

Studies and Reports

Nineteenth in the series

CO-OPERATIVE VALUES IN A CHANGING WORLD

by Sven Åke Bökk

(Edited by Margaret Prickett and Mary Treacy)

Report to the ICA Congress
Tokyo, October 1992

The ICA logo is displayed in white on a dark green background. It consists of the lowercase letters 'ica' in a bold, sans-serif font. To the right of the letters, there are several horizontal lines of varying lengths that curve upwards and to the right, creating a stylized, modern graphic element.

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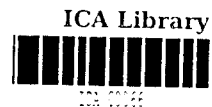
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About the author:

Sven Åke Böök has been working with the Co-operative Movement since his early university days, first with Folksam and then with Kooperativa Forbundet in Sweden. From 1975 to 1989, he worked as Director of the Swedish Co-operative Institute. He was also chief editor of the "Co-operator" from 1978 to 1982.



A former member of the Swedish Co-operative Advisory Board, Mr. Böök is currently a member of the Swedish Council of Research and Chairman of the Swedish Society for Co-operative Studies.

Sven Åke Böök's contribution to the ICA dates back to 1970. Among other activities, he has been an official member of the ICA Working Party on Co-operative Research, Planning and Development since 1984, first as Secretary and then as Chairman.

The author's recent publications include "The Swedish Co-operative Movement - Past, Present and Future" (1988, together with T. Johansson), "Economic Democracy, Wage Earner's Funds and Co-operative Activities" (1990, in Swedish only) and "Swedish Co-operative Research before the 90s" (1990, in Swedish only).

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FOREWORD

Ever since its establishment in 1895, the International Co-operative Alliance has been expected by its members to act as the "custodian of co-operative values and principles" - the common beliefs which unite all our member organizations.

The last review of the co-operative principles was undertaken in 1966. During recent years there has been a growing feeling that it is time for another in-depth examination of the principles in light of rapid changes which are occurring in the world and within co-operatives themselves.

It was against this background that Co-operatives and Basic Values was chosen as one of the themes of the 1988 Stockholm Congress. The Congress decided that this preliminary reflection should be followed by a more detailed analysis, including extensive consultation with ICA member organizations.

To carry out this work the ICA was fortunate to secure the services of Mr. Sven Åke Bööck, Chairman of the ICA Research Working Party and former Director of the Co-operative Research Institute in Sweden. His work has been greatly assisted by generous financial support from our member organization Kooperativa Förbundet (KF).

The "Bööck report" will be the major policy document for the ICA's 1992 Congress in Tokyo and, if Congress delegates agree, the starting point for the subsequent review of the co-operative principles.

During the last three years, Mr. Bööck has been assisted by an advisory committee nominated by the ICA Executive Committee. This group has included Raija Itkonen of Finland, Lloyd Wilkinson of the UK, Igor Vytoulev of the former USSR, André Chomel of France, Janos Juhasz of Hungary, Philip Chilomo of Zambia, Masao Ohya of Japan, Edwin Morley-Fletcher of Italy, Hans Münkner of Germany, Dante Cracogna of Argentina, Ian MacPherson of Canada, Yehudah Paz of Israel and Dionyssos Mavrogianis of the International Labour Office. Alexander Leukhin of the ICA secretariat served as Committee Secretary.

This final report, however, does not necessarily reflect the views either of advisory committee members or of the ICA. It is Mr. Bööck's own assessment, based on his many years of both practical and academic experience, of the way in which co-operatives should express their identity in the future. Its purpose is to help us all by providing rich and provocative material for our on-going discussions about co-operative practices and the principles upon which they are based.

Lars Marcus
ICA President

Author's preface

Essential co-operative values for the future and their implications for the co-operative principles

Preparing a report about these crucial issues has, without doubt, been one of the most challenging tasks of my 25 years' work for the Co-operative Movement. I cannot think of any more urgent subject for committed co-operators, and this has been confirmed during my preparatory work. Many co-operators around the world are considering these issues very deeply and are seeking answers. During recent decades we have experienced far-reaching changes within the Co-operative Movement, and we can expect even more radical changes in the future. Most of the world co-operative sector seems to be in transition to some extent. In such times we need, more than ever, basic guidelines to demonstrate the identity of the co-operative way and its contributions to mankind.

How should such issues be approached in a limited report? Certainly, I find the task daunting, above all as I clearly understand that the co-operative world is becoming more diversified in its practical applications. To what degree can we theorize without losing contact with reality? What is general and what is specific? I have tried to be as fair as possible within the world co-operative perspective but there are some weaknesses and, naturally, it is impossible to be very concrete. Neither can I escape from my own background and experiences; these have influenced my approach to the issues.

Why bother with practical applications in a report about values and ideals? These should be the long-term basic guidelines for practice and, as such,

can be expected to be universal, and not very difficult to approach in some shorter report. This is partly true. On the other hand, a review of values and principles cannot concern itself solely with co-operative ideals. The crucial issue today is not primarily about ideas as such, but about the relationship between these and current co-operative practice. A report about the future must reflect this, otherwise it will have no practical relevance.

With such considerations in mind, I have chosen to examine the co-operative values from three perspectives:

- ideas and ideals
- practices and experiences
- prospects and visions for the future.

I have encountered many views among co-operators and co-operative researchers on how to emphasize these perspectives and view the relationship between them. I consider them to be interrelated in co-operative practice. They all influence the relevant interpretations of values and principles.

Such an approach raises the question of generality and universality in global perspectives: almost impossible to manage, since practices and experiences, as stated above, are becoming very diversified indeed. I have tried to cope with this by paying special attention to the most problematic aspects of co-operative identity, because these are the main reasons for the review of values and principles. As usual, however, such approaches tend to underestimate normal and good experiences, and to overestimate the problematic. In this report I have not ignored the problems, but I have tried to balance them in a constructive way by also referring to successes.

The report is composed in the following way:

- * Chapter I outlines today's main challenges for the world co-operative movement and constitutes the general framework of this report.
- * Chapter II briefly identifies the traditional basic values as they have been perceived until recent decades. It is mostly an analytical summary of the wealth of background material currently available.
- * Chapters III - V examine the experiences of recent decades in the context of the traditional values: an overall view of the development of the world co-operative sector in order to identify the problems. There are also some more detailed discussions regarding democracy and capital formation, two of the most critical issues for the modern co-operative movement.
- * Chapter VI discusses the experiences within a framework of co-operative effectiveness. To what extent do basic conflicts exist between economic efficiency and other aspects of co-operative effectiveness?
- * Chapter VII sets out the main conclusions about values for the future, expressed as recommendations for co-operative practice in global ICA perspectives.
- * Finally, Chapter VIII examines the main implications for the existing ICA Co-operative Principles, and recommends two different approaches to revisions for the future.

It goes without saying, that a large amount of material from diverse sources has been used in the preparation of this report, including the results of co-operative research, my experiences and those of other co-operators. As a rule, I have not discussed these in great detail in the report, but have tried to draw them together to form broader conclusions. I have also tried to avoid the "armchair" method of preparing the report, preferring the

“action and dialogue” one. Among other things this has involved the organization of seminars, conferences, lectures and interviews in many parts of the world. I have also tried to attend as many other co-operative seminars and meetings as possible. This method of working has been fruitful for me. It has widened my co-operative horizons and, hopefully, made my conclusions more diversified and closer to co-operative realities. I hope that this report will continue the dialogue we started within the world-wide Co-operative Movement.

Many co-operators, co-operative researchers and co-operative leaders have helped me to research this report. I am overwhelmed by the reception I have experienced everywhere, by all the material given to me and by all the time made available for discussions (see acknowledgements below). I have also been impressed by all the serious co-operative work I have seen. I thank you all for your assistance, for your generosity and for your hospitality! I can assure you that I have appreciated your help and encouragement, and I hope you will find this report useful. I also appreciate the contribution of the ICA Office, the Research Working Party and the Advisory Committee. We have had honest discussions regarding issues of principle, and I have been given valuable advice. The Advisory Committee has been a great support to me in many ways. I would stress, however, that all judgments, conclusions, etc. in the report are my own and not those of the Committee.

Some parts of the report contain critical assessments of co-operative practice. Such assessments are necessary to enable a serious review of values and principles for the future of the Co-operative Movement. However, I do hope that the report expresses a constructive spirit, and a serious will to look for consensus. We need to be in agreement about future global perspectives, because co-operatives have as much as ever to contribute to the future of mankind. With this in mind, global solidarity should be considered as the fundamental basic value.

Sven Åke Böök

Author's acknowledgements

I hesitate to make acknowledgements, because they cannot be complete, but I would like to thank the following organizations for their assistance:

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I was invited to visit other co-operative organizations, but was not able to respond until this year due to a very busy schedule. I would also like to thank all organizations and individuals for discussions, papers, books and letters.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

"We, as co-operators, come together with the objective of solving our problems collectively for the common good at the primary society, local union, national apex bodies or international forums. We are running a race together to achieve better living standards the world over. It is not important that one winner emerges but that we all cross the line. Let us, then, join hands in addressing the problems which hinder food self-sufficiency in the world in general, and Africa in particular. Let this be our mission."

Bernadette Wanyoni, ICA Development Forum 1991

The past two to three decades have seen an expansion of membership within the world-wide Co-operative Movement, combined with unusually far-reaching changes in the movement as a whole as well as in the individual organizations. Co-operatives have been formed in more parts of the world, in more spheres of operation and to fulfil more diversified needs. In terms of membership, the traditional European co-operatives, especially consumer co-operatives, have lost their dominant position in the world co-operative sector, being replaced by the Asian co-operatives. In economic terms, however, the European co-operatives keep their dominant position.

Currently, about 700 million individuals and/or households world-wide are members of co-operatives. The world Co-operative Movement has become more pluralistic and international in character during these decades.

A period of radical changes . . .

