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THE ORIGINE AND DEVELOPMENT OF INDUSTRIAL COOPERATIVES
IN THE MODERN WORLD

INDUSTRIAL COOPERATIVES AND THEIR SOCIAL INFLUENCE
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The Relevance of Industrial Cooperatives to Current Economic Problems

by
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Summary

Over much of industry technical progress is now so fast that the higher the level of demand, the fewer are the people employed. This odd result, apparently contrary to common sense, comes about because of two developments. First, technical progress comes from "learning by doing": the more we produce, the better we learn how to produce. Second, the larger the scale of production, the cheaper the product. The combined effect is to employ fewer people the greater the level of demand.

While in the past this may have been true in the long run, it did not happen quickly enough to affect short term policies. Now it does.

The consequence in one country is for production to agglomerate into centres of very high productivity. Outside these centres, the rest of the country suffers increasingly from high unemployment. Between nations, some countries may have a large number of centres of high productivity in different industries. Japan is one such country. But it can maintain full employment only by building up a massive surplus of exports over imports, exporting unemployment to other countries.

Which centres and which countries prosper is not a matter of luck: it depends on their history and endowments. But most centres and most countries cannot prosper. These conclusions are stated very baldly. Much else is happening. And there are counter pressures. But if there is any truth in the conclusions, there are substantial implications. Governments must and will do a lot. But workers are not likely to leave it all to governments.



Workers in a prosperous firm may say they are all right. The firm will prosper. And so it may. But it may well do so with a half or a quarter of the present number of employees. Workers in less prosperous firms may not even have that protection. There is no protection for long from import controls, because the technical change can just as well take place within a country.

Trade unions as at present organised can put pressure on wages and governments, but they are not well organised to put pressure on research, developments, investment, product and pricing decisions within firms. The problem cannot be solved by government or trade union action alone.

Once workers have lost their jobs, they are powerless and disorganised. The time to act is while they can still influence the policies of firms as workers. They need to accept the need for extensive retraining, flexibility, work or leisure sharing, and long term company employment policies, all of which have their impact on immediate wages. The pressure builds up to widen the concept of a firm and of the human needs it serves, converting existing firms to industrial cooperatives. We shall hear more about industrial cooperatives in the years ahead.

What is happening in the world economy

In the world economy today there is a rapid growth of productivity in some enterprises and sectors. Perhaps the most dramatic example is micro-electronics, with order of magnitude reductions in cost per unit taking only three or four years, and occurring over and over again. But there are similar developments, though less dramatic, in chemicals, steel, textiles,

printing, packaging, agriculture, and in many parts not only of engineering, but also of service industries. Nor is there any sign of these developments slowing down.

Furthermore, successful developments tend to be concentrated in particular countries. The United States still retains a technological lead, but Germany and Japan are catching up fast. The United States is retarded by its high level of investment in previous technologies. Germany had what now seems the advantage of starting again in 1945. And Japan had not only the advantage of starting again, but also in many ways of moving straight from a feudal rural economy to a feudal industrial economy, to make a grossly unfair analogy with Western history, which does scant justice to the sensitive Japanese concepts of mutual obligation and harmony.

Looking more widely, among developing countries some countries are now advancing rapidly. Eight countries have achieved annual growth rates of over 6.5% per cent for the last three years, compared with an average of 1.5% for the advanced industrial countries. They are Korea, Hong Kong, Indonesia, Malaysia, Thailand, Bolivia, Brazil and Ecuador. Some of these owe part of their success to rapid exploitation of natural resources, but all of them have also been expanding their activities in the industries which have shown rapid increases in the productivity of technologies which have often been easily transferable from one country to another. The Koreans can make steel and build ships as cheaply as the Japanese who taught them how to do it. Micro-circuits can be made as cheaply in Taiwan as in California. At the same time other developing countries show no signs of emergent growth.

The overall picture that emerges is that nothing succeeds as much as success. Whatever the initial endowment of resources and abilities between and within countries, there is a tendency for them to become more concentrated, agglomerating into centres of high economic performance.

