideration in delivering health care, the consumer, and particularly the low-income and uninsured consumer, will suffer. Access to health care, therefore, can only be assured through subsidization, government planning and regional and national policy making.

The cooperative business structure answers both critics. It offers the opportunity for private sector involvement in health care, without the loss of community involvement in decision-making. The business must run with a revenue margin sufficient to maintain and expand operations, but it is a programmatic, and not ultimately a profit, incentive that spurs efficiency and quality.

Consumer control is reflected in programs offered by cooperatives. For example, Group Health of Puget Sound, a highly successful and financially sound organization, has a loan fund available to help recently unemployed members cover their premiums for up to six months. The board will not carry such a program beyond the boundaries of fiscal responsibility, but the very

existence of the fund reflects the community's impact on board policy.

The cooperative structure also dovetails with the self-help philosophy being promulgated among health providers, educators, and actuaries. Consumers are being encouraged to actively participate in their own health care through lifestyle adjustments, home care, and support groups. In a cooperative, this movement is strengthened through encouraging members to actively participate in how their health care is managed and delivered. Elderly consumers in Seattle, for example, have successfully lobbied for a "Senior Wellness" program at their health care cooperative, and are enthusiastically involved in its planning and implementation.

The cooperative form of organization may be most tangibly beneficial in rural areas. An informal look at HMOs in rural areas, those with enrollments of 10,000 members or less, suggests that break-even points are lower for cooperatives than for non-cooperatives. Using the cooperative model, communities in Eau Claire and Two Harbors, Minnesota were able to organize successful HMOs where the Office of Health Maintenance Organizations, employing conventional structures, had failed.¹⁴

Other Cooperative Health Organizations

Up to this point, the discussion has centered on the role of cooperatives in Health Maintenance Organizations. There are other areas in the health field where the cooperative model could be, and is being, employed.

Non-HMO Type Cooperative Ambulatory Health Organizations

In addition to HMOs, there are examples of fee-for-service health care

cooperatives, such as Midpenninsula Health Services in Palo Alto, California. There are also many examples of small producer health cooperatives; entities that are owned, and/or collectively controlled, by the staff and health care providers. There is currently no formal association, or even an informal network, for these types of organizations.)

Cooperative Federations of Community Health Centers

Historically dependent upon federal dollars, community health centers are being encouraged to explore alternate financing schemes that will help them to survive and expand in the current economic environment. Many creative financing options are being explored. Some clinics are developing for-profit subsidiaries, such as home care services, that will generate revenues for the health center. Others are considering reorganizing with a fee-for-service component. Both of these options could be organized cooperatively. A third option proving highly successful in some areas is the formation of federations of health centers. These federations, some based on chartered state associations, can formally incorporate and enter into contractual obligations with leasing or insurance companies, for example. The cooperative structure soundly complements the health centers founding alliance with its community, at the same time allowing greater participation in the private sector. Thus, it is a logical step for these federations.

Multi-Institutional and Shared Services Arrangements

The American Hospital Association and the Federal Government have been encouraging the development of shared services arrangements among U.S. and Canadian hospitals in the past few years.

These arrangements are generally touted to be the wave of the future, as hospitals increasingly compete for their market share, constantly looking for ways to lower their expenses and expand their service capability. This is especially crucial for rural, non-profit hospitals. The Wisconsin Rural Hospital Cooperative, for example, is a group of 10 non-profit hospitals that have incorporated as a cooperative to share services, do group deposits of overnight revenues, and explore other advantages to that form of network. For a \$ 100 joining fee, plus an annual assessment, hospitals were experiencing \$ 9000 per year in savings after the second year of operation.

As with HMOs, for-profit hospital chains are gaining larger proportions of the hospitals market share. The investor-owned share currently amounts to 52%, and that share is expected to increase.¹⁵ Cooperative federations, such as the Wisconsin example, allow hospitals to band together in strength, reaping the advantages of multi-institutionalization, while retaining local control.

Optical, Pharmaceutical, and Other

There are many other health-related industries that could be cooperatively owned, outright, or through the aforementioned associations and federations. Cooperative Services Optical, Inc., has been in existence since the 1960s, providing eye examinations, glasses, and contact lenses to its members. Cooperative Optical is also unusual because it works through labor unions as the intermediary representatives of its consumer users. Cooperative pharmacies have also been developed. Cooperative "elderly day care centers" could offer a dignified plus cost-effective, alternative to institutionalization for adults with dementing illnesses.

In short, we have not yet come close to exhausting the possibilities for cooperative health care delivery in this country.

The cooperative principle is a strong one in America. Its motive is to organize our economy with consumer interests dominant. The health care industry also has a unique history of cooperation. That industry is at a crossroads. Decline of federal largesse in the health domain has brought the issue of support and organization of our health care delivery system more sharply into focus. Consumers, business leaders, and policy makers must now ask "How do we want our health care system to be organized – and in whose interest?". Cooperatives could play a major role.

APPENDIX A

The following entities are recognized as cooperatives by the Cooperative League of the USA because their members and/or users exercise control over the board of Directors, with elections being held according to cooperative principles.

1. Group Health Association of D.C
2. Group Health Plan, Inc., Minneapolis, MN.
3. Group Health Cooperative of South Central Minnesota, Madison, WI.
4. Group Health Cooperative of N.E. Minnesota, Virginia, MN.
5. Group Health Cooperative of Eau Claire, MN.
6. Group Health Cooperative of Puget Sound, Seattle, WA (including Spokane INA, recently acquired by GHCP, Spokane, WA)
7. Family Health Cooperative, Milwaukee, WI.
8. Central Minnesota Group Health Plan, St. Cloud, MN.

9. Community Health Center, Inc., Two Harbors, MN.
10. Metro Health Plan, Indianapolis, IN.

- ¹ INTERSTUDY, 1982 National HMO Survey
- ² Venture Magazine, June, 1983
- ³ Touche-Ross, INVESTORS GUIDE TO HMOs, 1983
- ⁴ Yale School of Organization and Management lecture, 1983
- ⁵ HEALTH CARE DELIVERY IN THE UNITED STATES, Jonas, ed.
- ⁶ Rural America figure of U.S. citizens living in non-metropolitan areas.
- ⁷ For a good history of cooperative health development see the pamphlet "Consumers Organize for Health Care" Center for Consumer Affairs, University of Wisconsin - Extension.

- ⁸ See Appendix A for list of consumer-controlled HMOs.
- ⁹ This figure includes Spokane INA, which employs 1500 physicians.
- ¹⁰ INTERSTUDY report, "1982 HMO Census".
- ¹¹ Estimated from Tom Schomisch data, Consumer Cooperative Membership Participation Survey, Group health Cooperative of South Central Wisconsin, March, 1982.
- ¹² Consumer Cooperative Membership Participation Survey, Tom Schomisch, Secretary of the Board of Directors, Group health Cooperative of South Central Wisconsin, March, 1982.
- ¹³ Schwartz, Scrome. "Consumer Sponsorship and Physician Sponsorship of Prepaid Group Practice Health Plans: Some Similarities and Differences". AJP, Vol. 55, No. 1. January, 1955.
- ¹⁴ Dean Lund, Group Health Plan, Inc., St. Paul, Minnesota.
- ¹⁵ MODERN HEALTH CARE, May, 1983, pp. 89-100.

"One of the units of Group Health Inc., Minneapolis".



Although Berkeley Co-op has been traversing a difficult period (see "Hard Times for Berkeley Co-ops", ICA News, February 1984) the Co-op continues to contribute to the strengthening of international relations. — Ed.

International Relations of the Consumers Cooperative of Berkeley

by David Klugman and Wendy Gleason*

The Consumers Cooperative of Berkeley (CCB), California, has an inherent tradition of cultivating international relations. This is not surprising, since CCB reflects the nation, characterized by John F. Kennedy as a "Nation of Immigrants". Among the pioneers of CCB in 1937 were many Finns and among CCB's "movers and shakers" over the years, many were either born abroad or were first or second-generation Americans. This, quite naturally, gave CCB an international flavor, a trend of seeking ties with the rest of the co-op world.

The Berkeley pioneers, inspired by Dr. Toyohiko Kagawa, a Japanese clergyman and social worker and nurtured by memories of co-ops in Scandinavia, in Central and Eastern Europe, sought to overcome the Depression by forming a co-op. Once CCB had become the largest consumers co-op, in volume and membership, of the continental United States, it grew into a magnet and a guide for co-ops the world over.

* David Klugman and Wendy Gleason are both members of the CCB Committee on International Cooperation.

International Ties

Indeed co-ops world-wide are a physical part of the Berkeley Co-op, for at one of our supermarkets there grows a spruce tree from the co-ops of Norway and a pine tree from the co-ops of Scotland. At another supermarket, the society's flagship, we mixed soil contributed by co-ops from all over the world with the earth of the ceremonial groundbreaking to remain forever imbedded in the planted areas surrounding the building.

International "Days", "Weeks", "Festivals" are a CCB tradition. Each year we celebrate "Black History Week". While this is an American event, it focuses on the African heritage of American Blacks. Equally each year CCB celebrates "Cinco de Mayo", the 5th of May, a proud date in Mexico's history*, with dances, music and foods from south of the border.

We have had "India Day", "Israel Day", "Palestine Refugee Day".

Our Festivals are a combination of sales promotion, cooking demonstrations, cultural events and emphasis on a country and its co-ops.

* Commemorating Mexico's victory at the Battle of Puebla in 1863.

Major Festivals featured Japan in 1964, France in 1965 and Scandinavia in 1968. Each festival lasted a week, attracted huge crowds, increased sales and gave the impetus to top co-op officials from the respective countries to visit Berkeley. In the other direction, Ray Thompson, a black community leader, then CCB's Vice-President and a promotor of co-op travel, visited Sweden in 1968, receiving a tremendous welcome from KF.

Our shelves are filled with goods from around the world, from Scotch marmalade to Ethiopian mocha, a veritable treasurehouse of international foods and ethnic delights.

Especially strong ties have developed between the Berkeley Co-op and Japan.

Not only have we established a sister-co-op relationship with Nada Co-op in Kobe, which 45 of our members visited in 1973, but 100-125 Japanese store managers visit us annually during their American Retailing Seminar program.

Two Japanese trainees worked in our stores for 6 months in 1960 and 1970 respectively, one of whom now serves as an Executive Director with Japan's Consumers Cooperative Union.

In terms of training, we have provided training for co-op employees from Canada, Denmark, Japan and Micronesia.

Anne Dorst, the Co-op's Administrative Assistant, then a member of the Board of Directors, represented us at Nada Co-op's 50th anniversary in Kobe, also visited by former Controller George Yasukochi.

We have been honored by visits from co-op officials from countries as diverse as Iceland and Botswana, the Philippines and India, and many others in-between. The Visitor Service of the U.S. State and Labor Departments has placed the Berkeley Co-op on the "must see" list for foreign dignitaries.

A Japanese delegation of 300 cooperators, who attended the U.N. session to plead for a Nuclear Freeze, stopped over to break bread and meet with us before returning home.

Our own Board of Directors has officially endorsed the idea of a bilateral nuclear freeze.

The Berkeley Co-op grew from a hole-in-the-wall operation in the late 1930s into a network of 10 supermarkets until recently, and from a handful of member-families to over 110,000, experiencing joys, pains and oddities on the way. Possibly no oddity was greater, in terms of international relations, than the election, in 1963, to the Board of Directors of a black, female member who successfully campaigned for her seat while in Ghana... and won.

Co-op Travel Program

In the 1960s a co-op travel program of charter flights was launched and members took off for Europe, Mexico, Japan, Ghana and other destinations by the planeload. Over the years well in excess of 15,000 members have used this service, some including visits to co-ops as part of their tour, an eye-opener for many of them. A Ghana flight took Black Americans back to their roots.

Charter flights are handled through a committee of volunteers, at no cost to the co-op.

United Nations

Berkeley Co-op has a strong commitment to the United Nations. Indeed, UNICEF operates a salesroom in our largest supermarket. Not only do we support the U.N., UNESCO and UNICEF, but we originated the idea, which has spread nation-wide, of substituting pennies (and other coins) as donations to UNICEF, for the sweets American children traditionally collect



A Peace Delegation of Japanese Co-operators presenting Berkeley Co-operators with flower garlands in 1982.

on October 31 (Halloween). Of course we also sell UNICEF cards every Christmas season.

Technical Assistance

Active and retired Berkeley Co-op officials have provided, and are providing, technical assistance to co-ops in Asia, Africa, Latin America and Oceania. From Ethiopia to Yap, in the Central Pacific, from Ecuador to Malaysia, from Liberia to Honduras, local co-ops are happy to welcome experts who have come to help.

Nestlé Boycott

Berkeley Co-op members have long been concerned by The Nestlé Company's policies in regards to infant feeding in the Third World and have joined

millions of other consumers in the USA and abroad in protesting and in boycotting the company's products. This too, is seen as an international aspect of our co-op, because it builds member awareness of consumer issues world-wide.

New Ideas for International Relations

In order to formalize CCB's international relations, Fred Guy, President of the Board of Directors, recently suggested an ad-hoc Committee on International Cooperation be convened. The Committee has held several meetings seeking to expand and to strengthen our connections with co-ops world-wide and has written to dozens of countries to that effect. A series of articles is planned for

our house organ, the Co-op News, to broaden members' understanding of the international co-op movement.

The Committee has discussed a wide range of activities, to encompass technical assistance, the formal greeting and hosting of foreign visitors, and the marketing of foreign-produced co-op goods, as we are already doing with Bolivian handicraft sales, which are handled by volunteers in our various supermarkets.

An idea has been proposed to establish a system of bed and breakfast home hospitality, under which Berkeley co-operators would welcome co-operators from abroad. An agreement with foreign co-ops could lead to reciprocity in home hospitality. That would save co-

op members a lot of money and greatly increase co-op travel.

Co-ops interested in exchanging information with the Berkeley Co-op are invited to write to:

Committee on International
Cooperation
c/o Ms. Wendy Gleason
1241 Berkeley Way
Berkeley, CA 94702
USA

The authors wish to thank George Yasukochi, Emil Sekerak, R. Frederick Christmann, Fred Guy and Robert Schildgen for their contributions to this article.

Portrait of a Funeral Co-op

by Kenneth R. Reeves* and David Klugman*

The High Cost of Dying

There is the American way of life, as there is the American way of death. The latter is expensive and geared to maximum profit for the undertaker at a time of emotional stress for the bereaved survivors. Indeed, the greed of some unscrupulous undertakers (self-styled "funeral directors") had become so obscene, their high-pressure marketing technique so outrageous, that a reaction set in. In the 1960s authors Jessica Mitford and Ruth Harmer ripped the veil which had purposely covered a subject supposedly taboo. Now funeral became acceptable dinner table conversation and "pre-need" arrangements came to be common.

Co-ops are geared to service and here is a service everyone will need some day, like it or not.

The Bay Area Funeral Society (BAFS) of California was formed in 1955 as one of the organizations affiliated with the Consumers Cooperative of Berkeley. It makes sense to try to beat the high cost of dying the co-op way. Here is how:

Operation of a Funeral Co-op

BAFS does *not* provide funerals. Rather it negotiates contracts with certain ethical funeral establishments. Under the contract the co-op guarantees that the charges the members will have to meet are the ones listed in the agreement.

* David Klugman is Executive Director, and Kenneth R. Reeves, Executive Secretary, of the Bay Area Funeral Society, Berkeley, California.

There is a one-time membership fee, currently of \$15 per person. At the time of need the co-op member uses the services of the funeral company for which he or she has expressed a preference, for burial or cremation. About 80% choose cremation.

A small office staff of volunteers handles the day-to-day affairs of the society. One of the staff is the Executive Secretary. His experiences illustrate the operation of a funeral co-op:

«One evening I answered the telephone. It was a friend, the President of the Bay Area Funeral Society. Would I like a part-time job, fifteen hours per week at \$4.00 an hour? I did not even ask "what?" before saying "yes", Sixty dollars a week sounded wonderful.»

And that is how, in 1979, I came to work for the Bay area Funeral Society.

The one-room office was upstairs above a Berkeley co-op supermarket and I found two women - not members of the Society - doing the office work. I was to replace the 22 year-old "Executive Secretary"; the other woman worked eight hours a week doing all the filing.

So, Sir Galahad to the rescue! After two days of "training" I was on my own, except for the filing clerk, who obviously knew more than I did and was very helpful. One month later she quit.

And for the balance of that year and the first two months of 1980 I tried to run the show without going crazy" but not in fifteen hours a week, even though that was all I was being paid for. I kept telling the Board of Trustees that the situation was impossible. They all nodded in agreement - but did nothing.

I knew of an organization called "Retired Senior Volunteer Program". The woman in charge handed me a big pile of papers and told me to "help myself" to any of the potential volunteers listed. I wrote down thirteen names, addresses and telephone numbers. Twelve of them gave me resounding "NO's". The thirteenth (no matter 13 being a so-called unlucky number) said it sounded interesting and that she would try it. I felt like kissing her over the telephone.

The morning she was to start I telephoned and offered to pick her up. She accepted and when I rang the bell, out came a tiny little black lady, seventy-five years of age; I now believe in miracles! Martha Ann Hilliard saved that job for me – I could not do it alone any longer – and, indirectly saved the Society from going out of business. We had taken in \$7,000 that year but spent \$12,000; and you cannot do that too long unless, like the government, you can print the money.

Since taxes were taking much of my part-time income, I decided to become an unpaid volunteer, like Martha Ann. And so the Society became the first and, as far as I know, the only one of the five "big" Societies in California to have unpaid office help. Martha learned the ropes and did all the filing. I took care of the telephone calls and tried to make changes to better insure our future.

Problems

We had been badly hurt by two things: One was the arrival on the scene of a mortuary *business* using the word "society" in their name. Their huge advertising campaign almost killed us. Before they arrived, our Society was accepting about 1,000 memberships a year – our only source of income. Starting in 1976 new memberships dropped off – to 775 that year, 581 in 1977,

down to 339 in 1979. Non-profit, consumer-oriented Funeral/Memorial Societies like ours had no funds for advertising.