The environment has changed rapidly and radically during recent decades and this has necessitated far reaching changes to basic structures and ideas within the Co-operative Movement.

- * In highly industrialized countries the established co-operative organizations have usually expanded and become more large-scale in character. Their activities have become more specialized, with secondary and tertiary levels of co-operative organization. Many have also started to use applications which have increasingly challenged the traditional value point of view. The latter is particularly true for methods of capital formation, and for the increased use of the joint-stock company form of organization.
- * In the developing world many of the new states of the 60's and the 70's have chosen the co-operative way for their economic and social emancipation, and have given co-operatives crucial tasks in their development strategies. Here, one may say that the co-operative way is in its early stages and is searching for its viable forms. In particular, there have been problems in establishing the correct relationship with the State in order to operate effectively as a co-operative.
- * In the once centrally-planned economies of countries of Eastern Europe and the former USSR, co-operatives are in the process of developing a new identity as part of the ongoing transformation.

The starting point for the future is for the time being, and for the foreseeable future, characterized to an unusual extent by the processes of transition: the highly industrialized countries are approaching the post-industrialized types of society, more developing countries are entering the industrial stage of development and one-party political systems and state-

planned economies seem to have become obsolete, being substituted by pluralistic market systems. It is certainly no exaggeration to say that we are living in a period of unusually radical change. Some observers even speak about a new epoch, the one that succeeds the industrial epoch.

. . . but also of lack of changes.

For some parts of the world this is definitely true. In others, however, in fact for a large part of the world population, the situation is still characterized by pre-industrialized stages and a relatively slow orientation towards more industrializing stages of development. Here, the world is much the same as it was some decades ago. This also applies to the distribution of wealth: the clefts between rich and poor parts of the world have even become larger during the 80's. Moreover, the present generation, especially in the rich countries, continues to exploit the Earth's resources with no regard for future generations.

The world Co-operative Movement carries out its activities in a variety of contexts and to meet a variety of needs. This demands the application of different methods as appropriate for various contexts. Nevertheless, it is crucial to recognize that the actions of one country may have environmental repercussions for others. This makes the value of global solidarity crucial as a common denominator for the other basic values.

This report

Against this background, this report proposes a basis for the discussion of the long-term value guidelines for the future. It is my conviction that the world-wide Co-operative Movement needs to consider these more than ever, especially as the point of departure is marked by transition into a more "unknown" future than usual. The report has approached this task by firstly identifying the traditional co-operative values and then by discussing these against the experiences of recent decades and prospects for the future.

From that basis the report carries forward:

- * Conclusions about the traditional basic co-operative values and their relevance for the future.

- * Recommendations about global basic values for the future
- * Recommendations about some approaches for the revision of the ICA Principles.

During discussions it has been observed that some practical aspects need further examination with regard to the future. These have been carried forward as special recommendations (appendix to this chapter).

1. Conclusions about the relevance of traditional basic values

I have identified three types of traditional co-operative basic values: basic ideas, basic ethics and basic principles (chapter II).

It might have been expected from recent experiences, particularly among established co-operative organizations in modern industrialized countries, that co-operators and co-operative organizations are ready to change their traditional basic values, or at least to reinterpret these to quite an extent. Practice has come to “question” the traditional values and has even deviated from them. Moreover, some of the traditional values might be seen to be more-or-less accepted by society at large (chapters III, V, VIII). Before I started my work I also heard statements about “renewals” and “old fashioned values”, stating that a revitalization of co-operative organizations should imply “new values”.

However, I have seen no evidence of any move to abandon or radically change any traditional values when it comes to identifying basic values for the future. In other words, those values that co-operators want to use as basic guidelines for their long-term applications. On the contrary, co-operators seem to be willing to maintain the original values, even if they might be expressed in different ways. Of course, my impressions are limited. Until further notice, however, I take this as a sign that the tendency to deviate from the traditional values during recent decades mostly reflects pragmatic adaptations to difficult environments, rather than an intention to permanently change the basic values.

It is not easy, probably not meaningful either, to make priorities in the basic values I have identified, because such priorities must, by their nature, be made in the various contexts of their application. However, some values seem to receive more emphasis than others. Among basic ideas this is true for:

- * Equality (democracy) and Equity
- * Voluntary and Mutual Self-help
- * Social and Economic Emancipation.

This is not surprising, since these have always been looked upon as the essential ideas and as eternal values of the very concept of Co-operation in ICA contexts. On the other hand, as previously stated, their interpretation will surely vary in different parts of the world according to the cultural, political and economic preconditions.

Close to these, and partly embedded in them, are the basic ethics. These are less discussed, since they are more connected with the hearts and minds of committed co-operators. Nevertheless, I have the impression that the most important are the values of

- * Honesty
- * Caring
- * Pluralism (democratic approach)
- * Constructiveness (faith in the co-operative way).

These might be interpreted as personal qualities. It is more relevant to identify them as part of the “co-operative spirit” and the “co-operative culture” for co-operative organizations as a whole. In other words, as values which should be encouraged to characterize the relation between members, between members and their societies, and between co-operative societies and the community at large.

Finally, we are faced with the more instrument-oriented values, which I have called basic principles and characteristics of the co-operative organi-

zation. These concern building up viable co-operative organizations from the members' point of view. To some extent they are also based on a mixture of experiences and ideas. I have the impression that these are the values to which co-operators most frequently refer when discussing "basic values". Among these the most important seem to be:

- * Association of persons
- * Efficient member promotion
- * Democratic management and member participation
- * Autonomy and independence
- * Identity and unity
- * Education
- * Fair distribution of benefits
- * Co-operation, nationally and internationally.

These basic principles and characteristics are the most relevant when it comes to revision of the ICA Co-operative Principles.

2. Recommendations on basic global values

The relevant way to express the basic values at the global level is to give them an action-oriented context for their application. For these reasons, I have identified some common and crucial perspectives for the coming decades, which I have called "basic global values". These reflect the basic values as a whole, give some overall priorities to the individual values at the global level, and might be considered as a basis for the development of a global co-operative profile. They might also serve as a basis for the development of a long-term programme at the ICA level. With such intentions, I have recommended that the co-operative organizations should consider themselves as organizations for:

- * Economic activities for meeting needs
- * Participatory democracy

- * Human resource development
- * Social responsibility
- * National and international co-operation.

These are the essence of the co-operative way, in its organizational basics, its purposes and its community relations. They also reflect the basic ideas of peace and global solidarity, as well as a movement for international economic democracy. To comment briefly on them:

- Economic activities for meeting needs means that the world-wide Co-operative Movement should continue to plan its activities to meet the needs of the common people as farmers, workers, consumers, producers, fishermen, savers, etc. This has always been the main orientation, and the emphasis on needs makes the co-operative way significant. It also includes a responsibility to economize on scarce human, economic and environmental resources, which is particularly influenced by the fact that co-operatives are mainly funded by the savings of relatively poor people. It also emphasizes the main aim worldwide: to help to improve the standards of living of the least wealthy.
- Participatory democracy is part of the role of the world-wide Co-operative Movement in contributing to democratic relations between people, and in developing the roles of a “school of democracy” and “an instrument for economic democracy”. This is in its early stages, in some parts in the very early stages, and the task is as important as ever. In many co-operative contexts these roles should be refined by paying attention to the participatory aspects of democracy, and in doing this special attention should be paid to finding new forms of organization and to involving women, young people and co-operative employees.
- The development of human resources is basic to the world-wide Co-operative Movement, and is as important as ever for the future. The co-operative movement is in its infancy in many parts of the world, and the need for social and economic emancipation is urgent: to raise

people to human dignity and to give them a voice, individually and collectively, to influence living conditions and the community at large. This, among other things, implies that the co-operative way seeks to mobilize the human economy based on co-operation rather than on exploitation by capital.

- Social responsibility is implicit in the co-operative way. Groups of people have established co-operative societies in order to take responsibility for their own condition and for the community at large. This social responsibility has always been reflected in the basic co-operative policies, within the co-operative organizations as well as in their relationships with society in general, and should go on to characterize the co-operative future. The current emphasis on individualism and the market economy looks likely to continue for some decades. In such circumstances, it is vital that we have organizations which are able to express the views of the weaker members of society and to act in their interests.
- National and international economic co-operation is the main way in which the world Co-operative Movement can expand and become more influential. This has become even more important in a “shrinking” world. The possibilities are numerous, and in future years the world-wide Co-operative Movement may become a people-based alternative to the capital-associative way of internationalization.

3. Recommendations for the ICA Principles

The ICA Principles are the basic guidelines as to how these values may be put into practice. My task in this regard has been restricted to recommending some guidelines for the revision of the ICA Principles following the Tokyo Congress. I have thus decided not to go into details, nor to recommend ready reformulations of the Principles, since such recommendations might reduce our discussions of the basics. In approaching the revisions, I have considered two approaches, one modest and the other more ambitious.

For the more modest approach, I recommend that the existing Principles should be changed as follows:

- * The Principle regarding limited interest on capital should be reformulated in a more flexible way. It should not be seen as a separate Principle; instead, it should be included in a new Principle about capital formation (see below)
- * The essential Principle should be about capital formation. It should stress the need to rely on member capital (individual and collective) as much as possible, and to guarantee a proper degree of independence in raising and managing capital
- * The Principle on democracy should be supplemented with a statement about the participation of employees in co-operative administration
- * A new Principle should emphasize the proper degree of autonomy and independence of a co-operative organization, and might be combined with the new Principle about capital formation.

These recommendations are based on the experiences of recent decades and their relation to basic co-operative values and principles. Preliminary formulations can be found in the report (chapter VIII).

Concerning the more ambitious revisions, I recommend that the ICA should develop two types of Principles: Basic Co-operative Principles and (rules regarding) Basic Co-operative Practices:

- * The Basic Co-operative Principles should express the universal essence of Co-operation more explicitly and should be formulated in terms of the basic values mentioned above.