This process has its problems. Within a single closed economy the effect could be to build up high levels of productivity of some enterprises and of the workers they employ, while throwing other workers out of work. In an underdeveloped country they fall back into a bare subsistence economy, while in an advanced industrial country they may be compensated by high redundancy payments and unemployment benefit. It is cheaper to pay them to do nothing than to employ them on obsolete technologies. Once such a closed economy country realises what is happening, it can create work, by increasing services, and particularly personal services, in the public and private sector, either by the market or lay government action or by a mixture of the two. It can also share work, by increasing the leisure time of workers. It can be possible for such technological unemployment to occur however rapid the increase in demand for goods, if the rate of productivity increase with new technology is directly related to the rate of demand increase, in effect "learning by doing". *

In open economies trading with each other, a country once established with rapidly increasing productivity and superior technology can build up a strong balance of payments surplus, like Japan and Germany. It becomes cheaper for them to manufacture goods than to import them. The nature of their imports is such that they only use them in limited proportion to home production, and the greater their home production, the lower their costs and

Footnote

"Learning by doing" can be represented by the production function

$$\dot{Y} = aL^b Y^c$$

where Y is cumulative production to date, \dot{Y} is current production rate, L is employment, and a, b, c are constants. Treating Y as exogenously given by

$$Y = d e^{kt}$$

makes

$$L = \frac{k d^{1-c}}{a} e^{(1-c)kt}$$

Employment L decreases as production Y increases if $c > 1$. If this is so, there are increasing returns to scale. It is the combination of "learning by doing" with increasing returns to scale which produces the apparently paradoxical behaviour that the faster production rises the faster does employment fall.

the greater their exports. Employment becomes dependent on maintaining this large surplus in the balance of payments, exporting the unemployment that would occur in a closed economy.

Conversely, a country once established with relatively declining productivity and inferior technology can suffer a steadily deteriorating balance of payments deficit, with a high level of unemployment. This can occur for an industrial country like the United Kingdom or a developing country like Pakistan.

None of these processes are carried to their logical conclusion because countervailing forces develop which may brake or even reverse the process. A country with rapidly increasing productivity may find overseas markets closed to it. And a relatively declining country may protect its employment for a time by restricting imports, at the cost of its consumers.

In a recent exercise (New Statesman, 14 July 1978) with the UK Treasury's model of the economy, which was built for quite different purposes, I demonstrated how, according to the model, excess unemployment could be eliminated and the balance of payments constraint alleviated in the medium term by a lower exchange rate. Sufficient cuts in direct taxation would be made to compensate for the higher cost of living, but the main reduction in unemployment would have to come from increased public authorities' current expenditure, or alternatively increases in leisure. Public sector borrowing could be prevented from increasing by taking off some of the higher company profits by increasing corporation tax. In effect the exercise demonstrated that the UK at least could reverse the declining trend by allowing high productivity methods to develop in some parts of industry, using in other sectors the

manpower released, thus preventing unemployment building up resistance to new methods everywhere.

These processes resulting from, or associated with, rapid increases in productivity will not run their full course, nor are they all that is happening. But they are an important part of what is happening in the world today. We can usefully relate our actions and policies to them.

Against this background, industrial cooperatives seem to have played a minor role, and may seem unlikely to play a very much more significant one in the future. They have not operated on a large scale, and they have not been prominent among the originators or diffusers of the new technology and rapid increases in productivity in many sectors of industry or countries of the world.

Yet that may not be the end of the story. Powerful though the impersonal economic forces may be in the world, nevertheless they do leave us with a wide choice of personal actions and public policies. And it may be that the concept of industrial cooperation is relevant to these actions and policies. At the least it may suggest motives and principles or organisation which we might call upon. Industrial cooperation might even make possible patterns of development of industry and trade within and between nations not achievable in other ways. So let us turn from the wide world to the single enterprise and consider industrial cooperation specifically.

Industrial cooperatives

Industrial cooperatives offer an ideology of the enterprise. On the face of it this ideology seems to tackle some of the economic problems of modern industrial society near their roots.

I take an industrial cooperative to be an enterprise in which the employees directly or indirectly manage and ultimately control the enterprise, bearing also some or all of the risk of providing the capital employed. By doing away with the distinction between employer and employee it removes a fundamental cause of conflict in industry and society generally. Since the machinery by which workers exercise their control is democratic, giving all workers an equal role, there is a disposition towards equality of esteem, of rights, and of rewards within the enterprise. Since workers take part in the control as well as the work of the enterprise, the enterprise can be run in the total interest of workers as citizens, playing a constructive part in the economic, social, and physical environments in which it operates. I shall examine how far these claims of reducing conflict, promoting equality, and enhancing the environment, can be sustained in practice. But the ideology they represent is certainly addressed to major problems of the modern world. Indeed the danger is not the scope of the ideology, but its credibility. Is it utopian?