The other thing that hurt the Society was the tendency of previous Board of Trustees to spend extravagantly. At one point they were paying a previous Executive Secretary \$750 a month, when that was BIG money. They paid \$5,000 for a slide show that is so dated, it is no longer usable. In all fairness, in one month in 1965 the Society entered 400 new memberships – at \$10 each that was \$4,000 in the till. The Board must have thought they had struck oil! Hindsight always being clearer vision, they should have pinched each dollar until it hurt! One Society in the Pacific Northwest had done so and now has \$100,000 invested at 17%, which covers the office help and more.

Vignettes

It has been an interesting five years. Mostly with the telephone, though an occasional letter also brightens the day.

I quickly learned that in California cremated remains can be buried or scattered on private land, with the owner's permission. In other words, if you own your home you can plant Aunt Daisy in the backyard beside the roses; she will even make them blossom better!

I noticed that a lot of calls concerned scattering cremated remains in the Regional Parks along the crests of the hills above San Francisco Bay. I called Park Headquarters to ask if this was permissible. I reached the right man, who laughed and said he knew why those requests were coming in. Years ago, the relatives of a man who had played golf on one of the Park's golf courses for fifty year, asked for special permission to scatter his cremated remains on the golf course! Permission was granted and the word had spread. My informant was of

the opinion that lots of cremated remains were being scattered under the bushes in the dead of night!

Our church, atop a ridge, overlooking the Golden Gate, the Pacific Ocean's gateway into San Francisco Bay, is blessed with eleven acres, much of it untamed hillside land. I found out that the Church Board of Trustees had ruled that any member in good standing could have their cremated remains buried on church land in this superb setting.

Most of the mortuaries we list are above reproach and there have been few complaints from members. I have had to cancel one contract and to send out one letter stating that no more complaints would be tolerated or cancellation would result. Mostly people complain about overcharges and I usually manage to get the mortuary to make a refund, when I find that the complaint is justified.

However I had a call from an irate member whose husband had died. His body was to be shipped out of California to the family cemetery plot, had to be embalmed, placed in a casket, inside a sealed shipping container, and the mortuary had started out suggesting the cost would be \$1,500 – plus the services of the mortuary at destination. The widow felt this was too much. I agreed and went to have a heart-to-heart with the manager, pointing out that our members were different. Unlike the way mortuaries dealt with the general public, i.e. starting with a high price and coming down, our members had to be given the cost of each service required and *they* must be given a chance to add it up. When we started adding, it came to a few dollars less than \$1,000 – plus the air fare which we cannot control. The manager got reprimanded by his head office and I went home with a headache. But our member was satisfied she'd been

treated fairly.

The wildest one, however, were two young men who stormed into the office one day, to inquire if there was any reason they could not pick up their grandmother's body at a nearby hospital and transport it to the family ranch up in the mountains, for burial there in the family plot, where her husband was buried, as was her family, going back over one hundred years.

I asked them what kind of vehicle they had to transport Grandma in, with visions of the old girl sitting in the back of a small Japanese car. They had a big station wagon. So I told them that if they could get a death certificate signed by the doctor, they could get the Health Department to issue a permit to dispose of human remains. With that they could gather up Granny and haul her off to the family plot. As far as I know, this is what happened. However not many people in these days of dependence on others providing such services are up to a "do-it-yourself funeral".

Postscript

A new law, passed on April 30th, 1984 by the Federal Trade Commission (FTC), after this article was submitted for publishing, rather changes the picture regarding the funeral business in the USA. The agency's new regulations make it compulsory for funeral directors to state each component of a funeral service and present an itemized list to the client (instead of the usual practice of quoting a bulk price, based on the cost of a cask). Misleading statements concerning cremation, embalming, etc. are specifically prohibited.

Effective August 1st, the Bay Area Funeral Society will be located at the Lutheran Church of the Cross office building, Room 209, 1744 University Ave., Berkeley. For further information on the society, please send a large, stamped, self-addressed envelope to Box 264, Berkeley, California 94701.

Book Review

Co-operation for Survival

by Koenraad Verhagen

An analysis of an Experiment in Participatory Research and Planning for Small Farmers in Sri Lanka and Thailand.

(Foreword by Roger Kerinec, President of the ICA)

Co-published by the Royal Tropical Institute, Amsterdam and the International Cooperative Alliance, Geneva. Paperback, 248 pages, Price: S.Fr. 14.—.

Available by post from the ICA —

Price S. Fr. 16.— (including postage).

"July, 1979, marks an important milestone in the long and difficult struggle against poverty and hunger; the adoption by the World Conference on Agrarian Reform and Rural Development, in Rome, of a Declaration of Principles and Programme of Action... the Charter of the rural poor." So, with that familiar mix of good intention, pious hope, and bureaucratic jargon opens the introduction to "The Peasants Charter" (FAO, 1981). And, it goes on, "Growth is necessary but not sufficient; it must be buttressed by equity and, above all, by people's participation in designing, implementing, and evaluating rural development programmes and policies." Great stuff, with which no right-minded person could possibly disagree. But the familiar high-sounding phrases of international declarations are not in themselves effective action; and, too often, are not even a prelude to action. Certainly the author of "Co-operation for Survival" would vigorously applaud the sentiments thus expressed; if looking with a somewhat sceptical eye at some of the proposals made.

Indeed, one of the main contentions of this study is that, too often, intervention by development agencies, both national and international, has been counter-productive to the development of Co-operation. And before readers of this review begin to marshal the statistical evidence in defence of the agencies, let me hasten to add that the author identifies a distinction between the development of Co-operatives and the development of Co-operation. He sees the one as concerned with the creation of organizations, labelled Co-operative, which do not always practice what they profess, or necessarily pursue their own set objectives; and the other as a process of developing and harnessing Co-operative attitudes in the pursuit of equity and social justice. His particular concern is for "small farmers", that sector of the rural population who, defined by income level and productive capacity, can properly be called the rural poor. The book is the result of a research study conducted in Sri Lanka and Thailand under the joint auspices of the ICA and the Royal Tropical Institute

of the Netherlands and funded by the Netherlands Government. The author acted as research co-ordinator, and the field research in each country was carried out by local teams, comprising a part-time university-based researcher assisted by two full-time field researchers. The study was centred around two main issues: the development of a methodology of intervention by "Group Promoters" at village level; and the design of an Action Programme which would provide the impetus and framework for purposeful interaction between that level and supporting agencies.

It is widely admitted that traditional Co-operatives in most countries have failed to help improve the conditions of the most deprived. Indeed, there is evidence to suggest, and this study supports it, that, by assisting the better off farmers (for example, those with holdings large enough to produce surplus crops for market) and so deploying scarce development resources largely to their advantage, many Co-operative development schemes have been detrimental to the interests and welfare of the really poor. Even where Co-operative institutions, and sponsoring authorities, make deliberate efforts to ensure that services relevant to their needs are available to poorer farmers, it is frequently found that the levels of practical assistance and participation are very low. For example this study shows that, in the area studied in Sri Lanka, the only service of the local multi-purpose Co-operatives significantly used by small farmers was the supply of basic, price-controlled consumer goods; and there was no small farmer representation on the committees of any of the societies. Neither the operations of the existing Co-operatives, nor the Government Agricultural Services centres, had any direct impact on small farmer production or, therefore, income.

But the value of this study is not in the critique it makes of traditional approaches to Co-operative development among the rural poor. It lies, and very significantly, in the practical and field-tested proposals for future action. Verhagen and his colleagues have been engaged in a process of action-research designed to develop an intervention strategy based on the principles of active participation and self-reliance in seeking to satisfy self-perceived needs. While he criticises the failure of traditional Co-operatives to respond effectively to the needs of the rural poor he, nevertheless, remains a convinced apostle of Co-operation as the most practical and socially desirable solution. In making this case he does not avoid the challenge of either practicality or ideology. The economic case for small farmer organisation based on "issue-oriented functional groups" in order to improve production, and so personal and national wealth, on a diversified base, is amply demonstrated; and a strategy for promoting such development which has been researched and field-tested is described in methodical detail. Any such strategy, it is argued, must take its direction from, and be based on, the two fundamental principles of Co-operative organisation – self-reliance and member-participation. Only development strategies which evoke the power and efficacy of these two mutually supporting principles can offer real hope with dignity for the rural poor. But for the power to be effectively released, and for the dignity to be there, it is crucially necessary to rely on these human resources; and to be very sure that their development is fostered, not inhibited, by any support given to them. It is a powerful and important argument. The more so because in recent years there has been a growing tendency, particularly within some development agencies, to suggest that some alterna-

tive form of organisation for the rural poor might have to be sought. If Co-operatives have failed, the implication goes, Co-operation might not be the way. But may not the fault lie in the way Co-operatives have been sponsored and organised?

There has been a massive accumulation of experience in the past three decades about how to organise Co-operatives for various purposes. What has been missing in Co-operative development policy is a comprehensive theory on how to generate authentic forms of Co-operative action and organisation, particularly for the poor. This study is an effort, based on field research, to develop a methodology of intervention (translated as "promoting and encouraging") consistent with, and in pursuit of, the true objectives of Co-operation – self-reliance and people participation. It illustrates that the sense of dependency fostered by some development policies may be a more significant obstacle to genuine Co-operative development than poor management, apathy, illiteracy, or any of the other commonly cited problems.

A schematic representation of the "participatory approach", advocated by the author, as compared to the "conventional approach" to Co-operative development, nicely summarises and contrasts the two approaches; and is published as an appendix to this review. This could, perhaps, be criticised for giving insufficient attention to the needs for education and training. An odd blind spot since the study acknowledges that levels and quality of member participation are considerably influenced by the level of literacy, and by the sense of dependency and futility among the very poor. But perhaps the author only

wishes to emphasise the value of practical demonstration and experience as a process of learning.

Because this was action-research, the work has already had an impact in the areas where it was carried out. The small farmers in those areas now know much more than they did before about what they can achieve by working together. Whether or not the impact of the work will be wider depends partly on the national and international agencies responsible for promoting development. To a paradoxical, and frightening, extent these agencies too often have a vested interest opposed to any approach which minimises control by themselves. Can they overcome this and accept that more work and responsibility for "promoters" means less for the "controllers"; can they bring themselves to embark on an act of faith and confidence – in people? In any event, this book is well worth careful study by anyone interested in giving practical reality to the aspiration of the World Conference's Declaration of Principles and Programme of Action – the Peasants' Charter. It is a valuable addition to a scarce resource - literature on Co-operative development policy. As such it is welcomed as a source of study and reference, particularly for policy and decision makers, and for persons studying Co-operation at graduate level. In its Policy for Co-operative Development adopted by Central Committee at the 1982, Rome, meeting the ICA committed itself to taking "an active part in the search for innovative models of development programmes". This study is a good example of what can and needs to be done in that field.

T.N.Bottomley

CO-OPERATIVE DEVELOPMENT APPROACH

Exerpt from "Co-operation for Survival"

Schematic representation of differences in development approach.

Conventional approach:

Co-operation as an instrument for reaching national objectives

Simultaneous nation-wide intervention

Targeted towards all (male) farmers

Expansion of co-operative sector according to directive, structural plan

The development activities to be undertaken are determined and planned by project authorities and experts

Uniformity. Blue-print model(s) of co-operative organization

Official registration first. Activities follow

Substantial capital injections from external sources

Emphasis on external supervision by co-operative 'inspectors'

Multiplication of model units under bureaucratic pressure

Larger co-operative units emerge by forced amalgamation or unionization

Co-operative fieldworkers visit villages

Workplans of fieldworkers are imposed from the top

Residential training courses (classes) for co-operative leaders

Occasional ex-post evaluation by detached outsiders

Participatory approach

Co-operation as an instrument for strengthening the economy of the poor majority, i.e. Small Farmers

Concentration on micro-regions by special Projects

Focus on the majority of poor SF households

Natural expansion (organic growth) facilitated by SF cadres

SFs participate in problem analyses, identification of development activities, and planning

Variety. Different forms of co-operative organization

Activities first. Registration may follow

Pooling and mobilization of internal resources

Emphasis on internal control by co-operative members

Multiplication of small co-operative units; local leaders act as 'multiplying agents'

Larger units emerge by voluntary association

Co-operative fieldworkers ('Group Promoters') live in villages

Fieldworkers are assisted in drafting their own workplans

Village 'Workshops'. Deliberate effort to develop SF cadres

Monitoring and ongoing self-evaluation (MOE)

The listed features in their mutual dependence constitute together a theoretical basis for project design and implementation. However, the scheme should not be treated as a fixed, exhaustive model of what a participatory project *must* be like. The spectrum of approaches capable of generating authentic co-operative development is much wider than possibly the above listing would suggest. It is hoped that the 'practice-theory' presented in this study will be supplemented, changed, reformulated and improved by an ongoing critical analysis of implementation problems and project achievements.

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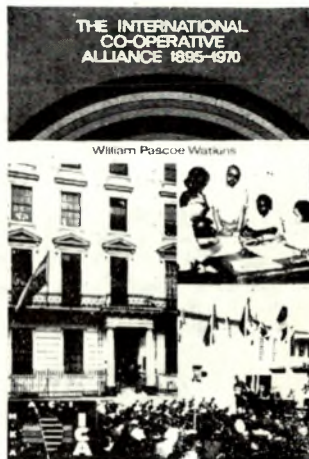
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**International
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Alliance**

Review of International Co-operation

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IN THIS ISSUE:

**Portraits of the New ICA President and
Members of the Executive Committee
Dilemmas of Organizational Success
Co-op – Past, Present and Future
Land Purchase in the Solomon Islands
Transport Co-ops in France
Co-operatives for the Disabled in Czechoslovakia
Job Creation through Worker Co-ops
History of the Yugoslavian Co-operative Movement
Fisheries Co-ops in Korea
Tribute to Jerry Voorhis
Resolution on Co-operative Press
Book Review**

The International Co-operative Alliance

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

It comprises organizations in every continent, and its total affiliated membership through national organizations exceeds 360 million from consumers, agricultural, housing, credit, workers' productive, artisanal, fishery and other co-operative societies.

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

It promotes, through auxiliary trading, housing, banking and insurance organizations, 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 to co-operation.

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

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

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

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International Co-operative
Alliance

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Contents

Portraits	
The New ICA President Mr. Lars Marcus (Sweden) by <i>Helge Lundberg</i>	2
Members of the Executive Committee	
— Mr. R. Mathimugan (Malaysia) by <i>H.P.S. Samsudin</i>	3
— Mr. Jørgen Thygesen (Denmark) by <i>Poul Dines</i>	5
— Mr. Lloyd Wilkinson (United Kingdom) by <i>E.T.M. McDonnell</i>	6
A View on Dilemmas of Organizational Success in Co-operatives by Dr. Musa S. Khalidi	8
Co-ops – Past, Present and Future by <i>David Klugman</i>	11
Land Purchase in the Solomon Islands by <i>John Launder</i>	16
Transport Co-operatives in France by <i>Hubert Le Cesne</i>	21
Co-operatives Help the Disabled by <i>Eva Kratochvilova</i>	24
Job Creation Through Worker Co-operatives by <i>Raymond Donnelly</i>	29
Forming of Co-operatives in Yugoslavia Towards the End of the 19th and Beginning of the 20th Century by <i>Luka Petkovic</i>	35
The Fisheries Co-operative Movement in Korea by <i>Lee Eun-Soo</i>	40
A Tribute to Jerry Voorhis by <i>David J. Thompson</i>	50
Resolution – Recommendations Concerning the Co-operative Press	54
Book Review – Chinese Co-operatives by <i>Leonora Stettner</i>	55
List of Regional Offices and Affiliated Organisations.	57
INDEX for 1984	68

Portraits

The New ICA President

by Helge Lundberg



- Name:** LARS MARCUS
- International position:** Newly elected president of the ICA
- Present national position:** Vice executive president of Kooperativa förbundet (KF), the Swedish Co-operative Union and Wholesale Society
- Other assignments:** Board member of SIDA, the Swedish International Development Authority
Board chairman of SCC (Swedish Co-operative Centre) the joint co-operative organisation for assistance to developing countries
Board member of KOOPI, the Swedish Co-operative Institute
Board member of KF's subsidiary Luma, manufacturers of electric bulbs
Board member of the Swedish section of World Wildlife Fund
Board member of Co-op AG, Frankfurt
- Age:** 59, born 8th April, 1925
- Civil status:** Married to Annhelen. Has two daughters. Lives in a co-operatively owned flat (HSB Housing Co-operative Group) in downtown Stockholm.
- Hobbies:** Mr Marcus is an avid reader. Reads two books a week on average. Prefers memoirs on politicians and statesmen.
Tours the art galleries once a month.
Takes care of his country house in the outer archipelago of Stockholm and likes to go sailing.

In his youth, Mr Marcus and another young Swede, Olof Palme, today Sweden's Prime Minister, took the initiative in creating what was to become the «Sweden Helps» fund-raising campaign. This activity laid the foundation for the subsequent Swedish efforts in favour of the developing countries, which later on led to the Swedish Government's undertaking, known as the «one percent target», to allocate one percent of the GNP to development aid.

In 1952, Mr Marcus was employed by Sweden's largest co-op society, Coop Stockholm, where he served for a long time as assistant to the society's legendary and internationally well-known president, Carl Albert Andersson, who was also Lord Mayor of Stockholm for many years. During his years with Coop Stockholm, Mr Marcus worked primarily with information, education and member relations and

also established many international contacts. He became a member of Coop Stockholm's executive management committee in 1965.

Since 1975, Mr Marcus has been head of KF's division for information, member education, publishing, and international affairs.

Mr. Marcus has been a member of the ICA's central committee since 1975 and a member of the executive committee since 1980.

During the period from 1960 to 1976, the post of president of the ICA was held by another by another representative of KF and the Swedish co-operative movement, Dr Mauritz Bonow, who was also a member of KF's management. Thus the Swedish cooperative movement is resuming a tradition and very much appreciates the confidence shown by the election of Mr. Marcus as president of the ICA.

Members of the Executive Committee

Mr. R. MATHIMUGAN

by H. P. S. Samsuden

Mr. R. Mathimugan, aged 45 (21.2.39), the Managing Director and Chief Executive of the Co-operative Central Bank Limited, Malaysia started his co-operative career in 1964 as an employee of the Malaysian Co-operative Insurance Society Limited (MCIS). He rose through the ranks to become, in 1969, one of the four Divisional Heads reporting directly to the Chief Executive. He obtained his professional qualification in Insurance (A.C.I.I.) in 1968 from the Chartered Insurance Institute, London. He at-



tended a 6 month's Insurance Training Programme which took place during 1965/1966 at the Swiss Insurance Training Centre in Zurich and CIS Manchester and took the opportunity to visit co-operative societies in Switzerland and United Kingdom.