- * The Basic Co-operative Practices (or rules for practices) should refer to the various types of co-operatives and should give more concrete examples in terms of practices and rules for such practices.

The first type of Principle is more eternal in character. The second type of Principle is subordinate to the first type and is more short-term in character. These should be revised in order to be relevant for contemporary society, and could subsequently be developed as necessary by ICA's specialized committees.

The rationale for the more ambitious revision is to be found in chapter VIII.

Appendix A:

Special recommendations about special issues

The discussions and the analyses in the report have highlighted some practical aspects which require further examination by the ICA. I have made some special recommendations concerning some of these (no special priority):

- 1) There is a need to strengthen the support for co-operative organizations in developing countries in their dealings with the State. Such work is already being carried out by the ICA Regional Offices, but could be supplemented by a special ICA body with participants from the developing countries and the Regional Offices with a group (or network) of experts at its disposal. The aim should be for it to be a "watch dog" body to examine the issue of Co-operative-State relationships, to carry out special investigations on request, and to record experiences and use these to form conclusions.
- 2) There is an urgent need to collect and analyze data regarding the transformation processes in the planned economies. Such changes will continue for many years and in more countries. The precondi-

tions are different, but there are also some similarities. Perhaps such a task might be organized as a special programme, or as a special “institute”, set up by the ICA. The character of this body, whatever form it takes, should be research, education and information oriented.

- 3) There is a need for an exchange of information regarding the ways in which established co-operative organizations may be revitalized, above all as regards member participation. This is mainly a matter of identifying and testing new ideas. Such exchange of experience is, of course, currently taking place. The need, however, is to achieve a continuity and a comprehensive view of the especially good examples. The ICA would be the natural co-ordinator.
- 4) The ICA’s relationships with new co-operatives need to be discussed in more detail. This is an on-going study undertaken by CICOPA (the ICA Committee for workers and other forms of productive co-operative) and there is no need to make any other arrangements. The issues, however, ought to be grouped into themes within the wider ICA contexts in order to provide the basis for some overall policy recommendations.
- 5) The lack of statistics relating to the movement as a whole, especially basic economic data such as output (turnover), employment and capital, is a matter for concern. Without this it is impossible, for instance, to conduct simple studies of productivity in order to compare development over a period of time or to compare different parts of the economy. I strongly recommend that the ICA and its member organizations should improve their statistics, at least so as to permit some modest overall analysis of the development of the world co-operative sector.
- 6) The democratic process at the secondary and tertiary levels of co-operative organization are problematic and need further analysis. This has previously been indicated by the ICA Commission of 1963 on Co-operative Principles. Since then, there have been radical

changes. A study should be carried out to further examine past experiences and to make constructive proposals for the future. The ICA would be the obvious body to carry this out.

- 7) It is necessary to make a closer examination of the feasibility of developing bodies to pool financial resources in order to economize on scarce resources, to initiate new projects for co-operative development, and to match supply and demand. These might be “co-operative development banks on a regional basis” and, ultimately, a “co-operative world bank”.
- 8) The tendency in capital formation to make member shares reflect the value of the co-operative society is a deviation from traditional ideas and principles. This tendency will probably become more widespread during the next decade. The various methods used or planned should be more closely studied by the ICA.
- 9) The transformation of co-operative societies into joint-stock companies, and the alterations to federative structures should be more closely examined. These transformations are quite recent, but the developments of the 80’s show that they are becoming more widespread. This will probably be one of the most important issues of the 90’s into the next century. Such transformations take many different forms and occur for a multitude of reasons. A study should be made to evaluate the advantages and the risks.
- 10) The federal co-operative model has been questioned during recent decades. To some extent it has been totally abandoned, to some extent supplemented by integrated structures. What are the strengths and weaknesses of the federal model? Such issues will be of vital importance during the next decade. The ICA should carry out a special study of these issues.

I. A CHALLENGING FUTURE

Introduction

“The true problem is not the preservation of co-operative institutions, as they have been or as they are, but the application of essential co-operative principles in appropriate forms for contemporary circumstances. The challenge is not only material, but intellectual. The history of movements, as of nations and civilizations, is the story of their success or failure to rise to the challenges which confront them as generations and centuries roll by.”

W. P. Watkins 1967

We are living in a period which offers more challenges to the Co-operative Movement than it has had for a long time. Although this has been said before, this time, the radical, dramatic and far-reaching changes make such statements more valid than ever. As W. P. Watkins said in another period of radical change: our co-operative task is to apply “essential co-operative principles” in forms appropriate to the contemporary society. And our capacity to manage that task will determine, now as then, the co-operative future¹.

1. A mixture of experiences

The past 25 years have seen an increase in co-operative membership and number of societies. At the beginning of the 90's the Co-operative Movement had more than 700 million individual members, with organizations in most countries fulfilling a huge variety of needs. The numbers are even greater if we also include co-operative organizations which do not belong to the ICA, as well as all the various self-help organizations with more-or-less co-operative characteristics which have emerged in recent decades².

This picture is composed of a mixture of good and bad experiences. The former is especially true for the Credit Union Movement, which has experienced a veritable explosion in most parts of the world. It is also, to a large extent, true for the co-operative insurance organizations and the housing co-operatives, if still mostly in the industrialized countries. We have also witnessed a growth in workers' productive co-operative organizations, especially in southern Europe. There are, furthermore, lots of individual success stories for co-operative organizations, e.g. the co-operatives in South-East Asia and the Japanese Co-operative Movement, the hosts of the ICA Congress 1992.

**Table 1: Indicators of world co-operative development
(millions of members, rounded figures)**

Types	1960	1970	1980	1986
Consumer	88	120	133	122
Agricultural	31	48	65	60
Workers	4	6	6	6
Fisheries	2	2	2	2
Credit	48	83	123	170
Housing	3	7	15	15
Multipurpose	-	-	-	133
Others	8	17	16	32
Total	184	283	360	540

Source: ICA Statistics².

These experiences show the relevance of, and confidence in, co-operative ideas. For the purpose of this report, however, such overall pictures are too general and a little too optimistic. Because, as we move closer to reality and focus on the qualitative aspects, we will observe that large parts of the

world Co-operative Movement have experienced unusually deep troubles during this period in terms of their adaption to the changing environment.

An unusual number of challenges and subjects for debate await the Co-operative Movement. The approaches to these will shape the future co-operative identity.

2. Challenging perspectives

This report will now outline some of the challenges facing the Co-operative Movement:

2.1. Viable contributions for developing countries

We can clearly observe that there is an increasing division between rich and poor countries. The contributions of the Co-operative Movement to developing countries have begun to have an effect during the last 2-3 decades, and the ICA, individual co-operative organizations, the International Labour Office (ILO), governments, etc. have targeted more resources to support this development. At the same time, however, we cannot shut our eyes to the fact that the overall process of growth has been slow for various reasons; mainly because of the general economic, social and political problems in these parts of the world, but also because of difficulties in identifying efficient co-operative approaches.

There is now a pressing need to revise the co-operative models, to identify the true and viable co-operative ways, and to regain confidence in them. The next century should become one in which developing countries will benefit from the contributions of a strong Co-operative Movement. Steps have been taken in that direction during recent years, but a great deal remains to be done.

Table 2: GNP per capita 1980 and 1990
US Dollar, 1980 prices; population share expressed as %

Region/country	Population	1980	1990	Change
World, total	100.0	2,650	3,000	1.3
Major industrial	13.8	10,870	13,574	2.3
Western Europe	5.3	10,830	13,330	2.2
Eastern Europe	8.6	3,190	4,010	2.3
Japan	2.7	9,110	12,700	3.4
China	23.0	290	600	7.5
Developing	50.6	970	980	0.1
> 700 US dollar	8.7	2,100	1,980	-0.6
00-700 US dollar	9.2	460	540	1.6
< 300 US dollar	22.7	240	300	2.5
Least developed	10.0	250	240	-0.3

Source: UN 1990, p. 33

2.2. New co-operative identity in state-planned economies

We are only at the beginning of the dramatic changes in the (former) USSR and in Eastern and Central Europe, which nobody could have foreseen as recently as five years ago. For a long time, co-operative organizations have played important roles within these parts of the world, and they have constituted a considerable part of the ICA membership. Although many of the established co-operative organizations have disappeared, at the same time new and challenging possibilities are emerging. The co-operative

way will become more relevant as large numbers of people discover that their needs are not properly taken care of by the emerging, and for some time to come unstable, market economy.

The pressing issues are about the identification of the proper areas and roles for the co-operative movement during this process of transformation, and subsequently, and the demonstration of the co-operative values in practice. One may say that the challenge which co-operators and co-operative organizations in this part of the world are facing is no less than the establishing a new co-operative identity. The same type of transformation might be expected in some of the new states with planned economies.

2.3. Revitalization of established co-operatives

Recent decades have been unusually problematic for the mature co-operative organizations of the industrialized world: the traditional basis for the ICA. The rapid structural changes in their environments have forced many of them to adapt in ways which have challenged their basic co-operative characteristics and identity. This is particularly true for the well-known and crucial task of optimizing both economic efficiency and the democratic people-based character of the co-operative way.

The shocking and partly depressing and reactive experiences of the 70's and the 80's, especially for the consumer co-operative organizations, seem to have been largely overcome and the outlook is now more optimistic, active and constructive. Now, the challenge is to demonstrate to the world outside, and to co-operatives in earlier stages of development, that these third and fourth generations of co-operative organization can play an important part in making the world a better place. It is mainly a question of revitalization, and of regaining credibility for the co-operative alternative in these large and developed forms, in both the eyes of the public and of the members. There are as many possibilities as ever. Of special interest in this context are the new challenges to be found within the European Common Market.