One way of establishing the credibility of the ideology of industrial cooperatives is to point to cooperatives that already exist and to argue that their growth, both in numbers and size, is bound to be slow because of the education and changes of attitude required for their successful development. Another way, which is the line I shall adopt, is to argue that the industrial cooperative is one among a number of developments in the field broadly described as industrial democracy, which encompasses collective bargaining, joint consultation, worker directors and co-determination. It is a more advanced development than the others, but it is their logical conclusion.

To recognise it as such deepens the impact of the earlier developments in industrial democracy, and widens the kind of evidence that can be used to establish the credibility of industrial cooperatives.

The need for ideology

But before embarking on the discussion of industrial organisation, I wish to defend the introduction of ideology. By ideology I mean the emotions, moral obligations, and simplifying myths which inspire action. We cannot breathe without it. It may be divisive, but it is also life-giving. Part of the problem of the modern industry is that we pretend it is not ideological. We see it as the practical behaviour of rational men, susceptible to positive description and analysis, and needing no ideology to explain it. Because the ideology is not nourished, it becomes weaker and dies, people in industry lose their orientation, and its organisation degenerates, although for a while it may continue mushrooming growth.

The traditional ideologies for industry are on the one hand free enterprise capitalism, and on the other socialist state capitalism. The one feeds on individualism, self-help, and the myth of every man being able to be his own master, and master of many besides. The other feeds on community spirit, the common good, and the myth of the state being able to articulate and particularise these aspirations. In the advanced industrial countries neither ideology seems to act effectively either as a motivator for people in their own careers, or as an inspiration to political action.

The younger generation, and particularly the abler among them, in the advanced industrial countries, show no great enthusiasm for careers in commerce

Democratic socialists do not speak too much of the obligations of those whose votes we hope to win. We are afraid it will lose their votes. We speak more of their rights, and of the obligations of others to them. Yet by not speaking of obligations we are robbing them of their human dignity. If labour is the origin of all value, it is worthy of dignity and respect. To play down the obligation to work, and the obligations that go with work, is to treat lightly the humanity of workers. We compound our offence, we do not excuse it, if there is no opportunity for a man to work.

We are all bound by identical obligations, but the way we fulfill them depends on our particular circumstances. There is an obligation to love, and to offer ourselves as the object of love. But to whom, and how, depends on our circumstances. Just as there must be an object of love, a person we love, so there must be an object of any obligation. In the realm of human affairs the object of an obligation is always a human being.

There is an obligation towards every human being just because she or he is a human being. It is not because of law, or custom, or class, or contract. It is unconditional. It needs no foundation. It is recognised universally by man's conscience. And where the obligation is denied it is a sure sign of interest, passion or prejudice. That obligation is respect.

The obligation of respect is only fulfilled through man's earthly needs. That judgement has been universal. Christ was reflecting an ancient and widespread tradition when he said, "I was hungry, and you gave me no meat". To have abundant food and to allow a man on your doorstep to starve is an action that is condemned by all.

Food, warmth, clothing, shelter, public health, medical care and protection from violence, are vital physical needs. There are no less vital, no less earthly, moral needs. In advanced industrial societies the basic physical needs are usually met, and often met in abundance. But their fuller provision, whether for the rich or the poor, persists as the stuff of economics and politics, although the physical needs are only acting as rather poor proxies for moral needs. If the moral needs could be recognised then they could be met more directly. Everyone knows they exist, but they are not easy to recognise or describe.

Simone Weil calls these moral needs the "needs of the soul". By contrast with mere desires or fancies, needs are limited, as are the means of meeting them. Indeed they occur in antithetical pairs, just as we need food, and also breaks between meals, or exercise as well as rest. The pairs of needs she offers are order and liberty, obedience and responsibility, equality and hierarchism, honour and punishment, security and risk, private property and collective property, freedom of opinion and, above all, truth.