In 1969 he was elected President of the Insurance Institute of Malaysia.

While pursuing his career in MCIS he became actively involved in the co-operative movement's overall activities and in 1966 was appointed Secretary of the Co-operative Union of Malaysia's Education Committee and also Editor of the Malaysian Co-operator. In 1970 he was appointed Director of the Co-operative Union of Malaysia holding this position until 1982, when he was elected to be one of the Vice Presidents responsible for Planning.

In 1968 he was elected to the Board of the reorganised and reconstituted Co-operative Central Bank Limited (CCB) and in 1972 he was elected to the Board of the Malaysian Co-operative Agencies Society Limited and appointed Secretary.

In November 1973, on the demise of the General Manager of the Co-operative Central Bank Limited, the Board appointed him General Manager of the Bank as a transfer from the services of MCIS Ltd. to CCB Ltd. In 1975 he was elected to the Board of the MCIS Ltd.

Mr. R. Mathimugan is today, in addition to his duties as Chief Executive of the Bank, Vice President (Planning) of the Co-operative Union of Malaysia, Vice Chairman and Chairman, Executive Committee of the Malaysian Co-operative Agencies Society Ltd., an executive member of the Boards of the

Malaysian Co-operative Supermarkets Society Ltd., the Malaysian Co-operative Printing Press Society Ltd., the Federation of Housing Co-operatives Ltd., and of the Workers Bank, Malaysia.

He was awarded a gold medal for distinguished service to the co-operative movement in 1977 by the Co-operative Union of Malaysia during ICA International Co-operative Day celebrations.

He has made speeches and addressed seminars and conferences, at local, national and international level, on co-operative principles and practices, insurance, credit & savings, member relations and participation, and public relations.

His first attendance of an ICA meeting was as an observer of the ICA Congress in Paris. He became a member of the ICA Central Committee in 1976 and a member of the Regional Council for South-East Asia in 1982.

In the Public sector he was appointed by the Minister of Trade & Industry, Malaysia to serve in the Council of the National Productivity Centre for 2 years, after which he received a letter of appreciation for his services.

With his election to the Executive Committee of the ICA, for which he is thankful and grateful to members of the Central Committee, he intends to rationalise his duties at home to enable him to carry out his new functions effectively and to the best of his ability.

He is married and has one child, a boy of 11 years. His wife was a teacher before becoming a fulltime housewife two years ago. His hobbies are very limited due to pressure of time.

Mr. JØRGEN THYGESEN

by Poul Dines

Mr. Jørgen Thygesen was born in Copenhagen in 1919. He started his career in the co-operative movement in Denmark in 1935 as assistant in a shop of the Co-operative Consumer Society of Copenhagen (Hovedstadens Brugsforening). In 1945 he became manager, and in 1956 he was appointed as general manager, of the Co-operative Consumer Society of Copenhagen which was the largest consumer retail society in Denmark at that time. In 1973 the society amalgated with FDB which was at that time a wholesale society. In 1963 Jørgen Thygesen spent two years in Switzerland as director of "Gottlieb Dutweiler Institut für Wirtschaftliche und Sociale Studien" (GD Institute for Economic and Social Studies). Returning to Denmark he offered his assistance as international consultant and adviser of management and reconstruction until, in 1967, he became general manager of a co-operative firm, the Dairy Company Denmark.

From 1969 he worked as a management consultant becoming, in 1972, manager of the Labour Press Company which publishes one of the largest daily newspapers in the country. In addition he has held a number of important posts in the co-operative and labour movements e.g. as member of *Stiftung im Grüene* (Foundation Green Meadow) in Switzerland from 1952-66, of State Administration Council set up by the Government 1965-69, member of an Organization Committee of the city of Copenhagen (1966-76), officially appointed censor in the branch of marketing at the Copenhagen Business and Administration School (1966-84), member of the Board of the Labour Press (1971), Chairman of the National Union of Co-



operative Building Society (1972-80) and Chairman of The National Union of Workers' Co-operatives (1973-80). From 1973-1980 Jørgen Thygesen was also a member of the executive committee of the Danish Social Democratic Party. During the same period he was a member of the Executive of the Economic Council of the Labour Movement, and from 1979 - 1983 he was a Government-appointed member of the Royal Greenland Trade Company Committee. From 1972-1984 he was a member of the ICA Central Committee and earlier, in the 1950s was active in various ICA Auxiliary Committees.

In 1978 Jørgen Thygesen became a member of the Board of Directors of FDB. From 1981 he held the position of vice-chairman of FDB and for six months (1982-83), due to the death of the chairman, Mr. Thygesen was acting chairman. Shortly after the election of a new chairman of FDB in the spring of 1983, a position for which he did not apply, Mr. Thygesen was again appointed as vice-chairman of FDB, a position he is still holding. Jørgen Thygesen's intensive involvement in the co-operative and labour movement has

often motivated business societies and boards of directors to ask him to reorganize their society. Very often Jørgen Thygesen has acted as a reorganizer or constructor of co-operative firms suffering from financial and organizational difficulties. Thygesen has offered his experience to societies from all co-operative sectors and even private enterprises. Recently he has contributed actively to a reorganization of the Danish Co-operative Consumer society, FDB (Danish Co-operative Wholesale and Retail Society).

Mr. LLOYD WILKINSON

by E. T. M. McDonnell



Mr. David Lloyd Wilkinson, chief executive officer and general secretary of the Co-operative Union of Great Britain, has been associated with the Co-operative Movement since leaving school. That means he has links existing for something in the order of 30 years which, barring accidents, will eventually stretch to half a century.

He was educated at a Yorkshire grammar school and worked in the retail side

of the Movement before entering the Co-operative College in 1958. Subsequent to obtaining his Co-operative Secretary's Diploma there (he is also qualified as a Chartered Secretary) he joined the Co-operative Union in 1962 as a senior assistant in the Research Statistical Department.

Mr. Jørgen Thygesen, the father of two adult children, lives in a suburb of Copenhagen with his wife Else. In his leisure time this is the spot which provides possibilities to practise some of his interests e.g. classical music, literature. He is an accomplished pianist and also appreciates the more secular things in life. He has an extensive knowledge of French wines and boasts a small but excellent wine-cellar.

In 1967 he was promoted to assistant research officer and, two years later, secretary to the North-eastern section of the Co-operative Union. Three years later he was appointed research officer and was made assistant to the general secretary in 1972.

A year later he became assistant general secretary and had barely begun to find his feet in his new post when the general secretary, Clarence Hilditch, died, and in September, 1974 Lloyd Wilkinson found himself acting general secretary. Two months later he was confirmed as general secretary and three years ago his job title was expanded to that of chief executive officer and general secretary, reflecting the added demands of the post in the 1980s.

He is a member of the management committee of Euro Co-op and the Consumers' Consultative Committee of the EEC. He joined the Central Committee of the ICA in 1974 and was elected to

the Executive in 1982. In addition he represents the Co-operative Union on a number of official bodies in the United Kingdom.

During the late 70s and early 80s he has had to advise the Central Executive as the Co-operative Movement has sought the path it must now follow. And while the Co-operative Union has no power to compel member societies to do anything, it has, under the leadership of Lloyd Wilkinson, a strong influence through plain speaking, based on accu-

rate facts and information.

Some positive personal successes have been recorded during his tenure: he has created a modern image for the Union and has ensured that the presentation of the annual Co-operative Congress is second to none.

Married, with a son and a daughter, it is difficult to imagine that this busy man finds time for leisure pursuits. But he will admit that he enjoys listening to classical music.

A View on Dilemmas of Organizational Success in Co-operatives

by Dr. Musa S. Khalidi*

In recent decades, the study of complex organizations has moved from a scientific management approach to a human relations school, and then to decision-making and other perspectives. All of these studies were formulated in the interest of understanding and fostering productivity and efficiency for organizational structures. Their focus was on internal conditions in organizations, if a measure for their success was to be discovered. It is only more recently that our attention was drawn to the need of understanding organizations within a context of a surrounding environment, implicating organizations in a cultural setting, networks and biases. The new environmental approach can be conceived as a nested box problem for formal organizations. As Charles Perrow explains this problem in a book on complex urbanizations:¹

"... inside each box is a smaller box whose dimensions are constrained by the larger box. Each box is independent to some extent of the larger boxes (and the smaller ones within it), and can be analyzed as such. But it is also quite dependent upon the shape within and without it."

The Environment

In co-operatives, as pointed out by Professor Chevalier,² what needs to be recognized is the challenge to formal co-operative organizations for maintaining their autonomy within a framework of an interdependent co-operative system relevant to the environment in which it exists. In co-operatives, members and staff are part of groups, and groups are parts of a co-

operative, and co-operatives are part of an industry, and an industry is part of the system of social organization in society. So if we want to analyze any co-operative, we have two avenues: one is the view of infinite regress in which, for example, a co-operative can be perceived as being made of groups, and groups of individuals, whose needs first and foremost must be served and satisfied – and that is the regress that must be fulfilled. The other view calls also for perceiving a co-operative as existing with other co-operatives in an industry, composed of private and government enterprise, and the industry in a region,

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and the region in a nation, and the nation in a world system, and that is the infinite progress. So unless co-operatives are willing to integrate horizontally with other co-operatives and extend in practice generic co-ordination to capitalist corporations and public (Government) enterprise, their contribution to the well being of society, in areas which are critical, will be insignificant. In other words, co-operatives will not have an impact on Canada's declining economic regions, nor on Canada's relative economic decline in a world system, if they do not take the initiative of introducing a new interdependent form of generic co-operation that involves the three types of organizations, i.e., co-operatives, capitalist corporations, and government enterprise. As Prof. Chevalier put it in his 1980 publication on the real co-operative challenge,³ the challenge

"... is to give priority and apply resources to critical Canadian issues, ... to give priority to development of co-operative mechanisms... Such mechanisms would interact closely and often be integrated with capitalist and government enterprise, unlike the *cordon sanitaire* which tends to exist around the co-operative system today."

Democracy, Structures and Efficiency

However, whichever form of integration (vertical, horizontal or a combination of both) is decided upon, it must be noted that this will occur within complex bureaucratic structures, and a reliance on the expertise of professionals and a minority of elected members. This raises a serious concern about the role of the rank and file of members in co-operatives

that constitute the most democratic form of any business organization. It is co-operatives that partially set the stage for what appears nowadays a an irreversible process of de-bureaucratization and democratization of the industrial process. This renders a need for continuity of an inward looking focus, more so in co-operatives than in any other form of business enterprise. A co-operative is unlike other forms of corporations in that it is supposed to be entirely dependent upon the involvement and dealings of its members, and not upon customers other than its owners. This is important for ensuring an adequate turnover of business volume, making the business economically viable. Another way to ensure an adequate volume of business is to have an enlarged but less committed membership, which inherently creates the condition where an active minority is likely to maneuver the decision-making process as in any other form of large corporation or large voluntary organization. And that would be a violation of the democratic principle on which any co-operative is founded.

Commitment, Expertise and Education

Needless to say, the notable device of representative participation in large societies, as a substitute for direct representation, retains a large element of the democratic principle, but subordinates, it at the same time, to the interest of maintaining efficiency in business operations. It is true that these practices may allow an active minority to have a decisive influence on the organization, and be a nuisance to management and the experts, thus restraining oligarchical tendencies in voluntary organizations. But it is also possible that involvement in decision-making is inhibited even by an

active minority, if this active minority is largely reduced by the power structure to the ratification of pre-arranged proposals (i.e., alternatives pre-set by management). In either case, it is suggested that "unrepresentativeness" will subordinate the principle of democratic practice in favor of a more adequate service. And an adequate service by a large co-operative may be mistakenly construed as capable of subsequently mending the internal democratic structural problem, on the assumption that members will be satisfied and eventually become more involved.

Jacky E. Trevena has aptly dealt with this problem in his working paper, in 1983, on purposeful democracy for co-operatives.⁴ His suggestion that "... methods other than meetings are needed to improve the democracy in co-operatives," is worthy of serious consideration. And even within an existing traditional co-operative control structure, means can be devised, as advanced by R. Duane Bristow, to reinvigorate democratic structures by articulating the communication and information system for planning purposes, by mutual learning groups, networks, and group interests-based planning.⁵

In conclusion, this leads us to the point that the success of a co-operative is contingent upon two intertwined processes - innovation for outward growth, and growth from within. The position of any co-operative is implicated in both an infinite process of progress, and an infinite process of regress, one outward leaning on integration, and the other inward, focusing on the democratization process. If both processes can be adequately dealt with (and I believe they can), then perhaps it can be said that co-operatives may influence the ideological character of society, rather than maintain an insignificant contribution by following the dictates of one principle at the expense of the other.⁶ Until then, neither small groups of dedicated members and educators, nor a more effective management can be relieved of intrinsic contradictions.

The contents of this paper were presented as a commentary on Professor Michel Chevalier's Keynote Address: *Dilemmas of Organizational Success in Co-operatives*, 1984 Association of Co-operative Educators' Institute, held in Winnipeg, Manitoba (June 13-15, 1984).

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Co-ops – Past, Present and Future

A Round-table Debate centered on Berkeley, California

by David Klugman*

Jean Boniface, long the editor of "Le Coopérateur de France", the review of French consumer co-ops, has called Berkeley, California, "the conscience of America". the city on the shores of San Francisco Bay, with a population of 112,000, has spawned the renowned University of California, Nobel laureates, Olympic athletes, as well as some of America's most successful co-operatives (for consumers, students, sportsmen and women, bookworms, artists and others). Here was a good venue for six cooperators, whose combined co-op experience spans over 200 years, to meet at the request of the editor of the Review of International Co-operation, in order to spend a sunny April afternoon reviewing co-ops in myth, in practice, in history, and, hopefully, draw some helpful conclusions.

The Brainstormers included:

- Emil Sekerak, co-author of "Consumer Co-operation – the Heritage and the Dream". Emil organized co-ops in Japanese-American detention camps during World War 2 (110,000 Japanese-Americans were interned in camps) and served as Education Director of the Consumers Cooperative of Berkeley for 18 years;

- Harold Furst, Ph.D., a retired senior vice-president of Bank of America, an old-time student and consumer co-op activist;
- Alice Coopersmith Furst, a special education consultant and 17-year co-op member;
- Ted Lyman, formerly a management consultant, a grocery chain executive and twice an alternate member of the Board of Directors of the Consumers Co-operative of Berkeley;
- William Brand, a free-lance reporter, co-op member and constructive co-op critic;
- David Klugman, involved with co-op since youth and a frequent contributor to co-op publications, who served as moderator.

All six belong to the Consumers Cooperative of Berkeley, long the pride of American consumer co-ops, but lately in serious difficulties. Indeed the very fact that the Berkeley Co-op went from prosperity to heavy losses (despite ever-increasing membership), may have served as a useful background to the discussion.

While the debate was taped and each person contributed meaningful insights or rebuttals, it seems more important to point out the main ideas, rather than quote each participant, with a few exceptions.

* David Klugman has been writing about co-operative subjects for the past twenty years. He has been a contributor to the Review of International Co-operation since 1978.

The broad categories covered: "Co-ops in the computer age and the adaptability of co-op ideals to present-day technology. The communications problem within co-ops and the managerial attitude towards membership. The reasons co-ops prosper and fail; why members join, participate or turn indifferent, even hostile. The lack of co-operation among co-ops. The future of co-ops."

* * * * *

The Four Facets of Consumer Co-ops

(as seen by Harald Furst)

1. **Economic**
 - a) Save money.
 - b) Stress sound nutrition.
 - c) Monitor product safety.
2. **Social**
 - a) Applied democracy.
 - b) Ethical operations, precluding shoddy merchandizing practices.
 - c) Caring for children, and caring for minorities by including all races and cultures within the protective circle of the co-op.
 - d) International outlook.
3. **Spiritual**

Belief in co-operation with fellow humans.
4. **Political**

To the extent that the co-op is a counterweight to monopolistic and unfair practices in the marketplace.

* * * * *

The human factor in co-ops

Co-ops, viewed as a flexible method by which a group attempts to reach pre-determined goals inaccessible to an individual acting alone, are not immune to the march of the times. As society

changes, so do co-ops. Those co-ops who fail to respond to the times find themselves in trouble. Churches, trade unions and other groups find they have to adapt or face decline. Only thus has the Catholic church, for instance, survived as an institution.

The Consumers Cooperative of Berkeley is a superb example of a co-op which was successful for 40 years, outlasting many grocery chains, yet currently in trouble. A key point is that the Co-op believes the members ought to own the organization's real estate, which ties up capital, while competitors put all their capital into inventory, which turns over many times, so that even the smallest margin becomes profitable.

Co-ops in the Computer Age

Are ideas, as stated in 1844 in Rochdale, England, applicable in computer-age America? Emil Sekerak illustrates with an example that they are, referring to the proliferation of Buying Clubs in Sacramento, California's capital. The Buying Clubs are groups of 25 families who use the computer as the central piece of equipment. Rather than shop individually, club members group their purchases, combining orders into case lots. The computer acts as the facilitator, printing orders, identifying and pricing them, so that the purchases can be processed at advantageous prices at the co-op wholesale distribution center. None of this could take place without a computer. Labour is mostly voluntary and the locations are first in warehouses, for the big truckload, then in homes or garages for the final break-down to families. The experiment is very successful and has attracted experts from Japan. All co-op principles apply.

Management views computers as a symbol of managerial technocracy. Yet management's aim to run a profitable

operation will sometimes conflict with co-op principles. A case in point is the principle of "Co-operation among co-ops". Under that principle, consumer co-ops ought to give purchasing preference to producer co-ops. At times they don't. Each type looks at the cost factor rather than at co-op principles. The producer wants to sell high, the consumer to buy low. Another example is the approach to the disabled. While the ICA, following the lead of the UN, proclaimed 1981 as the Year of the Disabled, consumer co-ops in Berkeley have shown no eagerness in implementing such a policy, even though it might make economic sense.

Membership Information and Communication

All modern organizations suffer from an information and communication gap. Co-ops are no different. In a co-op serving a great variety of people, such as the one in Berkeley with 106,000 member-families, there is no one way to satisfy all. There are those who promote political issues, losing sight of economic realities. There are others who only see the co-op as an economic instrument, a business, and would exclude all social concerns, except as it promotes them in its own practice.