2.4. Towards post-industrialism

In the highly industrialized world we are experiencing the beginning of a transition to a new epoch in the history of mankind and of the Co-operative Movement: the post-industrial society. In this society the majority of people have achieved quite high standards of living: their basic needs are fairly well provided for and their requirements have become more varied and flexible. The traditional class structures are not as evident as before, and the values of younger generations seem to relate more to the freedom of the individual than to the strongly emphasized values of social security held by older generations. The question has consequently been raised, for the first time in the co-operative history, and supported by some negative experiences, as to whether there is still a need for the co-operative way, especially for the large, class-based, consumer co-operative organizations. Are they a product of the industrial society and indivisible from this type of context? Is this part of the co-operative mission concluded with the end of the industrial society?

The answer is in the hands of the co-operative organizations and the co-operators themselves; there are no answers to be found in history. It is true, however, that the Co-operative Movement cannot be organized in the same way as before. A more pluralistic method is needed to meet the various needs of people in post-industrial societies. The challenge for co-operative organizations is more than ever to approach this new situation with an open and flexible mind. The possibilities are numerous, and this is no time for dogmatic inward-looking attitudes, when it comes to practice. Are we ready?

2.5. New co-operatives

During recent years lots of new co-operatives have emerged in most parts of the world. These have usually been created outside the established co-operative organizations and are to quite an extent carried out in ways which more-or-less correspond with the essence of the traditional co-operative principles. From the established co-operative perspectives they

are often called “wild” co-operatives, “pre-co-operatives” or “quasi-co-operatives”. Anyway, it is high time to realize that these are encouraging illustrations of the fact that co-operative ideas are inspiring points of departure for people’s approaches, often young people’s, to satisfying economic and social needs.

The challenge for the established co-operative world is to take these new co-operatives seriously as a part of the Co-operative Movement and to offer co-operation and mutual support. To some extent, these are reminiscent of the infancy of today’s established co-operative organizations. We must not behave in the same way as the hostile environment did during the late nineteenth and early twentieth century.

2.6. Global solidarity

It is obvious that the problems and needs of mankind have become more global in nature, and consequently so have the solutions. We have touched upon the deeply unfair distribution of wealth in the world. Such issues also relate to environmental destruction and the rapid waste of natural resources. This cannot continue. All co-operative organizations as people based organizations have a responsibility to tackle these problems.

To meet this challenge the world co-operative sector needs co-operators and co-operative organizations capable of overlooking local and national conflicts, and who are ready to use time and resources in order to identify themselves with common global aims. This can be looked upon as a basic priority behind all the other basic values: to act together in order to make the world a better place.

3. Crucial issues and priorities

The basis for successful approaches to these problems is, now as before, committed co-operators and viable co-operative organizations. Co-operative contributions must be carried out by co-operative organizations; a truism, certainly, but the past decades have demonstrated crucial issues in this context, which demand answers:

- 1) What is the co-operative meaning of economic efficiency? As economic organizations co-operatives have to economize with scarce resources, as do all other organizations. What is the special co-operative way? Or is it necessary to adopt more of the capital associative approach also in co-operative contexts?
- 2) Will the co-operative society form of organization continue to be viable? From an early stage we developed the co-operative society and the co-operative federation as the basic forms in which co-operative activities were organized in line with co-operative values of democracy. Now we are witnessing an on-going transfer into other forms. Is this necessary in modern societies and economies?
- 3) How should co-operative capital be raised? From the outset, methods of capital formation have been considered, particularly by those outside the co-operatives, as one of the main weaknesses in co-operative organization. We have coped, but during recent decades these weaknesses seem to have become more problematic. Which new methods might be more in harmony with the essence of Co-operation?
- 4) Can co-operatives take on a special social responsibility? Co-operative organizations are traditionally looked upon as economic organizations with social characteristics and aims. Will it be possible for a viable co-operative to promote special social aims and the members' economic needs at the same time? Or is it time we abandoned those social ambitions and oriented our activities to the economic self-interest of the members?
- 5) How may participatory democracy be encouraged? It is commonly believed that democracy, and particularly participatory democracy, is part of the essence of Co-operation. Some co-operative organizations, however, have entered a situation in which the members have "handed over" power to the management, in particular, the responsibility for improving democracy and member participation. So, how does management view its members? As a subject for co-operative development, or as an object for management? What constructive methods might be used to improve democracy?

- 6) Why aren't more women in responsible positions? Women often constitute the majority of the users and members in various types of consumer co-operatives societies, and are active at "grass roots" level. However, they are seldom represented at higher levels of co-operative decision processes. In this way, women might be seen as "hidden resources" for the co-operative future. How can they be given a more prominent role in co-operative development?
- 7) What is the proper place of the employees in co-operative democracy? In private business, employees have the opportunity to participate in the distribution of profits. Co-operative organizations cannot ignore this if they are to attract and keep the most competent personnel. How can this problem be tackled? This also highlights the traditional concept of a membership based on the "user" of the co-operative society. How can we develop forms of co-operative organization within which the membership is a mixture of users, employees and financiers?
- 8) Are co-operatives localized by nature? Co-operative activities are usually oriented towards local and domestic needs and markets. This is natural, since members' needs are mostly local and domestic in character. Co-operatives, however, have always had a spirit of internationalism, reflected in the development of international structures. The strong on-going trends towards the international economy demand more such structures. Co-operatives, however, seem to lag behind. How can this be rectified?
- 9) How may proper relationships with governments and states be identified? In many parts of the co-operative world, especially in developing countries, the co-operative movement needs collaboration with, and support from, states and governments. This raises the question of the proper degree of co-operative autonomy and self-reliance. What are the viable models of government support to facilitate valuable contributions from co-operatives to members and to the community?

- 10) Co-operative Principles for universality or for selectivity? We are facing a future which will require even more diversified co-operative approaches. How, then, should such principles of co-operative organization be developed, so as, on the one hand, to embrace as many kinds of co-operative association as possible and, on the other, to maintain a co-operative identity in comparison with other kinds of organization? How should we consider this delicate balance between universality and selectivity in defining the co-operative way?
- 11) What are our goals for the future? Co-operative organizations are about people with expectations for the future, ultimately for a better society. This is a part of the co-operative identity and is also a precondition for members and potential members. Without visions we are left to the more-or-less self-interested calculation of economic benefits-- important motives, but not acceptable as the only motives for committed co-operators. So, what are our prospects for the co-operative future: locally, nationally and internationally?
- 12) How may human mobilization and emancipation be encouraged? The main resources of the co-operative movement are human resources: members, potential members, employees, representatives and leaders. The consciousness and the understanding of Co-operation constitute the basis for a successful co-operative performance, that is the competence to participate in and to manage co-operative activities. This implies education in all its forms: practical training, theoretical knowledge and information. What are the means by which such activities, in local as well as global perspectives can be encouraged and improved?

4. An inner challenge

The perspectives and issues outlined above constitute the framework for this report. My task is to concentrate on the basic values behind these, to explain them and to discuss them as “essential co-operative principles” for the future. In practice we all make decisions, consciously or uncon-

sciously, about the priority of the co-operative values. It is our duty to make such decisions consciously.

Many co-operators and co-operative researchers have described recent decades as a period of serious challenges to the co-operative identity, expressed as:

- * An increasing uncertainty about the co-operative task and its relevance to the society at large,
- * A widening gap between intended co-operative values and co-operative practices and
- * Various problems in the relations between co-operative members and their societies³.

I agree with them, and I consequently do not consider it an exaggeration to say that a serious review of values and principles is more necessary than ever. We need these when we want to identify the main areas in which the co-operative way can contribute to society, and to establish which co-operative organizations have most to offer in each instance. I have made my suggestions for a review of values and principles with reference to changes within the co-operative environment. However, as Ian MacPherson rightly emphasizes, the future is ultimately about an inner challenge: about the minds of committed co-operators. We must never allow ourselves to forget this, and its implications for efficient co-operative practice.

“The challenge is within ourselves; it is ultimately whether we have the vision, the confidence, and the discipline to enter more aggressively into the world or wait until it overwhelms us.”

Ian MacPherson, ICA Review of International Co-operation, 1989

Notes

- 1) This chapter serves as an introduction to the main perspectives and issues. I have been much influenced by the Laidlaw report (1980), which I have supplemented with experiences from late 70's and the 80's.
- 2) Ahnlund 1990 and ICA Statistics 1960-80 and from 1986.
The statistics are incomplete as only members of the ICA are included. A more complete statistical survey from earlier periods (made by ILO) demonstrates that the ICA figures ought to be increased by 10 - 15 % in order to cover the whole sector of world co-operatives (Desroche 1969). Workers' co-operatives in particular are underestimated, which probably explains the decrease between 1980 and 1986.

Insurance and banking co-operative organizations are not included, but these are probably reflected to a large extent by the membership of other type of co-operative. Among "others" the electricity co-operatives, especially in USA, account for the majority. The increase of multipurpose co-operatives in 1986 is explained by the new membership in the ICA of the Chinese co-operatives, which have been classified as multi-purpose co-operatives. Despite all these weaknesses, however, the statistics are intended to indicate the overall trends in co-operative development in terms of membership.
- 3) I look upon these as common statements. They are to be found in most articles and books dealing with relations between values and practice.

II. CO-OPERATIVE BASIC VALUES

The traditional views

“We share a vision as Co-operators: of people working together to achieve their social and economic well-being, of rooting their economic power in local and community organizations, of meeting need through democratic organizations that preserve the dignity of both people and nature.

We pursue this vision through our co-operatives - organizations based on equity, equality and mutual self-help.”

Canadian Co-operative Vision, 1981

In the most general way the structure of a co-operative organization might be characterized as a small or large group of persons, who have joined together, formed an association and worked towards a common end. This, however, has never been considered to fully define a co-operative society, especially if the co-operative organization is to be looked upon as an expression of the ideas of Co-operation¹. In this case structural characteristics must be specified and supplemented by values for the relations between:

- 1) the association and the community at large
- 2) the associated members
- 3) the members and their association
- 4) the associations: locally, nationally and internationally.