It is helpful to think of the structure of an industrial cooperative and what it seeks to achieve in human terms in the light of these antithetical pairs of needs listed by Simone Weil.

First, there needs to be a structure, a texture of relationships such that no-one is compelled to violate one in order to observe another. But this order needs to be balanced by liberty. The members of a cooperative are free individuals. Their liberty does not depend on the limits being set wide enough. Rules for joining and leaving and behaviour within the cooperative are needed and have to be sensible, straightforward, stable and few,

emanating from those who place themselves under the rules. Such rules do not impair the liberty of men of goodwill, but those lacking goodwill, or remaining adolescent, can never be free in any society.

There needs to be discipline and obedience, obedience to a loved authority, be it a rule or a human being, based on consent. Those who command have also to obey, and all share a common goal. There is also a need for initiative and responsibility, a need to feel useful and even indispensable. For everyone of fairly strong character, responsibility needs to go in some respects and at some time far enough to take command.

Equality, as the recognition that the same amount of respect and consideration is due to every human being, is also a need. It should exist not only among the members of a cooperative but in their relations with the outside world. Equality of opportunity is not sufficient because it adds the sense of failure and incapacity to the occupation of an inferior position, and creates a suction towards the highest elites. Differentiation is better combined with equality by expecting more of the powerful, increasing their penalties for failure, and avoiding rewards unrelated to the function itself. Occupations are not simply more or less: they are different, and each should be accorded its particular respect.

But with equality must go hierarchism, a devotion to seniors or office holders, considered not as individuals but as symbols.

Honour is needed for achievement, allowing everyone to share in it, building up a tradition of which people are proud to be a part. Punishment too is needed, not only to wipe out the stigma of the offence, but also as a supplementary form of education.

Security is needed to free men from the weight or distraction of fear, whether of unemployment, loss of earnings, or any other misfortune. But risk too is needed to escape the paralysis of boredom.

Private property, a home and car and tools of the trade, give a man a sense of identity and do not conflict with membership of a cooperative. But collective property too identifies the collectivity. A factory which merely belongs to a remote company or to the state loses this function of identifying its workers together as a working community. A cooperative allows the means of production to fulfill this need for collective property.

Finally, freedom of opinion is vital, and needs to be protected and nourished by access to the information and experience on which opinions can be well founded. The cooperative is an open society. But truth is more sacred than any other need, not a prying self-deception, but a readiness to face reality.

I may seem to have taken great licence with my subject. But the point I wish to make is that it is not nonsensical to speak of these deep human needs in the context of an industrial cooperative. Indeed it is not nonsensical to speak of them in any human context. But whereas the capitalist firm and even the trade union are, in parts of their essential character, a denial of these needs, which then have to be met in some other way, the industrial cooperative in its essential character recognises these needs.

The ideological character and strength of the industrial cooperative need thus to be stated strongly, for without the ideology the cooperative is able to fulfill neither its wider human purpose nor even its narrower economic purpose.

The role of industrial cooperatives

I have suggested that in the world economy there is currently a tendency for performance and activity itself to agglomerate into highly productive centres, both within nations and between nations, leaving the rest of the population and of the countries of the world unemployed or underemployed to act merely as the passive neglected recipients of relief at subsistence level, not contributing to their own or to other people's well-being.

The question I put to myself is whether in these conditions industrial cooperatives have a special role to play. I shall suggest that they may have. The challenge is to spread the possibility of productive work rewarding to the individual, and to the community, more widely than would otherwise be possible.

This at once brings to mind the heroic response of workers faced with the closure of their factory, who seek to rebuild the business as an industrial cooperative to protect their jobs. It has happened all over the world. Indeed it is hardly possible nowadays for a factory to be closed without someone suggesting it might be run as a cooperative. It is heroic, but it has also nearly killed the possibility of successful industrial cooperatives emerging on a wide scale. To leave the question of becoming an industrial cooperative until the last gasp of a declining enterprise is to give it the worst possible chance of success. The question should be raised earlier in different circumstances, and for different reasons.

What do we wish our industrial cooperatives to do that capitalist firms would not do? First, we would wish existing cooperatives to maintain employment

in the face of technological change, diversifying into new areas if need be, when a capitalist firm would reduce its employment. The classical economic argument that the workers released would find more productive employment in other firms fails if, for whatever reason, they remain unemployed, or displace others from employment.