For a co-op to fulfill its role, goals have to be stated, needs met. Failing to abide by goals, or to meet needs, spells the failure of a co-op. This is where information and communication comes in. As a membership organization, the co-op must be sensitive to the ideas and ideals of the members. Unfortunately there is alienation in society and in co-ops alike.

The individual member feels lost and perceives a lack of sensitivity on the part of the leadership. Not all members are motivated, not all are activists. Indeed, many give up in frustration when, after

endless meetings and discussions far into the night "nothing gets done". Yet someone has to be responsible and carry out decisions. In new-wave co-ops there is a tendency to debate every issue and involve every member. The result is that no one feels personally responsible for resulting mistakes, if any. There is no continuity.

On the other hand, some members feel that the co-op bureaucracy is intractable, has feet "set in cement" and looks at boards of directors as a passing phenomenon, while the technocrats stay on.

Historically the leadership of co-ops consists of intellectuals, even when the majority of members are blue-collar. That alone makes for misunderstandings between the groups.

The Berkeley Co-op has just appointed a blue-ribbon panel to review the decision-making process. Over the years that co-op has eliminated or reduced many amenities and extra services (such as "Kiddie Korral's (supervised play areas), education assistants and home economists) due to financial losses. Certain members feel that the shoe is on the other foot and that by eliminating these services some members felt alienated, hence business dropped. Thus, if the extra services were brought back, an upswing in business would result.

The extra services of earlier years went concurrently with a feeling of friendliness, now replaced by the impersonality of a large operation. One result: Enormous losses due to theft (some by employees at all levels) and bad checks. In the "friendly period" thefts and bad checks were virtually unheard of. One does not steal or cheat one's friends.

Losses by theft – by employees and customers alike – increased as the size of the organization increased for two reasons:

1. A large proportion of the membership which joined after the first 20,000 members did so because they were "anti-establishment" in attitude. They hated large business organizations and saw the co-op as a challenge to chain retailers. People motivated primarily by anti-establishment attitudes are not noted for acting responsibly – hence pilferage and bad checks.
2. The need for hiring large numbers of employees in urban settings, the adherence to "equal opportunity" hiring practices resulted in bringing in many employees from "disadvantaged subcultures". Such persons tend to engage in or condone pilferage.

The question then becomes: How do you limit size yet stay efficient?" The answer seems to be that you try for maximum autonomy for the local co-op shopping center, with proper authority delegated to the center's manager. There comes a time when unlimited growth leads to inefficiency. The human control factor ought to set a limit to growth.

In practice, taking the case of Berkeley, 26% of the members provide 80% of the patronage volume, while a tiny percentage provides the capital the co-op needs.

* * * * *

Co-ops in the year 2000

The secret of the success of co-ops is that co-op principles appeal to human nature in terms of working, sharing and saving in common. Thus, through judicious operations a great future can be projected for co-ops, since ideals remain ideals. Indeed, most people do not object to co-ops. Conservatives like them as self-reliant organizations. Liberals like them as the embodiment of liberalism translated into economics.

The Right, as well as the Left, lay claims to them. What may change is the form, which may evolve. Computerized Buying Clubs is one example. Another is the success of Direct Charge Co-ops, such as the very successful one in Nanaimo, British Columbia, Canada. There only members may shop and, shopping or not, members pay for the expenses of the operation (or drop out so that waiting applicants may join). Membership is restricted and members contribute to capital on a set basis. All of this insures loyalty. The co-op pays union wages, does not occupy a high-priced location and saves 10-15%, on a volume of \$25 million a year. Exceptionally good leadership is also part of the success.

Co-ops also appeal to people with strong hostile, negative, "anti-establishment" feelings; people who don't understand the first thing about working together, "co-operating". Their bond is a common pattern of hostility.

Successful co-ops are led by people with imagination and a sense of innovation. Such leaders do show initiative in line with the wishes of relevant committees, but they do not let the committees do all the work, for, as the saying goes: "A camel is a horse designed by a committee."

Successful co-ops clearly define the members' needs, set goals and stick to them.

Successful co-ops believe in ideals and seek to apply them within the context of sound operations. That requires education. No one is born a co-operator, quite the contrary. Co-operation, in the words of French philosopher Paul Claudel, means "brotherhood, learned and taught by practicing it", while ideals and business sense are not always mutually exclusive.

A good example is provided by the PRO co-op in Hamburg, West Germany, where children of low-income

families are sent to the seashore on vacation, thanks to the interest accrued on earnings dating back to World War I. The decision to use that money, earned in a war-time economy, for social purposes has *not* been detrimental to business, quite the opposite, the co-op is doing very well.

In essence, a co-op must be technologically up-to-date, must use computers and show an economic return, like any other enterprise. The big differ-

ence is that, rather than please invisible or anonymous shareholders, it must satisfy very visible, some-times very vocal, well-informed, strong-willed or emotional members. To achieve its sales volume goals, the Berkeley Co-op must also build up patronage by non-members – the general public. Satisfying members is not enough. After all, the co-op exists for the members, not the other way around.

CO-OPERATION FOR SURVIVAL

An analysis of an experiment in participatory and planning with small farmers in Sri Lanka and Thailand

by

KOENRAAD VERHAGEN

Royal Tropical Institute, Amsterdam
(Koninklijk Instituut voor de Tropen)

Foreword

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Land Purchase Co-operatives in the Solomon Islands

by John Launder*

In October 1979, one hundred and thirty members of the Guguha Co-operative Society assembled, with families and local dignitaries, for a very special occasion. The Chairman of the Co-operative ceremoniously handed over a cheque to the representative of the Development Bank. This was the final payment on a land purchase loan for their coconut plantation.

Many years before, the land of their ancestors had been conceded to foreign planters who had established the plantation on the coast of Santa Isobel island in the Solomons. To recover this land the local people formed a Land Purchase Co-operative and in 1973 took over the running of the plantation.

Within those six years not only had they doubled their production of copra, but they had doubled the acreage under coconut trees and established cocoa and cattle as major income earners. Altogether, in addition to meeting their purchase loan repayments, they had developed a thriving commercial operation earning a net income, before wages, of a thousand dollars a week (1).

This had been achieved by ordinary Solomon Islanders, with little formal education and living in an isolated community. Not only had they achieved their primary goal of land recovery but secondary goals of employment and agricultural development were being

realised which could become even more significant in the long-term. So far, the equivalent of over 60 full-time jobs has been created, with 130 members working on a month-on, month-off basis; a school has been built for their children, and a clinic and piped water are planned.

Despite early struggles and the setbacks from a cyclone in 1982, the members at Guguha are confident that their Land Purchase Co-operative will make their life better in the future, based as it is on their own land.

A Research Study

By late 1982, a total of twenty-three Land Purchase Co-operatives (LPCs) had taken over more than 7,000 hectares of expatriately owned plantation, and this involved over 2,500 Solomon Islanders. Their apparent success in running these plantations on Co-operative lines prompted a research study by the CLEAR Unit of the Co-operative College, Loughborough. The study was designed to investigate the economic performance and internal workings of the LPCs, with particular interest in the goals and motivation of the members themselves. Although the members had a strong cultural motivation for recovery of the land, would co-operative working continue after recovery had been achieved, or would members seek to divide the land into individual units to be farmed in more traditional and less commercial ways?

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(1) Year 1980 (S.I. \$1.61 = £1.00, 1982).

The research involved a five week field visit studying the plantations and records, interviewing members and officers of the LPCs and also government officials. Twelve LPCs were selected as case studies, including the three which had already completed loan repayments.

Form and Features

The Solomon Islands Government's scheme for LPCs involves not only recovery of land from expatriates, which is an important political issue in this recently independent country, but also the maintenance of commercial plantations with their potential for agricultural and economic development.

Recent legislation encourages the action of LPCs and others to recover 'alienated' land (land that had been lost

from customary local ownership) and loans are available for viable enterprises from the Development Bank of the Solomon Islands. Technical assistance is available through the Land Use Development Division and Co-operatives Division of the government, which are supported by British Overseas Development Aid.

Formation procedures include registration as a Co-operative Society, which then holds the land as its property, and the preparation of a development plan. Plans provide for both current production of copra and also development of the plantation through replanting of coconut trees, establishment of cocoa and/or cattle, and general maintenance and improvements of the estate. The major ongoing planning relates to the balance of income generating production with investment through development work.

Coconut Plantation



Organisation of work is usually through labour sections – teams under a ‘bossboy’ are responsible for copra cutting, copra drying, weeding and brushing, cattle, cocoa, etc. Members divide their time between the plantation and their own farms, generally on a monthly or weekly basis. The elected committee is responsible for labour organisation and the manager allocates day-to-day tasks.

The LPCs in the Solomons represent a form or ‘model’ of co-operative land use which has a number of strong features in comparison with other models. As such they may be of interest in other countries where similar conditions prevail.

Firstly, in taking over an established plantation the co-operative has income right from the beginning. This contrasts with many other forms where land must be cleared and planted first.

Secondly, the motivation of land “recovery” provides a strong incentive to work, and to work together, in the early years when economic benefits are relatively low. In a number of cases there were periods of difficulty when wages were cut or were deferred in order to maintain loan repayments.

Thirdly, the existence of significant estate capital in the form of indivisible buildings and equipment stresses the continuing advantages of co-operative working.

Fourthly, the co-operative creates regular local employment in the rural areas which is largely additional to other forms of land use. Incomes and investment are also largely additional in terms of use of the land and other available resources.

In addition to the above special features, the LPCs also enjoy benefits of large-scale farming similar to other forms of co-operative land use. The diversification of cash-crop agriculture into fields such as cocoa and cattle is

more easily achieved on a plantation scale. The co-operative has better access to credit, inputs and technical assistance than members would have individually.

And when the members begin to achieve their primary goals through their LPCs, then their motivation is reinforced by the expectation that greater success and further goals, including social objectives, can be achieved in future.

Problems

Of course the LPCs do have various problems but these are due to particular circumstances rather than being inherent weaknesses of the model itself.

One problem which relates to the nature of land tenure in the Solomons concerns the composition of membership in a number of the LPCs. In order to avoid disputes over land between the co-operative and outsiders, all persons with ancestral claims to the land in question were invited to join the co-operative in order to participate in the land recovery. This meant that not all members necessarily had an interest in the communal working and development of the plantation. Hence disputes could arise within the co-operative over the use of land after land recovery loans have been repaid; and it was clear that some members favoured division into individual units. Since these are usually a minority of older men, it should be possible to find ways and means of satisfying them without affecting the overall viability of the plantation.

Other problems related to the relative isolation of most of the plantations and the lack of business skills among the local managers and committees. A serious problem was the lack of up-to-date and relevant financial information.

The planned establishment of an 'Association' of LPCs should ease these problems through better communication and the provision of management services.

'Life-Cycle'

A further set of problems could arise in terms of motivation and these can be related to the concept of LPCs having an organisational 'life-cycle'. It has been suggested that the future prospects of an LPC will to a large extent depend on the timing of the changes in motivation during this life cycle. This is supported by the evidence of the three LPCs which had completed their land purchase loans.

Following the initial take-over of the plantation LPCs face an early struggle. Coconut trees are ageing and their earnings must finance current production, development work and loan repayments. Wages will tend to be low and motivation will be largely towards land recovery.

However a good co-operative will be able to increase production and incomes through general development and diversification into cocoa and cattle. It should be possible to reach a 'take-off' stage after five or six years whence the increasing income and wages provide greater economic motivation.

The future prospects will be influenced by the interplay of land and economic motivation. If the take-off stage is reached before loan repayments are completed, economic motivation can replace land motivation as a strong force. However, if the loan repayments are completed before take-off is achieved, then land motivation is absent and economic motivation is weak.

The experience of the three LPCs which had repaid their loan was as follows: One LPC, Guguha, which



Coconut Nursery

reached its take-off stage before loan repayment, was still a highly active communal plantation three years later and members had the strong motivation of income, employment and social projects. On the other hand there were two LPCs which had completed loan repayments without having reached take-off, and which were relatively inactive with little motivation among the members. Reaching a take-off stage was still possible but lack of immediate motivation made this difficult.

A factor which has a large influence on the timing of the above is the objective of many LPCs to repay loans as soon as possible, and adjust wages accordingly. Hence identification of time scales, and the setting of loan repay-



Copra being taken from a drier at Guguha Land Purchasing Co-op

ment schedules and wage levels accordingly, may be an important contribution to future prospects.

The Land Purchase Co-operatives of the Solomon Islands have not only demonstrated some notable achievements

in terms of recovery of alienated land and agricultural development, they have also shown some interesting features which may be useful in studying and developing co-operative forms of land use elsewhere.

Transport Co-operatives in France

by Hubert Le Cesne*

Transport co-operatives are a recent phenomena in France – the first official texts on this subject only dating back to 1963.) As is often the case necessity was the mother of invention and transport co-operatives were created as the need for them arose.

(In France, road transportation is carried out by numerous small enterprises. Out of 27,000 enterprises, 98.32% are employing less than 50 salaried staff, with a high percentage employing only one worker or no hired personnel at all. Due mainly to the difficult economic situation, these small businesses do not have the necessary means to work independently. Therefore, they must either sub-contract work from the large enterprises which monopolize the market, or form co-operatives in order to become more competitive and retain at least some of their independence and originality. At present, 800 family businesses and small enterprises belong to transport co-operatives.

On July 20th, 1983 a law on social economy, including a statute on artisanal co-operation and another on co-operation between transport businesses, was unanimously adopted by the National Assembly and the Senate. Therefore, co-operatives formed within these sectors have a legally recognized status.)

Structure and Goals of Transport Co-operatives (UNICOOPTRANS)

We mention here workers co-operatives merely to refresh your memory. These co-ops are formed principally so that

workers can take over the running of enterprises which are in danger of bankruptcy. The workers, thereby, take responsibility for their own destiny.) In the area of transport, the co-operative message of mutual help and solidarity was having difficulty getting through as, by force of circumstances, the workers were perpetually on the road. Nevertheless, transport co-operatives are well adapted to the situation. These co-ops are only open to businesses which can bring their own clientele and material into the co-operative. This allows the co-operative to deal directly with large markets; to honour the social rules regulating hours of driving and rest periods; to generate its own funds so as to provide social benefits for its member/workers and for the further development of the co-operative; to involve all available human resources in the running of the co-op; to create communal transport-related services (garages, repair shops, depots, etc.); in short to provide an extensive range of services and facilities for the benefit of its members.)

(Most transport co-operatives are members of UNICOOPTRANS, The Federation Transport Co-operatives, whose aim is to promote co-operatives, to help co-ops socially, legally and financially (being a shareholder of the Central Co-operative Credit Bank), and to assist with the computerization of transport co-operatives through standardizing equipment and software. UNICOOPTRANS also doubles as a buying co-operative through which members can benefit from lower prices for materials, fuel, insurance, etc. UNICOOPTRANS also represents its members in the official co-operative and trade organizations. UNICOOPTRANS

* Mr. Le Cesne is General Secretary of UNICOOPTRANS, (the Federation of Co-operatives and Associations of Transport).

is a member of the National Co-operative Group, the Institute for the Development of Social Economy and, through its members, also participates indirectly in the work of the Regional Co-operative and Mutually Groups where most co-operative federations have their seats.)

Relations Between the Different Types of Co-operative Groups

(Transport co-ops are essentially the beneficiaries of service.) These benefits cover a chain of logistics, from the pick up and storage to the transport and delivery of industrial and agricultural products, as well as the supply of raw materials or semi-finished products. Since their inception transport co-operatives have turned towards the co-operative world, being based on the same philosophy as all other co-ops. (Although there is still a long way to go, transport co-operatives have become closer to other co-operative organizations partly through their participation in regional co-operative groups. Here contacts have been made for inter-co-operation between producers and beneficiaries.

The transport market is vast, but principally covers:

1. Agricultural Co-operatives which mainly use transport services for the filling and emptying of grain silos by dumper trucks (tip-wagons). For example, sugar co-ops rely heavily on transport services during the harvest of sugar beet and for the supply of limestone and the transportation of cattle-cake and waste products.

Transport co-operatives ensure the supply of raw materials to farms and the distribution of fresh produce, notably the transport of fresh fruit and vegetables from South to North, both in France and abroad. They also transport the finished

products (tinned, concentrated, dried and frozen goods) both nationally and internationally.

Wine-producing co-ops also need various vehicles to transport grapes, take alcohol to the distillery and carry bottles and kegs of the finished products.

Agricultural co-operatives have often formed their own transport facilities to stock and commercialize their products, but face some difficulties in planning, due to the seasonal character of their activities.

2. Consumer and distribution co-ops are among the sectors the most open to, and the most profitable for, transport co-ops, mainly because of the regular character of their services. This work is becoming increasingly specialized.

Consumer co-operatives which have numerous regional sales outlets, tend more and more to use other organizations for transporting their goods.

This is because they have found it more economical to use specialized transport enterprises which fully exploit their vehicles, than own their own transport facilities.

The most successful transport co-ops are those which have been equipped with large depots and refrigerated storage facilities. Here products are stored for distribution to the various sales outlets around the country. The sales outlets are often linked by computer to the larger buying centres.

3. Industrial co-ops are not very developed in France. They have gained some ground with the creation of worker co-operatives but this has not considerably influenced the market.

4. Fisheries co-operatives rely heavily on speed in the commercialization of their products and, therefore, this market is in the hands of specialists.)

International Co-operation Between Transport Co-operatives

We have no legalized co-operation with foreign co-operatives mainly because French legislation makes this form of collaboration difficult.

On the other hand, agreements exist between French co-ops and foreign co-ops which allow for the exchange of traffic and the restocking of emptied vehicles.

In the absence of real co-operation these agreements will become increasingly common for various reasons:

– France is an important country for traffic which is passing through, transporting goods from the South to the North, as there are strict rules governing the hours of driving and the hours of rest. So that these laws can be respected, we anticipate the creation of service stations at border crossings.

The Common Market will be expanded sooner or later to include Spain and Portugal, entailing an increase in traffic which will be obliged to pass via France, causing a shift in the centre of gravity which will benefit France.

As we have already seen, necessity is the mother of invention. The present anarchy resulting from the deregulation of international tariffs will force companies to consider international co-operation as a means to conserve the international markets which are currently erratic due to the dumping practised by foreign transporters.