This chapter is about how co-operators have traditionally approached these relations from an idealistic point of view².

1. The concept of basic values

To start with we can clearly observe that co-operative ideas have a rich history, going back to at least the 18th century. There are the practices of working together in various cultures of everyday life, there are the utopian thinkers and there are the pioneers in co-operative organizing. There are also all the various ideologies, visions and schools of thought based on the ideas of Co-operation. These also constitute the point of departure for the modern co-operative organizations: the origins of their basic philosophy³.

From this basis co-operators round the world have developed and expressed views of what is good, desirable and worth striving for to improve human living conditions. These have applied to the individual co-operative society, the entire community and, these have applied, ultimately, to the whole of humanity. Some of these values have been considered as “embodied” in the very concept of Co-operation. I refer to them as “basic ideas” and “basic ethics”.

The special character of Co-operation, however, has been characterized by its practical approach. According to the well-known saying: Co-operators “take the economy in their own hands”. The instruments for this have been co-operative organizations of various types. These have mostly been economic in character, but have had moral, ethical, social, cultural and political motivations as well. In order to function as vehicles for the values, the co-operative organizations must function efficiently; so the basic ideas and ethics have been supplemented with practical experiences to form instrumental values. I will refer to these as “basic principles”⁴.

“Co-operation preserves the characteristic feature of being at once highly idealistic and extremely practical. It is at the same time Martha and Mary, Don Quixote and Sancho Panza. It chases the Bluebird but, instead of seeking it on the Island of Bliss, attempts to capture it in a shop. It sets out to reform the world, but begins by sweeping its own doorstep clean. It follows the stars, but treads carefully.”

Charles Gide

The introduction of such instrumental values was the greatness of the pioneers of Rochdale, Schulze-Delitzsch, Raiffeisen and Buchez. In this way they managed to combine ideals with reality and to avoid the mistakes of the early utopian experiments. That is why their models have become prototypes for a whole world of co-operatives.

I look upon the basic values as mainly consisting of:

- a) Basic ideas and ethics: the basic philosophy of Co-operation.
- b) Basic principles (with a small ‘p’): instrumental value guidelines for practice.

As a whole these cover the relationships 1) - 4) mentioned above. They, so to speak, ‘‘pour’’ values into the co-operative forms and structures. These also form the basis of the institutional principles, of which the most famous are the ICA Co-operative Principles.

2. Basic ideas and ethics

Some ideas and ethics have been common in expressing the meaning of Co-operation. These have constituted the ideological climate for most of the co-operative forerunners and pioneers from the last century, as well as for closely related peoples’ movements from these periods.

These basic ideas and ethics form the value framework of the co-operative organizations and in the larger context of ideologies, these have constituted the basis of Co-operation as a special socio-economic system, as a ‘‘third way’’ between socialism and liberalism.

"There has been a general agreement that values are the forces which lie behind the creation of events, which determine the order of life in a given community or group of people. They are accepted embodiments of morals, norms and the cultural pattern of a given society or a group of people. Values form the fundamental beliefs of a given society or group of people. They also provide the means with which people in a given society can relate to each other. They stimulate and influence, conduct and promote change. They help to hold society together... They generally constrain the individual's behaviour for the accepted behaviour of the broader society. They are essential factors of development, a process whereby the group is equipped with the tools to operate as a wise and progressive unit."

P. Chilomo, Zambia

2.1. Basic ideas

The evolution of these basic ideas has a long and exciting history. In brief, the basic ideas may be described as co-operative beliefs and convictions about how to achieve a better society and what form such a society might take. Co-operators have believed, stressed and declared that:

- * Equal rights and opportunities for people to participate in a democratic way will improve the use of the society's resources and foster mutuality, understanding and solidarity (equality, democracy).
- * A fair distribution of income and power in the society and in its economic life should be based on labour and not on the ownership of capital (equity, social justice).
- * Activities in the society should be voluntary, as this is the best way to promote people's participation, commitment and responsibility (liberty, voluntariness).
- * People have the will and the capability to improve living conditions according to the peaceful "step by step" way, by means of consciousness-raising activities and of joint action for co-operative power (social and economic emancipation, mutual self-help).

- * The economic organizations of the community should be developed with the aim of serving the needs of the people (meeting economic needs).
- * Economic and other organizations should be characterized by responsibility for the community as a whole (social responsibility).
- * Living conditions should be improved with international and global perspectives in mind (internationalism, global solidarity and peace).

These ideas can still be found in the programmes of action, study material etc. of co-operative organizations. Their overall actual relevance is difficult to estimate, but committed co-operators look upon them as a basic ideological framework for the long-term co-operative way. Probably, however, these ideas are “sleeping in the background”, as symbols of Co-operation, but hopefully ready to be mobilized when and if critical situations emerge.

"These Credit Union Operating Principles are founded in the philosophy of Co-operation and its central values of equality, equity and mutual self-help. Recognizing the varied practices in the implementation of credit union philosophy around the world, at the heart of these principles is the concept of human development and the brotherhood of man expressed through people working together to achieve a better life for themselves and their community."

From "Philosophy and Uniqueness", 1988

Some of these ideas have been identified by co-operators, co-operative ideologists and co-operative researchers as essential to the basis of the ICA

Co-operative Principles. These are often referred to as the basic values of equality, equity, mutual self-help and social and economic emancipation⁵.

2.2. Basic ethics

From the beginning ethical and moral values, concepts of human ideals, about “the co-operative man”, “the co-operative spirit” and “the co-operative community” have been included, and implicit, in the basic ideas. These ideals have been looked upon both as desirable results of the co-operative process of development and as necessary preconditions for it. Co-operative development should gradually create better conditions for these ideals. The process needs true co-operators and a true co-operative spirit in order to carry this out⁶.

To express these basic ethics in the same way as for the basic ideas, one might say that co-operators should:

- * Live as they learn (honesty)
- * Take interest in and care about other people (humanism, caring)
- * Apply a spirit of mutuality in dealings with her/his fellow co-operators (solidarity, mutuality)
- * Take responsibility for his/her personal action, for the activity as a whole and for its impact on society at large (responsibility)
- * Believe in social and economic justice (justness, fairness)
- * Defend democratic rights and democratic ways of decision-making, participate in democratic life and respect democratically agreed decisions (democratic mind)
- * Demonstrate faith in the co-operative way (constructiveness).

Today it is more relevant to speak about the “co-operative culture” as characterizing co-operative collectivity. This has always been the intention of co-operators.

"But does this ideal co-operator exist? Probably not in one individual. But, in co-operative action what is missing by one person might be supplied by others. Furthermore, it is not a question of totally realizing this human ideal, but of striving towards it."

Lasserre, 1977

Are these values still relevant? Yes, as I have noticed, there are parts of the co-operative world in which these ideals are taken seriously, and it is obvious that many co-operative organizations are characterized by an organizational culture that more-or-less reflects them. It is very difficult to estimate the importance of a living "co-operative culture", but it most probably belongs to the basic success criteria.

2.3 Contexts

Co-operators and co-operative ideologists have elaborated on these basic ideas and ethics in various ways and expressed them in some broader contexts of visions and school of thoughts. The most well-known of which are the total visions of "Co-operative Commonwealth", "Co-operative Communities", "Co-operatism" and "Co-operative Self-management". To some extent, these are still relevant as overall conceptions of the co-operative way, but these have mostly become more partial in character. Variations of the "co-operative sector" have become more realistic visions, as have the various roles of co-operatives in society at large, such as "school of (economic) democracy", "instrument for human resource mobilization" and "a basis of countervailing power" in production and distribution.

“My outlook is to convulse India with the Co-operative Movement, or rather with Co-operation: to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally, indeed, to make the Co-operative approach the common thinking of India..... The idea of co-operation is something much more than merely an efficient economic way of doing things. It is economic, it is fair, it equalizes and prevents the disparities from growing. But it is something even deeper than that. It is really a way of life and a way of life which is certainly not a capitalist way of life and which is not a hundred percent socialist, though it is much nearer socialism than capitalism. Anyhow, it is a way of life.”

J. Nehru, 1960 (from R. C. Dwivedi 1989)

Finally, it goes without saying that these basic ideas and ethics have been interpreted differently in different practical contexts. Co-operative organizations have been established in various political, economic and cultural contexts and have also to some extent collaborated with, and identified themselves with, political parties and other movements. This has given different interpretations and priorities to the basic values, which have had different relevance from time to time and place to place. They have also been emphasized differently by various types of co-operative.

This will be equally true of future situations. In practice, there cannot be any “unitary” interpretations of these values.

3. Basic principles

One might say that the basic ideas and ethics have formed the general framework of values for co-operative organizations practice. In order to make these into viable organizations, co-operators have developed some basic principles, which we can call “instrumental values and characteristics”.

“The co-operative approach implies:

- a) treating people as origins of action, not as objects to be manipulated or serviced;*
- b) encouraging people to work together and help one another solve mutual problems;*
- c) designing useful structures, processes, products and services so as to meet people’s needs rather than for profit-making purposes alone.”*

B. Briscoe and others, 1982

Since these are well-known at the micro levels, I will just mention them briefly, in order to give the whole picture for later discussions.

3.1. Principles at the micro level

To summarize:

- * The obvious and common denominator behind co-operatives is, or should be, that co-operative organizations are associations of persons. The members are members as persons, or, at secondary and tertiary levels, the members are primary member societies based on the principle of personal association. Co-operatives are consequently not associations of capital.
- * Groups of persons have established co-operatives because they have found that this is the proper way to work together in order to promote needs they have in common as producers or as consumers. So, the activity of the co-operative societies is intended to meet member needs rather than to make profits.
- * The activities must be carried out in an efficient way. The co-operative must be viable as an alternative to other kinds of organization; the services from the co-operatives must not, at least not for

long periods, be worse than those of other organizations. On the contrary, they should be better. So, a “well understood”, if often implicit principle, is efficiency for the benefit of members.