Second, we would wish new or existing industrial cooperatives to increase their employment to take up the existing and newly unemployed within a country. And finally, we would wish industrial cooperatives to establish activities not merely in the most productive, lowest labour cost developing countries, undergoing rapid economic growth as a result, but in the less productive, higher labour cost developing countries, suffering most from unemployment and lack of growth.

All this is a counsel of perfection. The question is not whether perfection can be achieved and the problems of development solved overnight, or even rapidly: we know they cannot. The question is rather whether industrial cooperatives can do rather better than capitalist firms in these respects.

Ideology and technology

The essential step is to realise the wider range of human needs to which the ideology of an industrial cooperative can minister rather better than can the ideology of free enterprise or state capitalism. Consider the dangers. Once a substantial number of people, not only in poor developing countries but also in rich industrial countries, come to believe that they cannot expect employment, then society begins to fall to bits. And the number of such people will increase, accelerating the process. Because so much of life

is structured round a job, work must minister to or frustrate the deeper human needs. If a job is denied, while some frustrations will disappear, the structure within which needs are met or frustrated will also disappear, removing the possibility of fulfilment.

Once a person has fallen out of employment and unemployment has become a way of life, it is difficult to build a framework of human relationships within which deeper needs can be met. The attention given to retirement and to opportunities for women who have raised a family in a fully employed industrial society, to peasants who have lost their land, to workless immigrants, show how difficult it is to create structures which meet those human needs. To lose in principle the possibility of work for increasing millions of people is to imperil the structure of society itself.

Yet this need not be the process which occurs. Economics is not condemned to deal, however elaborately and with whatever refinement, only with basic physical needs. It does not do so today. There is an economics, not to say a commercialism, of entertainment, fashion, culture and religion. But there is a tendency to regard these as an escape from the serious business of living, of getting and spending. If however there are deeper human needs, all that the arguments of economics say is that human activity will structure itself to meet these deeper needs.

I am not saying that order and liberty, obedience and responsibility, and so on, will be offered for sale, or will become purchaseable for money. What I am saying is that the patterns of activity which are represented by money transactions will be modified to meet these needs in a fuller way than is possible at present.

The point can be made very simply. Men want both love and money. They cannot buy love with money, yet what they do with their money is a reflection of their love or lack of it. They will seek money to meet the obligations of love. They may offer love for money. But the lowest or the highest expressions of love may be worth nothing in cash terms, while being of ultimate worth in human terms.

This duality, this multiplicity of interacting but incommensurate human needs, explains the elaborateness of human behaviour and of the structure of society. If men had one dimensional goals, society could not exist.*

What I am saying is that economic organisation according to the ideology of free enterprise or state capitalism may serve to meet men's physical needs without doing too great violence to their deeper human needs, so long as the technology of producing goods and services remains sufficiently primitive. But if the technology advances to a point where, within that ideology, deeper human needs are violated, then a new ideology is needed, and can be sought, and will be found.

Economic behaviour of industrial cooperatives

By suggesting that industrial cooperative can express a new ideology different from that of free enterprise or state capitalism, I am not suggesting that they can suddenly start operating at a loss, or can command unlimited capital, or be exempt from obligations to the state and the wider community. All these constraints will remain. I am rather suggesting that under the current pressures of technological and economic change, workers may increasingly opt for the security and risks, rights and obligations, of the kind expressed in an industrial cooperative, rather than for those expressed in the capitalist firm.

*Footnote

An intriguing speculation in the physical and life sciences is that the spontaneous development of higher level structures from the molecule, to the cell, to the organism, and so on up to the organisation of human behaviour, can be seen as the development of what Prigogine, the Nobel prize thermodynamicist, has called dissipative structures. (Jeremy Bray, "Appropriate Technology for Britain" in Engineering, Technology and Society, Proceedings of Section X of the British Association for the Advancement of Science, Lancaster 1976, University of Aston in Birmingham, 1977.)