Conclusion

There is still a long way to go before the co-operative idea is well established. However, the present economic situation necessitates the forming of co-operatives or a similar solution, otherwise the small transport enterprises will eventually disappear. Why not develop the co-operative system which has proved itself in all sectors of activity. It should not be forgotten that the activities of the transport co-operatives are closely tied to the economic world in which they operate.

The co-operative movement in the field of transport is still very young in France, and it will only mature with the passing of time. However, with the will to promote co-operation we can develop the profession.

On September 28th, 1983, members of the ICA Working Party on Co-operative Press visited the Drutěva Co-operative for the Disabled in Prague. This was part of a Study Tour which preceded the Working Party's 14th Meeting which took place in the Palace of Culture, Prague, on the following day.

During the tour, members of the co-operative press were able to visit many of the co-operative's workshops, where they were surprised at the variety of activities undertaken by the handicapped workers (designing, cutting and machining of clothing, broom-making, assembling of toys, etc.). We were also shown the medical facilities provided for the disabled workers.

Mr. Morley-Fletcher, the then Chairman of the Working Party, said that this co-operative was an excellent example of "the very high quality of co-operative involvement in the social services in Czechoslovakia and gave a good opportunity for handicapped people to be involved in a common activity".

We were so impressed with our visit that we wished to share the experience with our readers. Therefore, we asked the organizers of our tour to provide us with an article for the Review...

Co-operatives Help the Disabled

by Dr. Eva Kratochvilova *

In Czechoslovakia, the State pays considerable attention to citizens with reduced working capacity. It takes care of their health and provides suitable training, working, cultural and other conditions, the right to which is guaranteed by national legislation. The needs and interests of the disabled are regularly considered by the social policy committees of both Chambers of the Federal Assembly, as well as by the respective legislative bodies of the two Republics (Czech and Slovak) of Czechoslovakia.

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Integration through Participation

In general, all the problems, interests and rights of physically handicapped people in the Czechoslovak Socialist Republic are taken care of by the Union of the Disabled, which has been in existence since 1952. An important contribution towards these people's active re-integration into the life of society, as equals with their fellow-citizens, is made by producer co-operatives of invalids, which provide jobs for some 15% of all the disabled persons employed throughout Czechoslovakia.

The producer (industrial, artisanal and service) co-operatives of invalids – hereinafter referred to as PCIs – serve their purpose within the framework of Czechoslovakia's producer co-opera-

tive movement, as well as within the national, State-sponsored system of social security, by providing suitable job opportunities for people with reduced working capacity, as well as for those with a major health impairment. All these disabled persons find in the producer co-operatives an opportunity for self-realisation, social reintegration and regular earnings.

By working they improve, rather than maintain, their financial situation, for in spite of being gainfully employed, they continue being entitled to draw their disability pension from the resources of the national system of social security (the full amount or a certain percentage thereof, depending on the nature and degree of their disability).

Producer co-operatives of invalids were established in Czechoslovakia gradually, mostly after World War II,

though the beginnings of some (for example, The DRUTĚVA disabled persons' co-operative society of Prague) date back to the pre-war years.

At present, there are 47 PCIs in Czechoslovakia, with a total membership of approximately 31,000 people.

There are two different types of PCIs from the point of view of their nature and legal status. Type I are those in which, according to valid regulations, at least 70% of the member/workers must be people with reduced working capacity (i.e. with a relatively mild degree of disability), whereas among the members working in type II there must be more than 50% of people with a major impairment of health.

This distinction is important for the degree of government support. PCIs of type I pay tax on only 70% of their income, whereas, those of type II are

Production of accessories for machine industry



exempt from income tax altogether. The financial resources thus obtained are used – together with the special-purpose grants from the PCI Rehabilitation Fund, to which the State makes allocations from the national budget – for development, workrehabilitation programmes and for other wise ensuring that handicapped workers are taken care of in every respect.

There are eight PCIs of type II in Czechoslovakia; all the others are type I, which also provide jobs for invalids with a major impairment of health, though to a limited extent.

Legal aspects

Care for invalids is guaranteed by Czechoslovakia's Constitution, whose basic provisions are further elaborated in the Social Security Act of 1956 and

the People's Health-Care Act of 1960. Further details are regulated by the respective decrees and directives of the ministries of labour, social welfare, finance and health. The two national unions of producer co-operatives (Czech and Slovak) lay down the principles of overall care for the disabled worker-members, in conformity with general legislation and the relevant decrees of government authorities. These principles are based on the policy decisions and resolutions of the Unions' Congresses. Obligatory directives and guidelines for the future orientation of all care for disabled citizens were laid down in a policy document of fundamental importance; "Decision No. 84" of the Presidium of the Federal Government of the Czechoslovak Socialist Republic, which was issued in 1982. This is a comprehensive ten-year plan for the development of all-round care for invalids in Czechoslovakia up till 1991. The specific tasks incorporated in the plan were based on an analysis of the experiences gained in Czechoslovakia in the course of the International Year of the Disabled, and on an evaluation of the activities and schemes involved.

In Czechoslovakia the implementation of the tasks involved in the therapeutic and occupational rehabilitation of the disabled workers employed in producer co-operative societies – specifically in the PCIs – is the joint concern of three separate sectors of the country's socio-economic life. These are the Czech and Slovak ministries of health, responsible for the therapeutic rehabilitation of invalids in special curative institutions; the Federal, Czech and Slovak ministries of labour and social welfare, responsible for the disabled persons' vocational training and re-training at specially-equipped institutions; and the producer co-operatives, which provide suitable jobs for re-trained invalids and organise practical

Manufacture of brushes in workshops for the blind



on-the-job training for those without previous training. All the three above-mentioned branches of the socio-economic sphere co-operate with one another in evaluating the handicapped persons' working capacity, selecting suitable jobs for them, adapting workplaces and equipment, etc.

Economic Improvements

The year 1981, designated as the International Year of the Disabled, marked, in essence, the termination of the first postwar stage of development of PCIs in Czechoslovakia. During this period new PCIs were established and gradually developed their productive and other economic activities, while simultaneously intensifying their care for the disabled members in the spheres of holiday recreation, spa treatment, physical training and sports, cultural schemes, promotion of hobby and special-interest circles etc. New workshops and factories were also built in this period, while medical advisers were employed by the PCIs to improve the care for the disabled members. Simultaneously, several PCIs introduced experimental rehabilitation teams of psychologists, occupational therapists, ergonomists, physicians, welfare officers and technologists.

On the basis of the recommendations of these teams, workplaces and working conditions were gradually adapted for the handicapped, and the experience thus gained was subsequently made use of in other PCIs.

In general, however, this stage of development was aimed predominantly at the achievement of the best possible productive and economic results, for the purpose of securing the economic stability of the co-operatives. Thus, several PCIs became highly profitable and practically all of them gradually expanded their productive infrastructure

and increased their memberships. At the same time, experimental work rehabilitating the mentally deficient and the mentally retarded was extended so as to include psychotics, particularly schizophrenics.

Towards the end of 1982 both the Czech and Slovak national unions of producer co-operatives held their respective congresses, the resolutions of which determined the further orientation and aims of producer co-operatives of invalids.

This was the beginning of the second stage of PCI development in Czechoslovakia.

Accordingly, overall guidelines for the promotion of PCIs and their activities were worked out in 1983. The document in which they were incorporated contained an analysis of the contemporary situation, specifically in the fields of work rehabilitation, medical care, production and economic operation. It also evaluated the results achieved, and pointed out the existing shortcomings and unsolved problems. For instance, that in the Czech Socialist Republic (i.e. not including Slovakia), the proportion of less seriously handicapped worker-members employed in type I PCIs had gradually increased to 73.4%, while in type II, the proportion of the membership accounted for by workers with a major degree of disability had risen to 52.7%. In general, PCIs had been recruiting more and more members from among mentally retarded people and psychotics, and this trend was continuing. For the time being, however, it was pointed out that no comprehensive rehabilitation system had yet been worked out, nor was there sufficiently specialised legislation for such arrangements.

The employment of individual ergonomists and psychologists in the PCIs had proved insufficient; therefore, it was decided that a special centre for ergonomics, occupational therapy,

psychology and work hygiene would gradually be developed under the auspices of the Research Institute of the Producer Co-operative Movement.

Practical improvements

As was further pointed out in the analysis and evaluation, the improvements achieved in the working environment of the disabled members had been partly due to construction projects. New factories and workshops had been built by a number of PCIs with due regard to the need for adequate social and sanitary facilities. In several other PCIs however, it had not yet been found possible to reconstruct the existing premises or to build new ones.

Several other tasks also emerged from the overall analysis, specifically in the spheres of medical attention and partial therapeutic rehabilitation, where improvements will have to be made in individual PCIs. In addition, the assessment methods of the PCIs and the social security authorities have to be improved. Finally, it will be necessary to re-examine the suitability of the present-day regional distribution of the existing PCI factories and workshops, with due regard to the potential sources of disabled people who could be recruited within the individual districts and regions of the whole country.

In the sphere of industrial activities, PCIs are engaged in a wide range of production programmes in 10 different branches, including chemical production, engineering, electrical appliances and metalwork, woodwork, paper and cellulose, textiles, clothing, leather-wear, plastics, as well as miscellaneous

local industries and services. This very fact causes several problems, particularly as regards material and technical supplies, in the pre-production stages, in the necessary adaptation of technological processes, in the basic equipment required for the workplaces, as well as in a relative shortage of specialist toolmakers needed for adapting the machines, tools etc. In all these respects, the policy document determining the guidelines for the future development of PCIs has set specific tasks concerning the measures to be taken.

As regards marketing, the products of the PCIs are intended partly for the home market, partly for export and partly for supplying various factories (including those of other producer co-operatives) with the items they need for their own production.

PCIs also perform various services for the general public, such as mending carpets, repairing umbrellas and other items, photography, hairdressing etc., but their possibilities in this sphere are rather limited in view of the shortage of skilled workers among the disabled members and because many of their members are not sufficiently fit to perform certain kinds of services.

The evaluation of the business activities of the PCIs indicates that most of these societies are economically independent as their economic activities raise sufficient financial resources for the pursuance of their aims and intentions. They participate successfully in the overall division of labour on a national level and thus effectively help to reduce the costs incurred by society for solving the problems of their disabled fellow-citizens.

Job Creation Through Worker Co-operatives

AN IRISH PERSPECTIVE

by Raymond Donnelly*

Interest in worker co-operatives is not new. There have been such enterprises in existence for over 100 years. It is perhaps possible to claim that interest in these co-operatives is greater now than before but even this claim may be open to question. Whenever there is a large scale recession in the economy of the British Isles, interest in worker co-operatives increases. This was the case in the 1870s and 1880s and it is the case today.

A Co-operative is a Business Organisation

This is very much to the advantage of those seeking to promote worker co-operatives at this time. The experiences of the movement for worker co-operation during the 1870s and 1880s are well recorded. It is useful to anyone contemplating establishing a worker co-operative to read the history of that period and to learn from the mistakes made. Orders were taken on at a price which did not make any contribution to the development of the business. Strikes occurred frequently and internal dissension was a common problem. In short,

sight was lost of the fact that worker co-operatives are business ventures, and have to succeed in a competitive environment, or they fail. This was the fate of the great majority of worker co-operatives founded between 1870 and 1890.

In order to avoid this happening again it is necessary to be clear about several areas. First, what are worker co-operatives? Second, what is meant by job creation? Third, what is the main cause of the present high level of unemployment in Ireland? Fourth, what contribution can be made by worker co-operatives to the reduction of that level, and last, what policies can be adopted by Governments, Public Bodies, other co-operatives and the worker co-operatives themselves, in an attempt to maximise the impact of worker co-operatives on job creation?

Worker co-operatives are business ventures owned and controlled by those who work in them. "Working Class Limiteds", as they were called by Beatrice Webb, who was strongly opposed to any form of co-operation without the control of consumers' co-operatives. Nevertheless, the title does convey two essential features of a worker co-operative – workers owning the firm and workers controlling their own destiny in a business sense.

Job creation comes in many guises: training programmes for the young, retraining for the unemployed, com-

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munity projects and many others. The majority of the schemes employed are not really in the business of job creation in terms of employment on a long term basis. Rather they are in the unemployment business, reducing the monthly unemployment returns in order to save face for the government of the day. Therefore, it is necessary here to state that if worker co-operatives can play any role in job creation it is in that part of job creation concerned with the establishment of long term employment. Worker co-operatives are in the employment business, not the unemployment business.

In November 1983, there were approximately 319,000 people (17.7% of the working population) unemployed. This figure relates to both parts of Ireland, aggregated, as do all subsequent figures unless otherwise stated. The major cause of this level of unemployment is undoubtedly the present world recession. This recession would have had a sad effect on the unemployment rate in Ireland by itself. The effect has been made worse by the policies followed by governments, both North and South, over the last thirty years. The policy of offering great incentives to attract multi-national companies, was based on the accepted economic doctrine of the day. The effect of the policy was to turn both Northern Ireland and the Republic into "Branch Plant Economies". This in turn made the effect of the world recession that much greater. The first reaction of any multi-national, when faced with a down turn in activity, is to protect its home plants. They will close down plants in other countries long before closing down plants in their country of origin. In the case of the Republic of Ireland, multi-nationals, such as Polaroid, Westinghouse, Black and Decker, Dunlop and Teletron, have come, taken the larger grants offered, and then upped and

left, their only bequest being a taste of bitterness and a hole in the Dublin Exchequer. In Northern Ireland, Courtaulds and De Lorean left the same legacy except, in the case of De Lorean, a gigantic hole in the London treasury.

These comments are in no way intended to belittle the work of the Irish Development Authority (IDA) in the South, or the Department of Economic Development (DED) in Northern Ireland. They were successfully applying the economic development theory of the day. What is of concern is that these bodies continue to be involved in this theory. They are still intent on offering more and more incentives to attract mobile multi-nationals when it must be apparent that this theory of development has had its day. It may well come back into vogue, like Keynesianism* might well do, but it is not the remedy for today.

Attention is now being focused increasingly on indigenous firms and their potential for growth. In particular, attention is centering on indigenous small firms and their capacity to grow. The increase in the number of agencies, such as the Local Enterprise Development Unit in the North, and increase in the work of the small firm section of the IDA in the Republic, are example of this change. Perhaps the millions used to attract the multi-nationals in the past could have been put to better use. This is not central to the issue of job creation in 1983 or 1984, but what is central to that problem is: could the money that the IDA and the DED will pay out in the future to multi-nationals, not find a better long term-use? This is not to argue for a cessation of incentives to attract multi-nationals, merely to suggest a more balanced approach to economic growth and job creation in Ireland. It

* John Maynard Keynes (1883-1946) an English Economist.

was the "Branch Plant Economy" which was largely accountable for the horrific figure of redundancies in Ireland in recent years. It is against this background that the impact of worker co-operatives has to be examined.

A Difference of Commitment

There are four distinct areas from which worker co-operatives can grow. Some have more potential to provide long term jobs than others. Unfortunately, the area which has least potential for providing secure long term jobs, is the area which has received the most publicity over the last ten years. These co-ops, known to the cognoscenti as the Fairy Queen Co-ops, are those formed by governments as an attempt to protect employment. They include Triumph Meredin, Kirby Manufacturing Engineering and the Scottish Daily News. They are fairy queen co-ops because someone bestows lots of money on them and then waves a magic wand in the false hope that by changing the structure of the enterprise a failed capitalist business will become a successful co-operative.

A failed business is a failed business and that is that. Co-operation is not a magic wand. Nor should it be used as a political expedient to masquerade the unemployment figures. There can be no long term job creation from this type of worker co-operative. A second area for co-operative evolution is a development of the first area, but it is much more promising in terms of creating long-term employment. This is known as the lifeboat approach. Here a group of workers may take a branch factory which is being closed down by a large company. Initially, these takeovers are very much job saving moves, but there is enough evidence, mainly from England and Scotland, to show that it is possible to create a viable worker, co-operative out of the lifeboat situation. It

may well be that the branch factory was already making a small profit, and was being closed down due to adverse results elsewhere in the group; or it might be due to the energy of workers who now have a stake in the firm; whatever the reason – it can work. Randolph Leisurewear in Fife is the classic example of this type of creation of worker co-operative.

Another area from which worker co-operatives can develop is through 'Conversion'. The main example of this area of development is the Scott Bader Commonwealth in Northamptonshire. In this case a successful private enterprise company is converted to a worker co-operative by its owners. There are not many conversions but those that do occur normally provide secure, long-term jobs.

The last area from which worker co-operatives may emerge is the area of genuine enterprise, where two or more people get together with an idea and decide to pursue that idea using a co-operative structure. These co-operatives can be called the "ME TOO" co-operatives. The title arises because very few original product ideas occur. Most small firms, whether privately owned or co-operatives, come into existence because one or several people feel they can do an existing task or offer an existing service better than their potential competitors. It is in this area that most of the embryo worker co-operatives are to be found. Here is the area of greatest potential for the creation of new jobs. Whether they will be long-term jobs will depend largely on the ability of the would-be worker co-operatives to solve the problems associated with infant businesses.

It is from this area that most Co-operative Development Agencies, the Industrial Common Ownership Move-

ment, and the Co-operative Union of Great Britain, receive the bulk of their enquiries.

The Scottish Example

How successful could worker co-operatives be at providing long-term jobs in Ireland? The best way to answer the question is to examine the experience of a similar country which has a record of co-operative development. Scotland is perhaps the best example that can be used because its working population is similar in size to that of Ireland, as is its unemployment figure (16%). Furthermore, there has been for the last six years, a Scottish Co-operative Development Committee (SCDC) in existence, employing five full-time workers charged with establishing workers' co-operatives.

The SCDC is held in high regard by many people, both inside and outside the co-operative movement. It has some successes to record – Bordreck, Randolph, and many smaller co-ops. They receive money from Central Government and Local Authorities. Their workers are keen, experienced and committed. Despite all these advantages SCDC would not claim to create, or assist in creating, more than 100 jobs in a year. Here is the crunch. Even in a country where co-operative development has been given some priority, only 100 jobs a year, at the most, can be created. This has to be understood clearly if Ireland is to see jobs created on a long term basis through worker co-operatives. Worker co-operatives will not counteract the recession. They will go nowhere near providing the jobs needed in Ireland, North and South, to put Irish people back to work. The solution to that problem will have to be found in other areas. Yet the picture is not all bleak.