This fundamentally implies that the economic result of the co-operative must be seen in terms of success or failure in satisfying the needs of its members. The result cannot be considered, as in capital associations, as mostly or only profits on (return on) invested capital. It must be measured in terms of member utility.

- * The process of establishment has been, and still is, an act based on values of mutual self-reliance and responsibility. This is also a significant characteristic of viable co-operatives during their life-time. The individual members pool their resources together in order to multiply them and this has constituted, and still constitutes, one of the strengths of the co-operative way of organizing. Empirical evidence has often demonstrated that this presupposes a voluntary relationship between the members and their society. Co-operatives that have been established from above, or that have forced persons to become or remain members, lose this characteristic sooner or later.

- * Since the aim of co-operatives is to serve the needs of their members, it must be the members who decide how to use the resources of the co-operative and how to shape its services. In other words, co-operatives must be controlled and managed by their members. This is easiest if equity capital is the main capital and is owned by the members and their societies. Furthermore, the co-operative cannot accept outside interference with its internal matters, be it from governments or other organizations. In other words, this sums up values of self-reliance and autonomy.

In this way the members are the users of services, the managers of resources and the owners of capital. This is often referred to as the fundamental unity or identity principle of Co-operation.

"A co-operative is a user-owned and user-controlled business that distributes benefits on the basis of use. More specifically, it is distinguished from other business by three concepts of principles: first, the user-owner principle. Persons who own and finance the co-operatives are those that use it. Second, the user-control principle. Control of the co-operative is by those who use the co-operative. Third, the user-benefits principle. Benefits are distributed to its users on the basis of their use. The user-benefits principle is often stated as business-at-cost."

D. Barton, 1988, Chairman of American Institute of Co-operation

- * The maintenance of the viable co-operative demands a basis of equality among the members, carried out by democratic management when it comes to the distribution of power. The members must have equal rights to participate in the activities of the co-operative and to decide about the use of its resources. This is an empirical experience, but also an essential value. A co-operative organization should be democratic.
- * For similar reasons the co-operative must apply a fair distribution of benefits among members. No member can be favoured at the expense of other members.
- * Finally, in order to improve their co-operative services, to be able to offer competitive services in comparison with other associations and to promote good conditions for their co-operatives, the members and member-delegates need education in practical matters, as well as knowledge and understanding of co-operative methods and of changes in the co-operative environment.

The form developed for organizing co-operative activities in order to apply those principles is the co-operative society. In most countries this form is regulated by state legislation: by co-operative law. For some types of co-operative activity, however, this form is not possible or suitable for

various reasons, mostly juridical reasons. This is especially true for co-operative insurance and banking activities, which have usually developed special forms of organization.

“A co-operative is an association of person who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which members actively participate.”

ILO recommendations, 1966

3.1.1. The dual character

It is appropriate to mention in this context that discussions about the “basic character” of the co-operative society are to be found throughout the co-operative history. A usual way has been to consider the co-operative society as characterized by a “double (dual) nature”: an association of persons (the member association) and its economic enterprises for the needs of those persons⁷. Sometimes it is also referred to as the “social character” and the “economic character” of the co-operative society. On the other hand, it has been emphasized that the co-operative society has an “integrated nature”: the association of persons and its economic enterprises constitute an integrated wholeness, a unity. Some implications for the practice of this “conceptual dispute” are discussed in chapter VI, section 3.1.

3.2. Principles at the macro level

The basic principles for co-operatives at the micro level are quite well analyzed by co-operators, co-operative researchers and by co-operative ideologists. These are also well covered by co-operative laws, Co-operative Principles, etc. The same is not true for macro levels (4 above). Our “box of systematized knowledge” is quite empty regarding these

instrumental values and the significant features of the viable macro models. Neither are there any value recommendations with the status of Principles for those organizational levels, except the general ICA Principles about “co-operation among co-operatives” and about democracy at secondary levels.

This is problematic, since the main troubles of identity during later decades are connected with co-operative organizations at these macro levels. Instead, there seems to be a common view that principles from the micro level could be adapted to suit macro levels. To some extent this is true. But it is also true that the macro levels have their own mechanisms and their own characteristics, which should motivate special principles. There are at least four such concepts of “co-operation between co-operatives” in this context:

- 1) The co-operative movement
- 2) The co-operative federation
- 3) The co-operative sector
- 4) The co-operative network.

I am not able to discuss this subject in as much detail as at the micro level, so I restrict myself to some outlines. The basis of those are, of course, the individual primary co-operatives, which are built on the basic principles above.

3.2.1. The Co-operative Movement

Co-operation as a Movement is above all built on, and based on, people and people’s expectations of a better society. The Co-operative Movement is an organization for social change “by, for and through the people”. One might even say that co-operative movements are, and should be, people mobilized for common aims. The significant principles are above all “democracy” and “participation”.

“Our co-operative tradition and our popular movement tradition also includes values such as commitment, independence, honesty, openness, co-operation, solidarity and care of people and environment. These values shall be the basis of the ethical considerations made in all our activity, both when it comes to setting goals and in discussions about the ways to reaching those goals.”

KF Sweden, Goals and Guidelines, 1989

According to experience and to research a viable co-operative movement is especially characterized by a continuous reproduction of its aims in terms of the contemporary society and of applications of structures for participation and for the associated persons to meet. If the organizations neglect to reproduce these, they sooner or later will disappear as movements and transform into bureaucratic hierarchies or into business oriented companies.

3.2.2. The co-operative federation

Co-operation as a Federation is the old and genuine co-operative way of “co-operation among co-operatives”. This way of organizing development and growth tries to combine local autonomy with the centralized efficiency of economies scale and specialization. In joining the federation, primary societies have passed some of their functions to the secondary or tertiary level societies (unions). They have also given up some of their autonomy in order to gain efficiency, power and support.

The federation usually operates an inner planning system, a “planned economy”, for the business oriented relations between the individual societies and the common bodies at secondary and tertiary levels. There is usually no competition inside the federation. The internal prices, etc. are determined in other ways.

A viable federation is characterized by the existence of common aims and ideas (an ideology), serving as the “glue” between the societies and the federative bodies. It is also characterized by a clear-cut division of labour and a clear cut distribution of responsibility between the local and central levels and, of course, by the capacity to offer better services to the societies than the available alternatives. When and if the federation cannot reproduce these common aims and values, the federative structure will be more difficult to manage. The usual economic “cost-benefit calculation” will dominate the relations, the “transaction costs” of the federation will increase and sooner or later it will experience difficulties (chapter VI, section 3.4).

3.2.3. The co-operative sector

Co-operation as a Co-operative sector has similarities with the federation, but is usually much more loosely organized - if it is organized at all. The vision and the practice of this way of co-operation is, of course, to take advantage of the shared aims and basic values. For these reasons there might be some profits in lower “transaction costs” and there might be some special collaborative opportunities based on mutual reliance. It might also be looked upon as strength in a common identity, for instance in relations with governments and the general public. In the more detailed visions of the co-operative sector approach, there also might be possibility of developing various ways to systematically support newer and younger co-operatives in their “infant” stages of growth.

“... which enthused co-operators with the vision of a complete transformation to be achieved by the development of co-operation and nothing else. However, on a more positive and realistic view, it appears that neither consumers' co-operation alone nor even all forms of co-operation together can embrace the whole of economic life. They can only aim at occupying a sector, the extent of which of course varies with the nature of the political and economic forces in the environment and with the abilities of the co-operators themselves. Moreover, despite their efforts to link up with one another and to satisfy their mutual needs among themselves, they remain a system open to the rest of the economy.”

G. Fauquet, 1942

There are interesting examples of this advanced sector idea, at local as well as national and regional levels. There are, for instance, the community co-operatives in Japan, the kibbutzim in Israel, the Mondragon in northern Spain and the growing sector of “*économie sociale*” in France and southern Europe (although the latter includes more than co-operative organizations). Again, however, as in the federal approach, the ability to reproduce common aims and values is a basic precondition for this approach. Otherwise, the will to search for mutual co-operative relations in the process of growth and development will weaken and the concept of the “Co-operative sector” will become merely a statistical one.

3.2.4. The Co-operative network

This is a loose form of collaboration, with some of the characteristics of the "Co-operative Federation" and the "Co-operative sector", but which lacks their more or less formal common bodies. It is a highly informal kind of co-operation between co-operatives and seems to have become more usual during the last decade.

4. The ICA Principles

The ICA Principles are an interpretation of the Rochdale values and rules, expressing what have been considered as the essential perspectives of the basic ideas, ethics and principles above. There have been some differences of opinion about the exact Rochdale origins, but these are usually regarded as a combination between the first declaration of 1844 and the lists of rules of 1860 (see appendix 1). The ICA Co-operative Principles might be looked upon as the bridge that combines values with reality. They are intended to promote basic values through practical application; in this way the Principles have the character of both values and rules. As said above, the Principles are seen as reflecting the basic ideas of “equality”, “equity” and “mutual self-help”, and also “social and economic emancipation”.

I will return to the ICA Principles in more detail in chapter VIII. At this stage of our discussion, however, we can observe that these cover most of the basic principles at the micro level. Nevertheless, the Principles do not have much to say about some of them, at least not explicitly. This is especially true about “autonomy” and about the closely related “member owned capital”. Neither do the Principles state anything significant about “efficient economizing” with co-operative resources. But, certainly, these are “well understood” values, implicit in the Principles, much emphasized by, for instance, the Commission of Co-operative Principles in its report of 1966, and also by co-operative practice.