Jaroslav Vanek in The General Theory of Labour Managed Market Economies (Cornell 1970) has explored theoretically the behaviour of industrial cooperatives in market economies. His arguments have been examined and criticised by J.E. Meade in "The Theory of Labour Managed Firms and of Profit Sharing" (Economic Journal, March 1972 Supplement). The problems to which they have addressed themselves are important. But they did not consider what might have seemed only six or eight years ago to be the impossible world in which "learning by doing" and the economies of scale have reached such a point that the greater the level of demand, the lower is the level of employment.

Pending further theoretical study, we are therefore forced back upon suggesting constraints and objectives, and some of the problems to which they will give rise, in the operating of industrial cooperatives in this environment. I shall assume that during an indefinite transitional period they co-exist with capitalist firms, both private and public, in a market economy, evolving in a way I shall explore more fully, which opens them more fully to the pressures of the deeper human needs which we have discussed.

The first requirement I noted was that existing cooperatives should maintain employment in the face of technological change. The contrast with capitalist firms is marked. Private firms faced with change will seek to protect the interests of shareholders and managers, but the interest of employees comes a poor third: their treatment is rationalised as needed to protect the company and the whole body of employees, and not just the group that unfortunately have to be sacrificed. Some decisions are made to protect continuity of employment, but in most Western firms it is a secondary objective.

To make continuity of employment a prime objective has major implications for the whole strategy of a company, as the behaviour of Japanese firms demonstrates, with their commitment to life long employment. It requires planning long in advance, the maintenance of the highest competitive levels in profitable areas to cover loss making areas and their redevelopment, and an ethos of mutual obligation within the firm. It is difficult to see this ethos developing in other countries, without changing the form of the enterprise itself towards or into a cooperative structure.

While it is usually argued that small industrial cooperatives work best, continuity of employment with the pace of current technological change might tend in some industries to point to large or very large industrial cooperatives, with many plants, products, and markets.

If a cooperative is to survive in manufacturing industry faced with technological change, it must contain within it sufficient highly productive activities to generate the profits needed to cover less profitable activities and redevelopment. But the people engaged in those highly profitable activities must not claim the rewards that could be theirs were they operating alone, either in a cooperative or in a capitalist enterprise. This is not asking for superhuman altruism. It is a feature of many large companies today for much the same reasons. But it would be carried to greater lengths.

It is reasonable to expect this only if the human environment is more attractive and not less. Simone Weil's human needs come in pairs. It is necessary to accept the discipline of a cooperative, but that discipline must allow initiative. Orwell's pigs are perhaps a special danger in cooperatives.

There is stultification of initiative in many capitalist firms. There is perhaps a greater danger of it in cooperatives, but it is up to cooperatives to demonstrate that it is not inevitable and can be avoided.

In economic terms the large cooperative would be something like a cross section of the economy, including within it those who are highly productive, scarcely productive, and non-productive of profits, and those who outside would be unemployed. Is it possible for such an enterprise to be viable? It may be that the very constraints under which it operates in fact guide the cooperative into new training and personnel policies, technologies, products, processes, organisational forms, and markets, rather more sensitively than a capitalist enterprise would be guided. For it would be responding to wider social needs, including the deeper human needs, which exist in the wider community but which are more clearly recognised within the cooperative. In the wider community the capitalist enterprise would first have to recognise the opportunity, then turn it into a commercially viable venture, and then register whether or not it made a profit before committing more resources. Hopefully it should be possible for cooperators to obtain a rather faster feedback through rather wider channels of information. Whether the development of the industrial cooperative will include elements of work sharing and of service to the wider community (and to members of the cooperative), unremunerated by the outside community, I do not know. But I am suggesting that the existence of the cooperative as a working organisation makes it possible to develop roles inaccessible either to a capitalist firm or to a purely voluntary body.

This brings us to the opposite danger, that an industrial cooperative or cooperatives in general would become elitist, prospering itself, but cutting

itself off from the wider social and economic problems of the community in which it was placed. Meade discusses the danger of perverse short term behaviour of a cooperative in preferring to raise prices rather than recruit labour, maximising the interest of existing members. The kibbutz movement in Israel is very much aware of the dangers of elitism in practice, where a kibbutz can itself turn into an exploiter of hired outside labour.