If the lessons from Scotland are used as a basis for development – development realistically founded – then worker co-operatives can make their contribution to a return to full employment. If the right conditions are established as outlined below, then at least 1000 secure jobs can be created on a long term basis, with perhaps the hope of more to come in the future. It is only by realistically assessing the possibilities of worker co-operatives and job creation, that the pitfalls of the past can be avoided. There is no point in creating worker co-operatives if they will collapse as soon as the recession ends and members leave to return to being wage earners. This is exactly what happened 100 years ago, and it must not happen again. Realism will avoid over-expectation which will in turn avoid disappointment and hostility towards worker co-operatives.

What then are the realistic possibilities for job creation in Ireland today through worker co-operatives?

The Successful Development of a Worker Co-op

The answer is simple. It cannot be worse in the future than it is today. In December 1983, there were no worker co-operatives in Northern Ireland and about ten in the Republic of Ireland. There is plenty of scope for development in this uncongested area of economic activity. In order to see that there are worker co-operatives arising to fill this area, it is necessary to consider two aspects. First, what problems do worker co-operatives encounter in the period between conception and maturity, and, secondly, what can the various but separate interested organisations do to help? The successful development of a worker co-operative is more likely to occur if, in the pre-

planning of the organisation, consideration has been given to four key areas, namely, Skills, Markets, Management and Finance. While no order of importance is to be inferred from the above order of listing, it would be wrong to suppose that the problem of raising finance is the prime obstacle. Indeed, that is perhaps the last of the four to be solved if the worker co-operative is to be successful and thus job creating. If the idea is sound in business terms, finance can and will be found. Perhaps access to finance could be made less complicated, a point to which further consideration will be given later. The chances of a strong successful and growing co-operative depend more on the solution to the first three problems. At the simplest level what would-be worker co-operatives have to ask themselves is – what do we have the skill to produce, can we sell it, and if we do set up, can any of us manage the organisation? If the answers to these questions are satisfactory, then the finance could be raised. In many cases in Ireland and Great Britain the answers have not been satisfactory, but nevertheless cash was raised and the enterprise was short lived.

Public Aid

If worker co-operatives are to be job creating to a meaningful extent, then help will have to be given to them by other agencies. Interest in the idea of worker co-operatives is encouraging, but by no means enough in itself. The other agencies that can help include Governments, public bodies, financial institutions and other co-operatives.

Governments can help by facilitating the easy registration of worker co-operatives. At present the Registrar of Friendly Societies in Northern Ireland refuses to register a worker co-operative as a friendly society. Therefore, any embryo

worker co-operative will have to register under the Companies Act, much to the confusion of would-be co-operators.

Furthermore, a Government backed loan-guarantee scheme would enable finance to be raised at lower rates of interest. Grants payable to potential co-operators to attend training courses in management and marketing would also be of great help. The New Enterprise scheme in Great Britain, whereby a weekly grant of £40 is paid to anyone starting a business, for a period of one year, is a step in the right direction. However, it would be a further improvement if the requirement that the recipient has £1,000 to put into the enterprise was dropped. It is not that Governments in Ireland are opposed to these ideas. What requires to be done, both North and South, is to assemble all the various aids into a clearly laid out, easily understood package of measures. That would be the biggest single aid Governments could provide. Many people are put off by their lack of knowledge of how to get the best help from the IDA or from the Local Enterprise Development Unit (LEDU). It would be a tremendous boost to worker co-operatives and to small enterprises in general, if these agencies could adopt a simplified procedure that would be seen to help rather than hinder applicants.

Other public bodies, in particular the centres of education, can give great help to potential worker co-operatives. Their task is to provide research and training. In this area Ireland is fortunate. The Bank of Ireland Centre for Co-operative Studies in Cork, and the newly established Co-operative Education, Research and Training Unit of the New University of Ulster based at Magee University College in Derry, are already providing such help. It is to be hoped that these institutions can develop and expand these services.

Financial institutions can help the prospects of job creation through worker co-operatives, by helping to finance the research into their needs which is being undertaken at the institutions mentioned above; by adopting a sympathetic approach to applications for loans from sensible worker co-operatives; and by treating worker co-operatives on an equal footing with private enterprises in allocation of lending funds. Discrimination against co-operatives in lending is one of the complaints most often heard at meetings of co-operators. It may or may not be true, but it is believed to be true and this discourages people at a time when that is the last thing they need.

Other existing co-operative societies can help by giving encouragement, by setting an example and by providing assistance if asked. Here the aid given by the Belfast Co-operative Society Ltd, to the Galliagh (Derry) Co-operative Society Ltd, is a good example for others to follow. All the assistance sought was given in choosing a site, drawing up rules, appointing staff, but the thin borderline between rendering assistance and actually taking over the work, was never crossed. Co-operation is after all self help, not getting others to do the work for you.

If the help outlined above was to be forthcoming from the various sources outlined; if a realistic expectation of the role of worker co-operatives in the economy was to be arrived at; then there is a definite role for worker co-operatives in job creation. That role is not large. That role will not cure the

problem of unemployment. It is, however, possible in the right conditions that long-term jobs, perhaps numbering a few thousand over a period of years, could be created via worker co-operatives. Such a contribution should not be neglected, nor should it be disparaged.

Two final points require to be made, one economic and one social.

On the economic side, if all the agencies outlined above – Government, public bodies, financial institutions and other co-operatives – were to place orders with worker co-operatives, then the future would be much brighter. The purchasing power of Central Government, Local Government and the financial institutions could be a powerful factor in ensuring the success of small co-operatives. Words are fine – actions speak louder than words.

On the social side, there are many who believe that it is only in a worker co-operative that an individual can develop his personality and abilities to their fullest extent. If this is so it enriches the person, the economic operation and the State. Although this area is not covered in this essay, it cannot be neglected, but from the economic point of view it can only be seen as the icing on the cake. If these ideas happen to be true then that's an added bonus. The prime goal of worker co-operatives is the same as that of any small business – to survive, and in so doing, to create wealth. And it is the wealth that will ultimately create employment. There is indeed a role for worker co-operatives in job creation and wealth creation.

Forming of Co-operatives towards the End of the 19th and Beginning of the 20th Century

by Luka Petkovic*

Co-operatives have a rich tradition in Yugoslavia, and one can distinguish three periods in their development:

- from the founding of the first co-operatives until World War I (1856-1912)
- the period until World War II (1912-1941), and
- the postwar period (from 1945 onwards).

In Slovenia, the first co-operatives were founded during the 1850s. They were mainly artisans' credit co-operatives (Schulze-Delitzsch' or farmers' credit co-operatives type Raiffeisen).

In Serbia, the first co-operatives were formed in the 1870s. The first consumers' co-operative was founded in November 1870 in Belgrade. Farmers' co-operatives began to be founded towards the end of the last century. The first Co-operative Union was set up in Smederevo in 1895.

In Croatia, the first co-operative organisations emerged during the eighteen nineties, and towards the end of 1902 there were 69 credit co-operatives with some 9,500 members.

In Bosnia-Herzegovina and Montenegro, co-operatives only emerged at the beginning of this century.

The Main Co-operative Union of Yugoslavia was founded after World War I, in 1919. In 1940 there were 11.309 co-operatives in Yugoslavia, with a membership of about one and a half million – about 10% of the entire population.

Between 1912 and 1941 the co-operative movement was largely subject to the influence of political parties. Some specialised farmers' producer co-operatives helped to increase production, consumers' co-operatives made for better supplies on the market, health co-operatives provided medicine for the rural areas, etc.

During the war, between 1941 and 1945, more than half the co-operative property, both real estate and livestock, was destroyed. About 290,000 co-operative farms were completely ruined and this devastation naturally reflected on the postwar development of agriculture.

Co-operatives after World War II

The end of the National Liberation War marked a completely new beginning in the development of the Yugoslav society, and also of agriculture and of the co-operative movement. After certain revolutionary changes the character of the economy and administration altered radically. Following two Nationalisations, the Agrarian Reform and the Land Bill, the most important economic sectors and key structures of the economy were in the hands of the social community.

The Commission for Co-operatives was formed in 1946, and in 1948, the Co-operative Committee became attached to the government of the Federal Peoples' Republic of Yugoslavia.

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Three articles of the 1946 Yugoslav Constitution term the co-operative movement as a fulcrum in building up the socialist economy. During this phase special attention was given to two kinds of co-operatives – the general farmers' co-operatives and the peasants' work co-operatives. The former were most favourable for agricultural workers, offering them ample scope for association. In 1947 Edward Kardelj wrote a study "The Agricultural Co-operative Movement in a Planned Economy" in which he elaborated in detail all major points in the future development of the co-operative movement.

The fundamental socio-economic changes in the co-operative movement of Yugoslavia are reflected in its objectives and tasks. Co-operatives have acquired new meaning through the adoption of international co-operative principles (voluntary membership, democratic procedures, the pooling of economic activities, cultural and professional education).

During the first ten years after World War II, the number of co-operatives and members showed certain oscillation:

Year	Co-operatives	Co-op members
1945	5,447	1,225,575
1946	8,011	1,807,798
1947	6,632	2,545,408
1948	8,662	3,127,464
1949	9,060	3,460,728
1950	8,004	3,540,399
1951	7,581	3,208,226
1952	7,189	3,297,771
1953	7,230	3,094,912
1954	6,783	2,000,035

The varying numbers are largely due to numerous mergers among co-operatives.

During this period the co-operatives had their own farms, their number ranging from 920 to 2,100 and their area from 29,000 to 145,000 hectares.

The general farmers' co-operatives developed into rural economic organisations and engaged in various economic activities.

They not only went in for agricultural production but also had their own machines, dairies, drying plants, bakeries, slaughter houses, mills, grape processing plants, brick kilns, saw mills, lime kilns, transformer stations etc.

At that time a new form of cooperative came into being – the peasants' work co-operative. These were co-operatives formed by landless peasants and small farmers. The first co-operative of this type was founded in Sombor in February, 1945. Out of the 51 founder members, 39 were landless peasants. In 1950 there were 6,964 peasant workers' co-operatives with 2,128,000 members, owning 2,595,000 hectares of land. This number was later reduced and by 1954 there were only 896 peasant workers' co-operatives with 116,400 members and 218,000 hectares of land.

These peasant workers' co-operatives developed during the administrative period and there were numerous contradictions in their development: in mechanisation, tilling methods, labour productivity, exploitation, business conditions, manpower etc. Therefore, in 1951 the Central Committee of the Communist Party of Yugoslavia issued instructions for a reorganisation of peasant workers' co-operatives.

The introduction of self-management opened up a new chapter in the development of the country's social relations. There were changes in the character of social administration, planning, production means, limits on privately owned property (10 ha) etc. In 1957 the Federal People's Assembly

passed the "Resolution on the Future Development of Agriculture and the Co-operative Movement". This Resolution pointed out the roads and methods in the socialist transformation of agriculture, and indicated the factors and vehicles of this transformation. The co-operative is the most suitable vehicle for investment in agriculture. Thus co-operatives have developed into an important factor in increasing production, transforming relations in the rural areas, and have ultimately become the economic organisation of the village.

Transformation of Co-operatives under the Associated Labour Act

After the Associated Labour Act and the Law on the Association of Agricultural Workers in the Socialist Republic and Autonomous Provinces were passed, a new period began in the development of the co-operative movement. Yugoslavia has Social Compacts for the development of agro-industry: covering the 1973-75 period, the 1976-80 period, and finally, the period between 1981 and 1985.

These are sound documents pinpointing tasks in the development of agricultural production and in the promotion of marketing, foreign trade, investments, loans, land protection, etc. They also outline steps to be taken in support of associations of agricultural workers.

Yugoslavia has drawn up a programme for the long-range development of agro-industrial production up to the year 2,000, and the tasks contained in the programme are now being studied in detail.

Farms and socially organized production occupy an important place in the development of agriculture. These farmers own 83% of total arable land, over 90% of the livestock, and account

for over 70% of total agricultural production and approximately 50% of the market surpluses. However, conditions on these farms are not very good for production as their average size is only about 3,5 hectares, while their structure has also changed so that there are now about 50% mixed farms and only about 20% purely agricultural holdings.

The co-operatives underwent certain changes after the Associated Labour Act was passed, as indicated in the following table:

	1978	1982	%
Co-operatives	652	829	+27%
Co-operative-organisations	747	953	+27%
Pre-co-operative organisations	421	232	-44%
	1,820	2,014	+11%

This survey indicates:

1. that the number of co-operatives has increased by 27%,
2. that the number of co-operative-like organisations has increased by 27%,
3. that the number of pre-co-operative organisations has been reduced by 55%.

This process is a positive one. The reduced number of pre-co-operative organisations is in conformity with the Associated Labour Act as these organisations have been transformed into co-operatives or co-operative-like organisations.

Late in 1982 there were about 270,000 associated agricultural workers and about 1,2 million co-operating members. Virtually all farmers producing for the market belong either to a co-operative or a co-operative-like organisation and so are included in the system of socially organised production.

The farmers joined these forms of association because they realised that in this way they would find it easier to cope with their respective problems. The basic motives of co-operative association are increased production, higher income, economic interests, a share in self-management, better sales and social welfare.

Farmers associated within a co-operative enjoy the same status as workers. Their organisation enables better planning, more favourable investments, organised sales on the market, use of mechanisation and regular supplies of seed, artificial fertilisers, farming machines, fodder, and seedling plants, etc.

In 1981 the 597,000 co-operative farmers pooled agricultural production. On an area of 318,000 ha, wheat yields were up to 3.44 tons per hectare which is 0.54 more than on private farms. Maize yields on 662,000 ha were up to 5.36 t/ha or 0.62 more than for the entire individual (private) sector. The signatories of the Social Compact for the development of agriculture covering the 1981-85 period have agreed to increase investments in associated labour organisations and the advancement of other forms of farmers' association. These funds are as follows:

– Total resources for agriculture	154,851 bil. dinars
– For socially organised farmers' production	33,540 bil. dinars (21.6%)

The Compact has pinpointed the use of these funds in the development of agricultural production on peasant farms.

Labour productivity is regularly analysed for seven major crops and staples in agricultural combines (multi-

purpose farms): wheat, maize, sugar beet, sunflower, milk, beef, pork). Analyses have shown that the consumption of manpower per hectare has been cut by approximately 300% for wheat, 600% for maize and 500% for sugar beet and sunflower (1960-1978).

Labour productivity is increasing rapidly, though it varies by products. The social sector in Yugoslavia has brought labour productivity up to world standards. During the last few years research has begun on labour productivity trends on peasant farms.

Production Development on Peasant Farms

During the 1981-85 period, agriculture is basically expected to meet the requirements of the home market, to supply the food industry with raw materials, to stabilise stocks of food, step up food exports and promote the development of self-management based socio-economic relations on peasant farms.

The total agricultural area in Yugoslavia in 1980 was 14,200,000 hectares, 4,450,000 ha belonging to the socially owned sector and 9,750,000 ha to private farmers. There were 9,830,000 ha of arable land in all, of which 1,600,000 were in the socially owned sector and 8,230,000 ha in the private (individual) sector.

According to plan total production should increase as follows by 1985:

	1980 Total tons	1985 Total tons
Wheat	5,000,000	6,000,000
Maize	9,500,000	11,000,000
Sugar beet	2,500,000	9,540,000
Meat	1,210,000	1,445,000
Milk	4,350,000	5,250,000

Special importance is attached to the export of agricultural produce and food. A 9-10% growth rate has been planned in 1985 exports, to a value of 84 billion dinars.

In Yugoslavia agricultural workers traditionally compete with each other for the highest yields. About 200,000 farmers have been included in contests which are organised all over the country for about a dozen major staples. Every year there are gatherings in the republics and provinces rallying the record holders and awarding prizes to the best producers. Later there are such events at federation level. The recorded yields are high and indicate that even higher figures can be achieved for all these products.

Consultations also take place with a view to exchanging experiences and summing up results, organised in co-operation with faculties and scientific institutions.

In Yugoslavia today we have the Co-operative Union of Yugoslavia, eight Co-operative Unions of the republics and provinces and 23 regional co-operative unions. Their organisation, work and tasks are based on the Associated Labour Act, the Bill on Farmers' Association and other rules and regulations.

The co-operative unions are facing formidable tasks at the present stage of socio-economic development. These tasks include the advancement of production, trade and the agrarian policy, the organisation and association of agricultural workers, thrift measures farmers contests' for high yields, organizing rallies for junior co-operative members and women members, developing non-agricultural activities in the rural areas, information, education etc. the Co-operative Union of Yugoslavia is charged in particular with cultivating international co-operation.

The Co-operative Union of Yugoslavia is a member of the International Co-operative Alliance and the International Federation of Agricultural Producers (IFAP). The Union has signed protocols on co-operation with a number of national co-operatives in various countries: Italy, Greece, Bulgaria, Romania, Hungary, Austria, Czechoslovakia, Poland, East Germany, Great Britain, USSR, Japan and others. It also co-operates with many other countries including Iraq, Egypt, Algeria and Nigeria.

The subjects and content of co-operation are varied. There are exchanges of delegations studying different topics, exchanges of co-operative products, publications, bulletins, reviews etc., while discussions cover the scope for co-operation in the developing countries, etc.

With a view to further improving co-operation among the co-operative organisations in this country, the Co-operative Union of Yugoslavia sponsored the establishment of the Business Community of Cooperatives of Yugoslavia. This Community is in charge of all business arrangements among co-operatives. The Community has been functioning for two years and initial business results show that there are extensive possibilities for promoting co-operative trade. Pooling their efforts and supported by the ICA and IFAP, the Co-operative Unions will strive for the new international economic order and for equitable economic co-operation, against bloc influences, protectionism and monopoly. The world's co-operative movement has the strength and the ability to fight for fairer and better economic relations among states and in this way it will be contributing to the stabilisation of measures and overall relations in the world.

The Fisheries Cooperative Movement in Korea

by Lee Eun-Soo*

The integrated approach to the fisheries cooperative movement in Korea proved most effective in enhancing its members' social and economic status, while making a significant contribution to the development of the fisheries industry in the country.