4.1. "Eternal" issues of policy

Some basic issues are always raised in discussions about basic values and the ICA Principles:

- a) What are, or should be, the relationships between member needs and the needs of society at large? To what extent should the co-operative take into account the needs of the community when carrying out its activities? To what extent should co-operatives bother about aims outside their basic aim to promote the welfare of their members?
- b) What are the essential target areas of the population for co-operative development and for the promotion of new co-operatives? Should co-operatives be mainly oriented towards the needs of the poorer and the disabled part of the population?
- c) What are, or should be, the relationships between co-operative organizations and political issues?
- d) What are, or should be, the relationships between individuality and collectivity in co-operatives? For instance, between the individual member and the society as a whole in issues of capital formation? To what extent should the capital be owned by the members individually, and to what extent by the members as a whole?

These kinds of issues have caused intensive debates and raised serious conflicts about the “correct co-operative way”. There are no unequivocal universal answers. Nor are any answers to be found in a literal interpretation of the ICA Principles, as many co-operators have noted. These issues are basically a matter of co-operative policy.

However, when examining co-operative history it becomes evident that co-operative movements do have a responsibility to, and a concern for, the whole community, especially for the economically and socially weaker part of the population. That is why the Co-operative Movement was born and why it developed. This was also confirmed by the ICA Congress in Stockholm, when it unanimously supported the basic value of “caring for others”. Quite another question, however, is the one about establishing viable co-operative ways to fulfil these aims.

“Co-operation is the antithesis of conflict. In our struggle for global economic integration we set ultimate goals in creating employment without exploitation; distribution with a sense of responsibility to the consumer; production that allows the farmer a fair return on produce; and capital that does not demand an unreasonable return on investment. These principles must also serve as the cornerstone of our trade network.”

Ray Ison, Australian Association of Co-operatives, 1989

The issue of “neutrality” has been debated throughout the century, especially in connection with the formation of the ICA Principles. The first published Principles of 1937 included one about “political and religious neutrality”, but this was abandoned 1966. Certainly, co-operative organizations cannot be neutral on political issues, since co-operative activity is, in itself, a political action. Many co-operative organizations have instead made this point clear by replacing “political neutrality” with “political independence”. This implies that co-operatives should carry out their own opinions without undue dependence on other organizations or on political parties. I consider that as the proper interpretation for the future.

Finally, the issue about the balance between individuality and collectivity: there are no universal answers at the ICA level or among the ICA members. There are various views and practices, depending on context. It is no use, either, to try to take some generalizations regarding principles in such issues, since the solutions must be different in different contexts. It is basically a matter of co-operative policy.

5. Conclusions

During my preparatory work I have understood that co-operative values have been expressed and used in many ways, I have distinguished between three categories of basic values: basic ideas, ethics, and principles.

5.1. Basic ideas and ethics

Evidently, there is a basic framework of ideas which have always been associated with the concept of Co-operation. I have identified the following as the most common:

- * Equality (democracy)
- * Equity (social justice)
- * Liberty (voluntariness)
- * Mutual self-help (solidarity and self-reliance)
- * Social emancipation (mobilization of human resources)
- * Altruism (social responsibility)
- * Economy (meeting peoples' economic needs)
- * Internationalism (international solidarity, peace).

We, as co-operators, have always fought for these ideas; they constitute the core of the co-operative plea for a better society at large. Closely

related to these ideas are the basic ethics about “the co-operative man” and “the co-operative spirit”, basics for the co-operative culture of organization:

- * Honesty
- * Humanity, caring
- * Solidarity, mutuality
- * Responsibility, fidelity
- * Justness, fairness
- * Democratic approach
- * Constructiveness

These basic ideas and ethics outline the main means and the ends of the “Co-operative Project” in its relationship with society at large. These are also important when it comes to the interpretation of instrumental values, especially the ICA Principles, because the Principles, interpreted literally and taken in isolation, give no guidelines on important issues of overall orientation. To understand these, we need to “read between the lines” and to look for the basics.

I have the impression that there is, at least within the ICA, quite widespread agreement on those ideas and ethics as long as we keep ourselves to the general co-operative contexts of ideology. But, as soon as these are interpreted in more pronounced ideological orientations, close to other ideologies, the universal character will disappear. We know that from our history and, of course, this is a policy matter for individual co-operative organizations. However, if we have a strong ambition to determine values which will unite the whole co-operative sector of the world, it is necessary to keep in mind the statement of many co-operators - Co-operation is neither socialism nor liberalism; Co-operation is an independent socio-economic system.

5.2. Basic principles

Turning to the instrumental values, the “Basic Principles”, these are especially relevant as guidelines for viable co-operative organizations. I have identified the following characteristics:

- * Association of persons
- * Activity to meet members’ needs (the service aim)
- * Efficiency for the benefit of members
- * Mutuality - responsibility between members and their society
- * Member participation and democratic management
- * Unity and identity
- * Self-reliance and autonomy
- * Voluntary and open (non-discriminatory) membership
- * Fair distribution of benefits
- * Education

With some exceptions these are quite well reflected by the ICA Principles. I have the impression that people are usually thinking of these basic principles when discussing changes or revisions of “values”.

5.3. Changes and revisions

Finally, we face the crucial issue: can it really be meaningful to search for “new” values or to consider changes or revisions of those values that we have traditionally regarded as basic? Are they not, as a matter of fact, so eternally and deeply embedded in the very concept of Co-operation that they are impossible to change without changing the essential meaning of Co-operation? And that cannot be the intention, or can it?

I have met these questions quite often, and have also put them to myself. As I see it, however, the answer depends on what you understand by “change” or “revisions”. I understand mainly three types⁸:

- 1) The values might be reinterpreted in accordance with past and present experiences.
- 2) Individual values might be emphasized differently from time to time, depending on their relevance.
- 3) The various elements of the “basis of values” (the values as a whole) might be given different priorities over time and in various contexts.

Such changes and revisions have taken place throughout co-operative history; and they are necessary because the relevance of each of the values cannot always be the same. Some of the values, for instance, might have been realized in the overall development of society at large or “taken over” by the work of other organizations and institutions.

Nor do revisions alter the meaning of Co-operation. On the contrary, this is the proper way for co-operatives, as for other ideologically-based organizations, to keep their values living and relevant as “generations and centuries roll on”. Because the co-operative values, inherited as they are from earlier generations of co-operators, cannot be more than “raw material” in the process of co-operative development. The inherited values must continually be recreated, refined and revalued for every generation by being expressed in terms of the contemporary society. They are not immutable. They must be living and relevant or they will lose their relevance as guidelines and become dogmas and relics, ready to disappear in the darkness of history.

“A movement that lacks ideas cannot become dangerous. A revolutionary movement that is not supported by ideals can never be successful. Constructive idealism is not only the driving force in every major popular movement; it is also a bulwark against reaction.”

G. D. H. Cole, 1920

Still, however, these issues are delicate. There are, naturally, basic ideas among committed co-operators of what should constitute the essence of co-operation. If the process of change comes too much into conflict with these ideas co-operative organizations are faced with serious problems of identity. To complicate the situation, we can note that the borders of identity are not unequivocal so there is an evident risk of unintentionally passing them, especially as the members are becoming more passive.

The need for revisions, however, cannot be considered from the mostly idealistic point of view with which this chapter has been concerned. In order to discuss such needs it is necessary to examine the long-term trends in contemporary society to see how the values have been handled in practice. The main problems in such contexts, which we will examine in more detail, are concerned with the fact that some of these basic values have been “questioned” by co-operative practice, especially during the 80’s. I will return to the need to change the values in chapters VII and VIII.

Notes

- (1) There are no universally accepted definitions of a co-operative society, see e.g. Chukwu (1990) a list of various definitions.
- (2) The general approach to the concept of “basic values” is mainly my own, since this is not a common concept in co-operative history of ideas. I am particularly influenced in the definitions by Lambert (1963), Münkner (1974, 1985), Briscoe (1982), Rokholt (1984) and Watkins (1986).
- (3) Among others: Cole (1944), Hall/Watkins (1937), Krashenninikov (1988), MacPherson (1979), Müller (1927).
- (4) See (2) and also Dubhashi (1979), Laurinkaari (1990), Nilsson (1986).
- (5) See e.g. Craig (1980), Colombain (1976).
- (6) Lasserre (1977), Birchell (1988), Regis (1991).
- (7) Fauquet (1951), Münkner (1991).
- (8) I got the idea from Ilmonen (1991, III:1).

Appendix A: The Rochdale Programme:

Objects- Law First

- * The objects and plans of this society are to form arrangements for the pecuniary benefit, and improvement of the society and domestic condition of its members, by raising a sufficient amount of capital in shares of one pound each, to bring into operation the following plans and arrangements.
- * The establishment of a store for the sale of provisions and clothing, etc.
- * The building, purchasing or erecting of a number of houses, in which those members desiring to assist each other in improving their domestic and social condition may reside.
- * To commence the manufacture of such articles as the society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages.
- * As a further benefit and security to the members of this society, the society shall purchase or rent an estate or estates of land, which shall be cultivated by the members who may be out of employment, or whose labour may be badly remunerated.
- * That, as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education, and government, or in other words to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.
- * That for the promotion of sobriety, a temperance hotel be opened in one of the society's houses as soon as convenient.

The rules and the methods:

1. To sell goods at prevailing local prices.
2. Restriction to a fixed rate of the interest upon capital - this interest to have first claim upon the profits.
3. The distribution of profits (after meeting expenses and interest charges) in proportion to purchases.
4. No credit - all purchases and sales to be paid for in cash when the goods were handed over.
5. Both sexes to have equality in member rights.
6. Each member to have one vote and no more.
7. Regular and frequent meetings to be held for the discussion of the society's business and of receiving suggestions for improving the society's welfare.
8. Accounts to be properly kept and audited; and balance sheets to be regularly presented to the members.