The second requirement is that there must be an obligation to expand employment to take up the unemployed. But this cannot be so unbending a requirement as to destroy the cooperative itself. Its survival can and should be threatened, but it should be possible for the cooperative to win through. To some extent this behaviour is self-regulatory. Outsiders will not want to join a struggling, failing cooperative, but will wish to join a successful one able to reward its members accordingly. It would be a reasonable requirement in legislation defining the rights and duties of cooperatives in any economy where they played a major role to write in an obligation to expand to absorb the unemployed, when reserves and income per head exceeded the industry average, but no formula could replace the moral arguments and market judgements that would be needed in practice, both within and without the cooperative.

The final requirement that industrial cooperatives should be prepared to extend their activities overseas, establishing membership and providing employment in the poorer developing countries, presupposes larger industrial cooperatives with the resources to undertake such development. There is the danger that such overseas activities would exploit rather than develop the overseas country. Retail cooperatives in industrial nations have been exploitative owners of plantations in developing countries, with no better policies than capitalist firms. The same measures of protection can reasonably

be exacted for the local interest as are now exacted from capitalist firms investing from overseas. It would be wholly reasonable to confer on overseas members exactly the same voting rights, and rights of local self-determination, as are enjoyed in the country of origin. Cooperatives can and should become the genuine multi-nationals, developing the safeguards needed against abuse of a powerful economic institution.

Evolution into industrial cooperatives

I have suggested that industrial cooperatives should be seen as an advanced stage in the wider development of industrial democracy. This wider development includes the establishment of collective bargaining rights for trade unions, the widening of the scope of collective bargaining through joint consultation, the development of joint worker-management decision making procedures at lower levels in the company, the reform of company law to recognise the rights of employees, the election of worker directors to supervisory boards with extensive powers in the appointment of managers and over company business, and the increase of the proportion of worker directors to a controlling majority of the supervisory board with the assumption of responsibility for the preservation and remuneration of the capital employed. It is this last stage which is properly described as an industrial cooperative.

I would myself envisage that all stages of this development should be provided for by legislation, but that the pace and direction of movement should be decided by the workers in each enterprise, not merely by agitation and crisis reactions, but by properly defined constitutional procedures. Both the legislation and the use of it would need the support of trade unions, cooperative agencies and of political parties. These are likely to be mainly,

but not exclusively, socialist parties who would come to see it as a major part of their economic and industrial strategy.

This process is already underway. Within individual European countries, and within the European Community, legislation on company law reform has made substantial progress beyond the forms of co-determination established in Germany and Holland after 1945. Within Britain, following our own course, we have seen the Protection of Employment Act, the commitment by the Labour Government to legislation for the election of worker directors on the initiative of employees, the appointment of worker directors to the Boards of nationalised industries, the Industrial Common Ownership Act, and the establishment of a Cooperative Development Agency by Act of Parliament supported by all parties. Much of the effort in the next five years will be in the implementation of the worker director scheme.

The next major advance would be to confer upon the employees in a shareholder owned, managerially controlled enterprise the right to turn it into an industrial cooperative. Without the means of converting existing enterprises in this way, cooperatives will remain for a very long time only a small proportion of total activity. The practical problems and procedures of such a conversion process I discussed in a Fabian pamphlet with Nicholas Falk, "Towards a Worker Managed Economy" (Fabian Society, 1974).

We suggested the process should be triggered by an initial ballot calling for the preparation of a cooperative scheme. The scheme would be prepared through detailed consultations at all levels of the enterprise. It would have to meet legal requirements and offer the prospects of achieving commercial

viability before the scheme would be approved by the sponsoring agency for putting to a final ballot, before implementation. The financial rules for the conversion and operation of such a cooperative would need to be carefully defined. Shareholders would be compensated or offered fixed interest stock. The cooperative would have to meet interest and depreciation charges, and accumulate an income stabilisation reserve for worker members. If these financial requirements ceased to be met, the cooperative would revert to the managerial control of the sponsoring agency. Since this would happen long before bankruptcy in the usual sense, there would be no question of cooperatives being allowed to dissipate resources and capital, and there would be no lame duck cooperatives.

To make progress in the development of industrial cooperatives, it will be necessary to inspire workers, trade unions, and politicians with cooperative ideals, and an appreciation of the practical advantages to be gained by cooperation, with its obligations and rewards.

That inspiration will only come if workers can see the industrial cooperative as meeting their deeper human needs, and we should present it as such.

Jeremy Bray

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