1. Development in Fisheries Industry

Korea's fisheries industry had long remained underdeveloped, dependence on traditional fishing practices and gear having kept production low. A ramification for the country's fisheries industries was marked in 1962 when the first Five-Year Plan for Economic Development was launched by the government. The development of the fisheries industry has been promoted through this and subsequent Five-Year Plans for Economic Development, which have brought about an unprecedented economic growth. In keeping with this growth in the economy, Korea's fisheries industry has also developed remarkably during the past 20 years.

During this period the fishing fleet has been greatly expanded, fishing techniques innovated and fishing gear modernized. These physical improvements and the accelerated fishing efforts by the skilled crews have combined to increase the catch year after year, while at the same time expanding both the fishing grounds and the number of species fished.

The fishing fleet has grown in its number and tonnage and many craft have been motorized. In 1962, when the first fisheries development plan was launched, the fishing fleet remained as low as 45,504 vessels (161,709 GT) and 20 years later it grew to 85,869 vessels (807,501 GT), showing an expansion of 1.9 times in number and 5 times in tonnage. The motorization of fishing vessels has also made good progress with 4,349 motorized vessels, (31,409 GT) in 1962, increasing to 67,084 vessels (786,708 GT) in 1982.

In addition, the enlargement of fishing vessels has made considerable progress. The average tonnage per vessel of 3.1 GT in 1962 rose to 9.2 GT in 1982. A significant improvement has also been made in the quality and type of fishing gear and equipment. Fishing nets made of synthetic fiber are now widely used and manual fishing has largely been replaced by mechanization. All in all, these improvements have made a decisive contribution to the increased productivity in Korea's fisheries industry.

Because of the favourable situation surrounding this industry the catch has increased year after year. The 470,200 tons landed in 1962 jumped to 2,793 thousand tons in 1983, representing as much as 5.9 times increase over the past 21 years. The export of marine products has also shown an impressive

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progress over the past two decades. Exports of U.S.\$56,702 thousand in 1962 zoomed to U.S.\$907 million in 1983, showing 16 times growth and this has played an important part in further developing Korea's economy, which has been based on the export-led growth. In keeping with this rapid progress in the fishing industry, the fishermen's incomes have also risen remarkably. A fishing household's income of 193,200 Won in 1970 hiked to 4,109,000* Won in 1983 representing a staggering rise of 21 times over the past 13 years.

As a result Korea has emerged as one of the world's most important fishing countries. Korea's landing of marine products ranks ninth in the world's total catch and the exports of the fisheries industry rank sixth in the world's exports of marine products. Needless to say, this remarkable growth in the fisheries industry is mainly due to a well coordinated government policy. But the fisheries cooperative movement, with its integrated service and business activities, has played an important role in the course of developing the country's fisheries industry as seen below.

2. Fisheries Cooperative Movement

a. Founding

The modern fisheries cooperative emerged in 1962 although the country's fishermen have long had an organization of their own. On April 1, 1962 the Fisheries Cooperative Law was promulgated and, based on this Law, fisheries cooperatives at all levels were organized throughout the country. Currently, there is a National Federation of Fisheries Cooperatives which has 72

members comprising 54 regional fisheries cooperatives, 14 local fisheries cooperatives and 2 fish product manufacturers' cooperatives. In addition, under the regional fisheries cooperatives there are 1,436 fishing village societies, at the fishing community level. The number of members affiliated to fisheries cooperatives is currently 137,038. Besides these, the National Federation of Fisheries Cooperatives (hereinafter referred to as the Federation) has established 8 Branch Offices in the provincial capitals to coordinate between the Federation and its member fisheries cooperatives, while carrying out the service and business activities at the provincial level.

b. Organization

Since their inception in 1962, Korea's fisheries cooperatives have constantly restructured their organization and coordinated their function in response to the needs and demands of the market. In 1962 there were 88 regional fisheries cooperatives, 12 local fisheries cooperatives and two fish product manufacturers' cooperatives, thus totalling 102 fisheries cooperatives in the country.

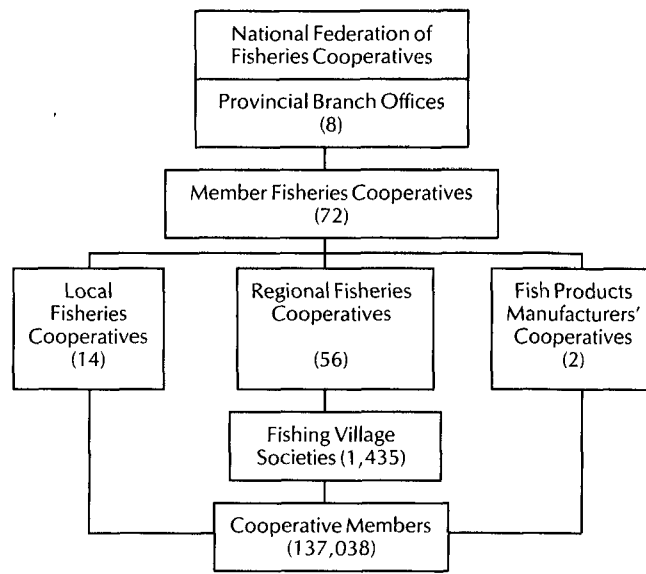
c. Role and Function (federation)

1) Role

- Promotion of cooperative organizations
- Improvement of fisheries productivity and increase in fishermen's income.
- Guidance and supervision on the member cooperatives and promotion of joint interests.

* 100 Won = Sfr 0.35 (7.XII.84) approx.: \$ 0.16.

1) Organization Structure



2) Function

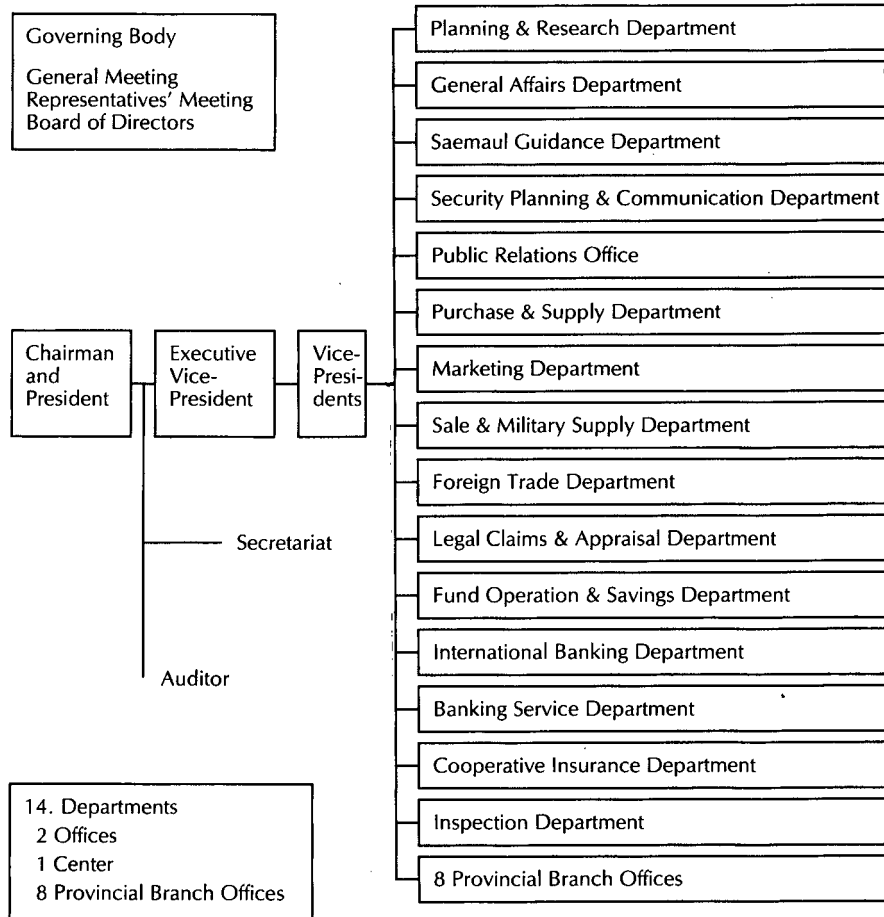
- Guidance
Education training, survey-research, and managerial consultant services.
- Assistance in Production:
Joint purchase of materials and equipment required for production activities and utilization-processing.
- Assistance in Marketing:
Joint sale, price supporting, military supply, foreign trade and stock.
- Assistance in Finance
Credit and banking, deposit, domestic exchange, reloan of foreign loan and foreign exchange.
- Assistance in Safe Fishing Operations:

Cooperative Insurance, fisheries communication and extension service.

3. Service and Business Activities

Korea's fisheries cooperative movement is multipurpose in its service and business activities which can only be accomplished by an integrated function. The area of service and business implemented by Korea's fisheries cooperative movement covers the guidance service comprising the Saemaul (or New Community) project, managerial consultancy service, publicity, survey and research, education and training, operation of the fisheries radio stations, purchasing marketing and sales, foreign trade, credit and banking, and cooper-

2) Organizational Chart of NFFC



ative insurance. These services and business activities have been implemented through the constant coordination of fisheries cooperatives at all levels and have been, directly or indirectly, oriented toward the improved economic status of the members (fishermen).

The total turnover for the service and business activities of Korea's fisheries cooperatives in 1983 was 2,442.4 billion Won (1,433.6 billion Won of the Federation and 1,008.8 billion Won of its member fisheries cooperatives).

a. Guidance Service

The guidance service conducted by the fisheries cooperative movement includes the Saemaul project, managerial consultancy service, publicity, survey and research, education and training, and operation of the fisheries radio stations. The operation of the radio stations and the education and training programme will be treated in separate sections.

1) Saemaul project

The Saemaul Movement was first launched, on the government's initiative, in the early 1970s. Its primary objective, was the economic and spiritual development of fishing cooperative which at that time lagged behind that of the urban communities. Accordingly, the Movement has been calling for the mobilization of all resources available for the development of rural fishing communities. The project aims to establish an efficient infra-structure within the movement and to enhance the spiritual enlightenment required for the promotion of self-help, cooperation and diligence.

In carrying out the Saemaul project in 1983 the fisheries cooperatives at all levels placed their emphasis on the construction of fishing infra-structures, the strengthening of fisheries resources and the creation of sideline jobs in the fishing communities which would contribute to improving fishermen's incomes. In the year a total of 362 sub-projects were implemented representing an investment of 4,590 million Won.

2) Managerial Consultant Service

In an effort to create a balanced development among the members, the Federation provided them with a managerial consultancy service. In 1983 the Federation provided five cooperatives which had poor achievements at managerial level with an intensive consultancy service and, based on this service, it presented the medium-long term plan for their development. In addition, the Federation strongly urged its members to mount a campaign for increasing the members' subscriptions which resulted in an additional 26.4 billion Won in income.

3) Publicity Activity

The mass media was widely used to propagate the government's fisheries policy and the ideals and activities of the cooperative movement. In 1983, 121 programmes on these subjects were televised and a further 1,095 programmes were broadcast through the radio networks. In addition, the Federation produced 67 special programmes and 7 advertisements. The Federation was particularly engaged in the campaign for the increased consumption of marine products. It made 17 publicity programmes for television, newspapers and magazines and produced 25,000 leaflets promoting marine products.

In 1983 the Federation installed, video equipment and has since produced 13 videotapes which it has distributed to its members. In 1983 the Federation issued 470,000 copies of the New Fishermen, a monthly paper 140,000 calendars, and 3,000 copies of "The Fisheries Cooperatives in Korea" in English, to circulate to the fisheries cooperatives, fishermen and foreign cooperators. The Federation purchased 620,352 copies of the Fisheries Newspaper, 73,236 copies of the Agricultural and Fisheries Newspaper, (both weeklies) and 21,216 copies of the Modern Ocean (a monthly fishing magazine) which it circulated to member fisheries cooperatives and individual fishermen.

4) Survey and Research

Survey and research has mostly been conducted by the federation and the objective is to supply the data essential for the development of the fisheries industry and for further promotion of the fisheries cooperative movement. Major survey and research work carried out in 1983 included a survey on members and another on fishing gear, annual statistics on fisheries cooperatives, a survey on fisheries management, and sur-

veys on cooperative marketing, fisheries marketing and on the fishing fund requirement. Besides these, the Federation issued monthly statistics and many other survey and research publications.

b. Purchasing

Purchasing has mainly been undertaken by the Federation and its primary design is to cut down on the management costs by supplying quality equipment and other fishing materials at low prices.

In 1983, total turnover of the business stood at 120,856 million Won. The purchasing business comprises the Federation's own purchasing department and the government-commissioned purchasing business. The Federation's own purchases for 1983 amounted to 114,927 million Won, out of which the oil supply business accounted for 108,746 million Won. This represents 90 per cent of total turnover in the purchasing business and 95 per cent of the Federation's own purchasing business. The Federation has 20 oil tankers under its operation, two of its own and 18 chartered tankers. The regional fisheries cooperatives have 57 oil supply centers and 201 oil storage facilities. In 1983 the Federation purchased fishing materials and daily necessities worth 3,880 million Won, and sea laver * processing materials worth 823 million Won. Transportation expenses amounted to 1,478 million Won. Government-commissioned purchases in 1983 reached 5,929 million Won and included fishingboat engines, fishing equipment, wireless sets and ship building. The fund for ship construction amounted to 4,017 million Won, accounting for 68 per cent of the government-commissioned purchases.

Thus, the purchase business has played a crucial role in reducing pro-

* edible seaweed

duction costs, thereby improving the fishermen's income and the revenue of the fisheries industry.

c. Marketing and Sales

Korea's fisheries cooperatives at all levels have been engaged in the marketing and sales to ensure the fishermen's sale price on fair terms and to upgrade the marketability of marine products. This business includes ice manufacturing and refrigeration, price stabilization and supply to the armed forces.

1) Marketing and Sales

Korea's fisheries cooperatives have a total of 180 fish wholesale marketing centers situated in both coastal and inland areas. The Federation manages eight fish wholesale marketing centers in the inland urban areas and two local fish wholesale marketing centers in the coastal areas, while the regional fisheries cooperatives operate 169 local fish wholesale marketing centers in the coastal areas and one inland fish wholesale marketing center. In 1983 1.8 million tons of marine products (80% of the total catch) were sold through the local fish wholesale marketing centers while 122,109 tons of marine products were sold through the Federation's 10 fish wholesale marketing centres.

In addition, Korea's fisheries cooperatives have also been engaged in retailing, and currently they have 42 retail stores, out of which 5 stores are managed by the member fisheries cooperatives and 37 by private retailers under exclusive supply contract with the fisheries cooperatives. Thus, the fish wholesale marketing centers, both in rural and urban areas, have played a decisive role in providing the fishermen with the opportunities to trade their catch on fair terms.

2) Operation of Ice Manufacturing and Refrigeration Plants

Currently Korea's fisheries cooperatives have 47 ice manufacturing and refrigeration plants under their operation, out of which 10 are managed by the Federation and 37 by its member fisheries cooperatives. All of these plants are located at the fish wholesale marketing centers. In 1983 the Federation operated 10 plants turned out 50,145 tons of ice and refrigerated 98,285 tons c/s of marine products and deep froze 421 tons. The 37 plants managed by the member fisheries cooperatives produced 151,000 tons of ice and refrigerated 75,871 tons of marine products with 1,298 tons deep frozen.

The operation of ice manufacturing and refrigeration plants has made a significant contribution to the improved marketability and smooth marketing of marine products in the country.

3) Price Stabilization

This business, which is managed in close collaboration with the government, is designed to raise, or at least stabilize prices. Major achievements in 1983 are as follows:

Firstly, the Federation and 19 member fisheries cooperatives purchased 13,851 tons of marine products (Spanish mackerel, squid, yellow corbina and sea laver) during the fishing season and released 6,190 tons on the market during the high demand season, thus preventing a sharp drop in prices.

Secondly, 8,994 tons of marine products were purchased in the coastal areas and supplied to the processing industries.

Thirdly, the fisheries cooperatives purchased and stocked 2,000 tons of salted sea mustard and this prevented a sharp drop in price of this marine product.

4) Supply to Armed Forces

Under the exclusive contract made with the military authorities the fisheries cooperatives have supplied 30,166 tons of marine products to the armed forces in 1983. This supply has balanced the price fluctuation of marine products.

d. Foreign trade

The Federation has been engaged in foreign trade since 1976. The primary purpose of this business is to raise the fishermen's price by making direct shipment to overseas markets.

In 1983 the export of marine products made by the Federation in collaboration with its member fisheries cooperatives amounted to 35,779 thousand U.S. Dollars, up 29 per cent from the previous year's exports. Major items shipped by the Federation in 1983 included 7,434 thousand U.S. Dollars worth of lugworm, 21,719 thousand U.S. Dollars worth of live fish and 6,626 thousand U.S. Dollars worth of processed products.

e) Credit and Banking Service

Korea's fisheries cooperatives manage credit and banking and other monetary services so as to make available a smooth supply of funds for fishing and marketing operations. In fact Korea's fisheries cooperatives are the only fisheries banking institutions engaged in a variety of activities, including commercial banking, cooperative credit services, foreign exchange and foreign loan.

1) Credit and Banking

Korea's fisheries cooperatives started their credit and banking service in 1968 and currently have 106 banking branches throughout the country (28 belonging to the Federation and 78 to its member fisheries cooperatives). In 1983

Korea's fisheries cooperatives raised a total of 669.5 billion Won. The raised fund breaks down into 360 billion Won generated by the fisheries cooperatives themselves through their banking branches and 267.3 billion Won borrowed from the other financial sources, including a government loan of 151.2 billion Won. Out of the resulting funds 157.7 billion Won were lent to the coastal off-shore and deep-sea fisheries industries. Thus, Korea's fisheries cooperatives have played a decisive role in making funds available for both the individual fishermen and the fisheries industries.

2) Foreign Exchange

This department was introduced by the Federation in 1979 to provide a service to the industries engaging in the export-import of marine products and its activity has increased year after year. In 1983 total turnover amounted to 208 million U.S. Dollars.

3) Foreign Loans

Foreign loans were introduced by the Federation to meet the growing demand for funds. Sources include the Japanese government, the Asian Development Bank (ADB) and the International Bank for Reconstruction and Development (IBRD). Since 1965 the Japanese government has provided the Federation with 30 million U.S. Dollars for the development of coastal and off-shore fisheries industries and the ADB supplied 13,300 thousand U.S. Dollars for coastal, off-shore and deep-sea fishing. 2,916 thousand U.S. Dollars from the IBRD were used for the construction of a local fish wholesale marketing center and storage facilities for marine products.

4) Cooperative Credit

This department has been operating since 1974 to provide credit services to the cooperative members at the fishing community level. Currently there are 92 branches run by the fisheries cooperatives and 36 branches by the fishing village societies. In 1983 8,032 million Won were raised and 1,689 million Won were loaned to members.

f. Cooperative Insurance Business

In collaboration with 56 member fisheries cooperatives the Federation runs a cooperative insurance business to insure fishermen's lives and property against accident and disaster. In 1983 the insurance policies sold amounted to 520,166 million Won, up 14 per cent from the previous year while the insurance premium received stood at 11,906 million Won. The cooperative insurance run by the Federation is roughly classified into damage insurance and life insurance.

1) Damage Insurance

The damage insurance policy covers fishing boats, construction of fishing boats, fire and fishing crews. In 1983 damage insurance policies sold amounted to 470,274 million Won and the premium totalled 5,081 million Won.

2) Life Insurance

The life insurance policy covers savings, welfare and education for fishermen. In 1983 the policies sold reached 55,892 million Won and the premium amounted to 6,829 million Won.

3) Insurance Payments

In 1983 insurance payments amounted to 5,527 million Won, accounting for 46.4 per cent of total pre-

mium paid by the policy holders. This amount breaks down into 2,839 million Won for damage insurance and 2,688 million Won for life insurance.

g. Fisheries Radio Stations

Korea's fisheries cooperatives have operated the fisheries radio stations since 1966 and currently they have one control center at the Federation headquarters, 39 fisheries radio stations located at the member cooperatives, two fixed fisheries radio stations situated in the coastal areas and six direction-finding stations placed along the coastal areas, thus totalling 48 fisheries radio stations in the country.

The major role of these radio stations has been to provide the fishing boats with regular information on weather, fishing grounds and fish prices at major landing areas. In addition the radio stations have been engaged in emergency rescue operations in collaboration with the marine police, or navy, and have also played an important role in the communication service among the fisheries cooperatives at all levels and the government. Furthermore, the fisheries radio stations have provided a free repair service for radios of fishing vessels.

In 1983 the communication tubes handled by these radio stations numbered 2,880,000. 302 fishing boats were rescued by the emergency rescue service, and 5,127 radio sets were repaired.

h. Education and Training Programme

Since its inception the federation has conducted education and training programmes which are regarded as the cornerstone of the cooperative movement. The provision of education and training programmes have two objectives; firstly, to improve the capability of executive and employees working for

the Federation and its member fisheries cooperatives, and secondly, to instruct the fishing community leaders on the ideology of the fisheries cooperative movement, thereby propagating the cooperative ideal among the fishermen.

As part of efforts to step up the education and training activities the Federation founded an Education and Training Center on November 1, 1977 and since then the education and training programme provisioned by the Center has been largely accelerated.

The Federation's Education and Training Center has placed its emphasis on-the-job training and its curriculum includes cooperative law, theory of cooperation accounting, legal claim procedures, economics and cooperative insurance. In order to meet another educational need not available at the Education and Training Center, the Federation has commissioned other educational institutes to teach the programme to employees of the Federation and its members.

In 1983, a total of 1,739 employees and executives of fisheries cooperatives at all levels participated in the Center's education and training programme. In addition, 130,021 fishermen took part in on-the-spot education programmes on the government's fisheries policy and the activities of the fisheries cooperative movement. In particular, the Federation's provincial branch offices provided 309 fishermen with technical education.

4. Collaboration with Other Cooperative Movements

There are three types of cooperative movement in Korea: agricultural, fisheries and livestock (which has recently separated from the agricultural co-operative movement). These three cooperative movements have collabo-

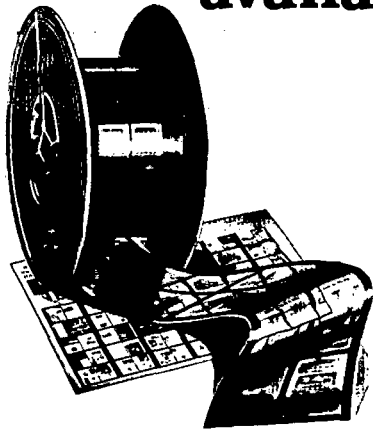
rated closely in promoting their activities, constantly sharing their knowledge and experience.

Korean and Japanese fisheries cooperative movements have collaborated bilaterally holding annual presidential meetings of fisheries cooperative federations and, based on these meetings, exchanging personnel and information.

At international level the Federation was first affiliated with the International Cooperative Alliance (ICA) on March 1, 1979 and since then has expanded the collaboration with movements in other

countries. The Federation has attended international meetings sponsored by the ICA at all levels and also participated in various seminars and workshops sponsored by the ICA Regional Office & Education Centre for S-E Asia (ROEC). In return the Federation hosted a seminar in collaboration with the ICA ROEC in March, 1981 which was attended by twelve participants from six South east Asian countries. In addition, the Federation and the FAO co-sponsored an observation-training programme for twelve Indonesian participants in September, 1982.

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A Tribute to Jerry Voorhis "The Modesty of a Magnificent Man"

by David J. Thompson*

Today, thousands of co-operators across the U.S.A. will honor the life of Jerry Voorhis. Many have known him for only a decade. Whether for a moment or for a lifetime, Jerry Voorhis left an indelible mark upon all who ever had the good fortune of meeting him. Each one of us can speak eloquently of our own special moments with Jerry. He was both modest and magnificent, humble, and honored. He invested time and energy in all who would listen to his message. He spoke with fervour of those simple principles of freedom and peace that were central to his life. His god was an activist God who daily gave him the strength to carry on shaping this world on behalf of the poor and the powerless. Jerry always spoke to the future with a message of morality in action.

Jerry Voorhis' life was a rich and varied one. Yet, throughout, it was threatened with a record of commitment to the cooperative model. He was born in Ottawa, Kansas, the home of many farm cooperatives which are the backbone of the midwest. The accomplishments of Farmland Industries on behalf of its farmer members was always one of his favorite stories. A few years after arriving in California, Jerry was one of the organ-

izers of a food cooperative initiated by the Upton Sinclair EPIC movement. From 1936 to 1946, Jerry Voorhis was one of the best friends in Congress the cooperative community could ever hope to have. He was a co-sponsor of almost every piece of critical legislation which furthered the cooperative way of doing business. He was also the most formidable opponent of anyone who dared to unfairly limit the rights of cooperatives in American society.

Were the press to report events from a cooperative perspective, they would state that in 1946, Jerry was freed from his congressional duties so that he could take on the more important task of running the Cooperative League of the USA.

His place in Congress was taken by a nondescript, less than idealistic, politician whose career ended in embarrassment for the nation. For the rest of his life, Jerry would benefit from a comparison of their careers. Jerry would say years later, "...my defeat was, from a purely personal point of view, almost a blessing... at the end of that short period of unemployment, I was selected for the very job I had most wanted. The job was that of Executive Director of the Cooperative League of the USA. It gave me an opportunity to work at building 'grass roots' economic and social organizations and enterprises — a satisfying and rewarding task."

* David Thompson is a former Regional Director of the National Consumer Cooperative Bank. He is a board member of the Davis Food Co-op and served on the boards of Associative Federation. He has been inspired by Jerry Voorhis since first meeting him in 1971.

From 1947 to 1967, Jerry was Executive Director of the Cooperative League of the USA; and its President from 1965 to 1967. When he began, CLUSA was only the Executive Director and the Secretary in one room in Chicago. Under his guidance, the League grew substantially by providing a broader range of services to a more diverse group of cooperatives. While at the League, he initiated the Group Health Association and worked extensively on the development of the Health Maintenance Organization legislation. He was actively involved with the Cooperative Foundation, the National Association of Housing Cooperatives, the Mutual Ownership Development Association, the Association of Cooperative Educators, and the Association of Cooperative Editors. For nearly twenty years, Jerry served as a member of the Central and Executive Committees of the International Cooperative Alliance. He was also a founder of the Organization of Cooperatives of America which links cooperatives in the western hemisphere.

Jerry saw cooperatives as giving "the little people a chance in the world of bigness." His books and speeches on cooperatives were geared to creating action, and to taking power over our lives, in our communities, and in our nation. In his book, **The Morale of Democracy**, Jerry wrote, "Cooperatives are inherently built on spiritual motives – they are the most Christian of business institutions. They cannot be selfish and succeed."

In the past decade, Jerry came to tie cooperatives and peace together more dramatically. At the 1981 Consumer Cooperative Managers Association meeting in Berkeley, he talked of the threat to the earth, the human race and the pursuit of options. Jerry asked, "What could such an alternative be? First of all, it would have to be a way that groups of people, large or small could

use their own efforts to survive, without dependence upon either government or large business. It could hopefully be economic or social institutions that call forth the best in people and enable them to express practically, in day to day activity, their moral and religious ideals... that alternative is economic and social cooperation. It is as old as human civilization. It is in the yearnings of increasing numbers of people – mostly young ones – in every corner of the land. It has been tried and tested in 1000 ways and found to be good and practical. Your cooperatives are among its best expressions in these tense days."

Prior to, and in the years since, retiring from the League, Jerry took the initiative on the creation of a National Consumer Cooperative Bank. Throughout his many writings there was frequent reference to the need for a bank to supply the credit needs of consumer and other cooperatives not served by the Farm Credit System. In 1966 he asked Giff Hoag to draft a memo on the subject and the idea began to move forward. Slowly and cautiously the concept took on the semblance of reality. The Cooperative League made the Bank its number one priority. On September 25, 1975, the League brought people in from all over the country to lobby for the legislation. They agreed to meet later that night at the Mayflower Hotel to review their visits to the Capitol Hill. At the appointed hour, everyone had returned, showered, and had a good dinner – except one.

Bob Beasley, then Chairman of the League and now the first American Director of the International Cooperative Alliance, described the scene. "Here came Jerry in his dripping grey coat and baseball cap, all excited, and he started telling us about everybody he'd talked to, and of course all the doors had opened to him. We sat there fascinated." Jerry then reviewed his

day. He provided the Cooperative League board members with meticulous notes of his numerous meetings. He had noted the supporters, the opponents, the arguments they had raised, the counter-arguments he had proposed.

He then re-stated the philosophical and practical reasons for the Bank. Slowly he re-kindled the flames of hope and aspiration in the room. Bob Beasley recounts, "Jerry gave us an emotional start that was one of the most thrilling things that has ever happened to me. The meeting just caught fire. I think at that moment, people in that room decided we could really get the bank. Until that time, we were enjoying the experience of working for it, but it was all pretty much a game. Most people did not think we were going to win." The National Consumer Cooperative Bank went on to become law by a 199-198 vote margin in the house and was signed in law by President Carter in August of 1978. At 75, Jerry proved that he still had the energy to dare to dream and to dare to do.

Only two weeks before he passed away, I had the opportunity to visit with him and to obtain his files on the Cooperative League and the Bank. Alert as ever, he probed for news of cooperatives. How's the Davis Cable Cooperative? "How's the Bank doing? Who are you lending money to? How's Berkeley?" Then followed a series of questions about lots of the people we knew in common – you can be assured that co-operatives were a part of him until the very end.

In 1970, Jerry Voorhis and his wife and partner in life, Louise, returned to their roots in California. They came back to the Pomona Valley where they had spent so much of their early married life. Here among friends and familiar places they re-integrated themselves into the community. At the same time as Jerry was looking out across the Califor-

nia landscape once again, a new group of cooperators were emerging. Born of the anti-war movement, the environmental movement and the counter-culture of the 1960s and 70s, another generation was discovering cooperatives. Many like myself, in search of an understanding of previous efforts, went looking for our history. How lucky we all were to find Jerry Voorhis in our midst.

Perhaps it was Jerry's lifetime work with young people, or perhaps his concern about the future. No matter – none of us had ever met anyone of his generation so open to new ideas; so encouraging of challenges to old concepts, and so responsive to change. He pushed us to think, to try, and to be brave. He allowed for our mistakes, he forgave us our petulance, he excused our youth. We, in turn, listened to him because he heard our message. For a decade we have feasted on a mutually beneficial relationship with a young-thinking Jerry Voorhis. He spoke at almost every major gathering of New Wave co-operators. He was a bridge between the generations of co-operators, one born of the poverty of the 30s, the other born of the affluence of the 70s. He taught us of a wider world of cooperatives; of the large family into which we had emerged; of similarities where we had seen only differences; of strengths and values where we had seen only weakness; of points of confluence and not conflict.

At that same Consumer Cooperative Managers Association meeting in 1981, Jerry said, "I hope we are seeing the drawing together for mutual aid of the new wave and the established cooperatives. I hope the new wave people are beginning to seek the guidance and the constructive help of those whose experience has enabled them to really know what it takes. And I hope that our established co-ops are ready to provide

the new wave with both technical help and supplies as well as to let themselves be inspired by the dynamic spirit of some of the young people."

In his book, **Cooperative Enterprise**, Jerry wrote "Probably the people, who come closest to knowing what is good enough and strong enough to beat and temper and forge the modern life of man into a shape where human life and love and hope and sentiment can again be safe, aren't old enough to fully assert the leadership that must be theirs. My generation can give them a certain heritage of value... but, except for passing on these eternal values, it is probable that the best thing my generation can do is to try to understand the clear, tough, shiny world which younger minds are making – and then get out of the way as quickly as we can to let our more realistic children take over."

Jerry encouraged young co-op leaders to take over, and we often did. However, we never let Jerry out of our sight even as we set new courses for our

cooperatives. He was a beacon that shone brightly and strongly across uncharted waters. He guided us through difficulty and gave us hope in the darkest of nights. His was an example of human cooperation that will never be forgotten. He made change by example and there were many examples in those 83 long, rich, and active years.

Co-operators everywhere who knew him will carry their memory as a gift. Jerry once wrote a poem about a good friend who passed away. Those words can express best our own farewell to him.

You're gone old friend
Gone to where all good must go
To whence it came.
We who must stay behind
And struggle – as you did, so
Bravely, so nobly, so stubbornly –
And correct the lack of understanding
that afflicts this world.
We miss you more than words
can ever tell.

The following Resolution was adopted by the Working Party on Co-operative Press at its Plenary meeting in Hamburg on 13th October, 1984. The Resolution was read at the 28th Congress of the International Co-operative Alliance and the text will be included in the minutes of both meetings:

Resolution Recommendations Concerning the Co-operative Press

The ICA Working Party on Co-operative Press discussed the position of co-operative journals and editors, in Hamburg, on October 13th 1984. The group urges the leaders of the co-operative movements to focus attention on the competitiveness of its press within the framework of the fast changing environment (people's attitudes and applied technics).

The group stresses the possibilities of the co-operative press and emphasizes the importance of regarding the co-operative press as ordinary, serious media.

To achieve a status whereby the co-operative press successfully fights for and arrests the time and attention of its readers, the group points out that:

1) co-operation, being a mass movement, needs a strong, independent media with a large circulation, in order to be seen and heard.

The group recommends the principle of sending member journals to all member families and steady customers. The opportunities for large magazines to attract advertisements, even from outside their movement, should be used without prejudice. It is necessary to expect normal profitability from the co-operative press.

2) However, the co-operative press needs the status of being a permanent and main contact organ and advertising media of member families.

3) The co-operative press in all societies needs competent, skilled and well trained journalistic and entrepreneurial staff, in order to meet the competition of other media.

4) If the co-operative press is to be competitive, a clear division has to be made between editorial material and advertising and promotion. It is necessary for journalists both to gain the confidence of their readers and to freely follow the ethical and professional principles approved in their respective countries.

5) The atmosphere in successful press is creative and daring. Creativity increases when publishers and journalists can engage in frank and open discussion on the aims and tasks of the press.

In this way co-operative journals will be able to increase the number of people taking a positive attitude toward the co-operative movement and, at the same time, benefit its business activity.

The Working Party on Co-operative Press hopes that all leaders of the movement, especially in countries where the pressure for co-operatives to reform is high, remember to develop their own mass media, in order to convince members and customers of the new context of co-operation. Otherwise, we leave the field open to foreign information.

Book Review

Chinese Co-operatives

by Leonora Stettner

(Foreword by John Morley, Chairman of the Plunkett Foundation)
The Plunkett Foundation for Co-operative Studies, Oxford, No 7, in the Plunkett Development Series. Paperback A5, 68 pages, price £3.

Those of you who wrote in to say how much you enjoyed the article "Co-operative Socialism in China" by L. Stettner and B. Oram will be interested to know that a booklet on this subject, written by Leonora Stettner, has recently been published by the Plunkett Foundation.

The result of research and an intensive tour in China, this book charts the rise, decline and eventual resurgence of co-operatives in mainland China between the years 1943-1983. Two chapters briefly describe the early co-operatives before the war, their rapid development under Mao after the 1949 communist victory, the communes of the disastrous Great Leap Forward in 1958-1959, and the collectives of the Cultural Revolution (1966-1976). The bulk of the book however is devoted to the period after 1978 when State control was gradually relaxed and co-operatives gradually gained in strength, to constitute a third sector on a par with the public and private sectors in China's mixed economy. Leonora Stettner describes in detail the organisation of the six types of co-operative prevalent in China today, and concludes with convincing reasons for

her belief that the remarkable economic success of the present policies is to a great extent due to the role of co-operatives in the new economic mix.

Leonora Stettner has been carrying out research in the co-operative field for the past twenty years – for the International Co-operative Alliance, the Intermediate Technology Development Group and the National Co-operative Development Agency. She has also published a large number of books and articles on co-operation.

More about the Plunkett Foundation

The Foundation was established as a charitable trust in 1919 by Sir Horace Curzon Plunkett, the great Irish pioneer of agricultural co-operatives. For over sixty years the Foundation has promoted the study and development of co-operation worldwide by means of training courses, conferences and study programmes both in the U.K. and overseas in all sectors of co-operation; and by the provision of consultancy and information services supported by the Plunkett Library and its publications.

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4. Co-operatives for Developing Countries: Objectives, Policies and Practices, by Pierre J. van Dooren; translated by Russell Lawson.
5. Second Thoughts on Marketing Co-operatives in Tanzania: Background to their Reinstatement, by Deborah Fay Bryceson.
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