(from Hall/Watkins p 86,87)

III. STARTING POINTS FOR THE 90'S

Some common problems

“Co-operative development might be considered as a very long-term process, with some economic and social projects taking place over several generations. The aim is to transform more co-operative values to society at large, by expanding activities and by improving methods of activity. In this way the co-operative movement can contribute to a better society. The co-operative process is basically an interaction between:

- 1) Co-operatively committed members, employees and leaders and their expectations for the future,*
- 2) Co-operative values inherited from the past and expressed in principles, programmes, statutes, books, education material, etc.,*
- 3) Practical co-operative applications; structures, methods of activity, education, etc, also inherited from the past, and*
- 4) The environment of co-operatives, e. g. the government, the institutional structures of the society at large, the economic system, the values in the community, etc.*

The accepted values in each period of history are the results of the interplay between these parts of the co-operative process.”

S. Å. Bööck 1981

As we leave theory and move to co-operative practice it is necessary to remember that the application of co-operative values to reality has always been a matter of priorities and compromises. All the values cannot be achieved to their potential at the same time. There is always a choice regarding how scarce resources should be utilized. Such choices imply priorities and compromises.

It is also evident that the co-operative way has always been flexible in its response to a changing environment. Compromises must be made between what co-operators want to do and what they actually can do. It is often said that whereas co-operation has quite revolutionary ideas, the methods it uses are more reformist in character.

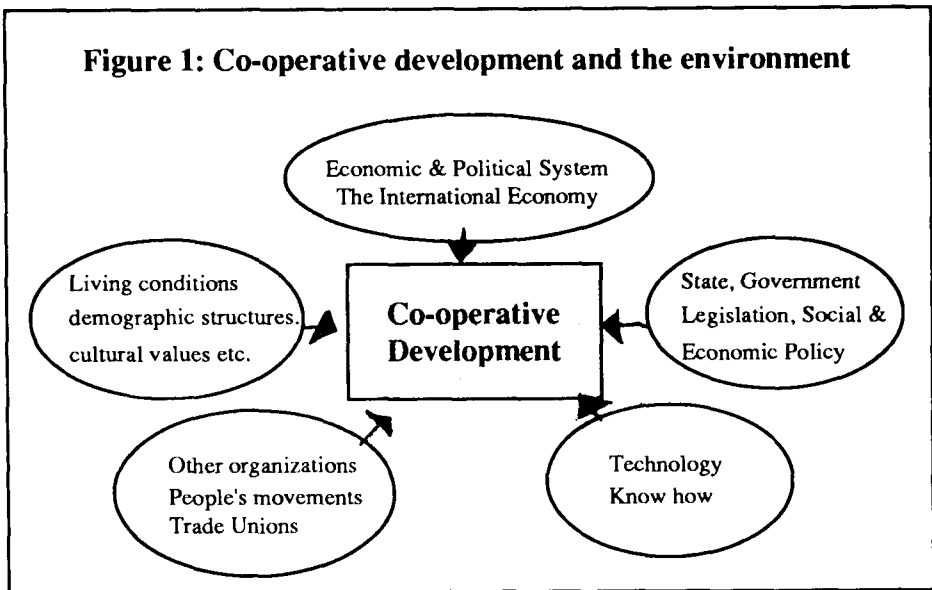
1. Co-operative pragmatism

A pragmatic approach is necessary regarding adaptation to a changing environment. The methods used will be the most efficient contemporary society has to offer. What really matters when it comes to values is the long-term co-operative orientation. Co-operative history has been characterized by practice which differs to a greater or lesser extent from the ideal values, but which has these as the “guiding stars” in written programmes or in the hearts of committed co-operators.

One cannot expect co-operative organizations always to act totally in accordance with the principles and values. Such an expectation would reflect too idealistic an approach.

On the other hand, it is reasonable to expect co-operative organizations to have the will, demonstrated in practice, to seriously examine the possibility of applying the values and principles and to use their resources accordingly. If such a will is missing in practice, then, and only then, is it appropriate to use the concept “degeneration” as characterizing the situation.

Figure 1: Co-operative development and the environment



Comments on the figure:

Co-operative practice is characterized by an interaction with its environment, probably more than in other economic organizations. During 1960-1990 the environment in all those aspects shown in the figure changed radically and rapidly for most parts of the world co-operative movement.

Pragmatism has characterized the co-operative process of development during the late 70's and the 80's. This has been an unusually difficult period, and it is no exaggeration to say that the environment has influenced co-operative practice more than customary.

I will now examine some problematic experiences against the background of the traditional values and principles which I identified in the last chapter. Although the story is somewhat depressing we cannot shut our eyes to it if we want to examine our points of departure for our discussion of values and principles for the future. I have identified such problematic aspects as especially connected to:

- * Co-operative development in highly industrialized market economies, especially consumer co-operative development
- * The relatively slow co-operative development in many developing countries
- * The radically changed situation for co-operative development in planned economies.

There are also other problematic aspects if we move closer to reality, but I restrict myself to look upon these from a global co-operative outlook¹.

1.1. Global trends

Before examining the tendencies in co-operative performance, let me touch upon some important global trends, which have constituted the climate of co-operative development during recent decades. Most of these will probably continue throughout the 90's; but nothing is certain in this rapidly changing world.

- * **Expansion and instability:** The productive capacity of the rich and highly industrialized countries is double what it was 30 years ago. The process of economic development has been unusually unstable, however, with fluctuations in production, income and employment from year to year. Some years have been characterized by the deepest recessions since 1929 for some of the large industrialized countries (UN 1990, World Bank 1990).
- * **Rich and poor:** Many countries in the poor part of the world have experienced a relatively slow rate of growth. Their situation, measured as income per capita, has become even worse than it was 30 years ago. There are exceptions, particularly in South East Asia, but from an overall global outlook the main picture is obvious: the division in economic and social conditions between rich and poor countries has increased, particularly during the 80's (UN 1990, World Bank 1990).

- * **Internationalization:** The process of internationalization of the industrialized countries has speeded up. Foreign trade has increased, more multinational and transnational enterprises have been established, as have international financing and banking systems. The European Common Market has been developed and enlarged, which opens up new possibilities at the same time as it increases the competition in national markets. The poor countries are, with some exceptions, outside this process of internationalization and increasing world trade. Their enforced role is that of unprofitable raw material suppliers.
- * **Flexibility and turbulence:** Turbulence, rapid changes, short-term planning horizons and quick decisions have characterized the business climate of the industrialized countries. Flexibility and readiness to adapt to unexpected changes are the criteria for success, while long-term planning has become just a memory. Today, strategic planning is about how to maintain flexibility, yet to decisively choose between “possible futures” (see Dülfer in Dülfer/Hamm 1985).
- * **Monetarism:** Monetary and market-oriented philosophies have increasingly characterized economic theory. Monetary measures have become a more important part of economic policy, and stock exchange markets and stock corporations are the main financiers of capital ventures. Governments have made use of restricted budget policies, which are followed by unemployment and social problems for the weaker parts of the population.
- * **Waste of resources:** The exploitation of natural resources continues. The negative effects have been clearly demonstrated, as has their global character. Still, improvement seems to be marginal, even if consciousness seems to have increased. The younger generations are active in new people’s movements for environment protection and the conservation of natural resources has a high priority for these generations.

- * **Urbanization:** In many parts of the world socio-economic and demographic structures have become more flexible. Urbanization continues; cities and their suburbs have larger slum areas with high unemployment, while rural areas stagnate and social and cultural services become impoverished. Young people move from rural areas, old people stay. The emancipation of women continues: more women work outside the home and the nuclear family is on the decline. Society is becoming more unstable.
- * **Revolutionary technology:** New technologies are emerging to revolutionize the work place, communication structures and information systems. New perspectives of decentralization are opening up, but at the same time there is a danger that the freedom of the individual will be under threat.
- * **Post-industrialism:** Service industries make up an increasing part of the national product. Knowledge, education, technology and information seem to gain increasing importance as a factor of production. As levels of income and education become higher the high priority given to material needs by older generations tends to be substituted by values of individual self-realization and liberty. New class structures seem to be emerging (e.g. Åberg, 1990; Johansson, 1991).

These changes (or lack of changes in some parts of the world) have, of course, had different effects in various parts of the world and have had various levels of impact on co-operative development. An in-depth discussion is not possible here, but certainly we might identify both conflicts and challenges for the future, if we consider these in more detail within the framework of the co-operative values and ideas.

2. **Adaptation in highly industrialized market economies**

In the 1950's and 1960's established Western European co-operative organizations, still the largest part of the ICA and the world co-operative

sector in economic terms, experienced rapid growth. The co-operative economy was relatively stable, the members benefited from their membership and co-operative organizations made important contributions to society as a whole. There are many success stories from that time, perhaps these decades might be characterized as a period of unusual success. Using the concepts of H. Desroche (1980) one might say that co-operative organizations were successful in all their ambitions of societal penetration: demographic, economic and cultural².

2.1. Problematic tendencies

The middle of the 70's saw a period of growing economic difficulties, which became even worse at the end of the decade and in the early 80's. It became increasingly difficult to offer competitive economic benefits to members, economic stability was transformed into instability, and economic development stagnated. Some large consumer co-operatives even collapsed; a new experience for modern times. Various explanations have been proposed. Many see increased competition in the domestic markets as a consequence of internationalization, which challenged previous co-operative advantages in joint action. Some look critically at the co-operative leadership, claiming it failed to adapt to changing environments, as incompetent leaders could go on until their retirement because of the vague structure of aims within the co-operative system.

"The wealth accumulated by consumer co-operatives up to the 1950's and 1960's made it all too easy to 'overlook' serious losses, regarding them as temporary, or to blame outside factors (unfriendly governments, the business cycle, shifts in consumption patterns etc). Problems that are not energetically tackled at an early stage tend to become too big to handle, and a fall from imagined strength to depressed resignation may ensue. If losses are not fought early, financial charges also tend to become a very high burden."

J. Brazda and R. Schediwy, 1988, p.34

It is also claimed that the “ideological climate” of the 70’s restricted the professional management, giving too much power to co-operative “laymen”. There are also some self-critical views about various “value restrictions” on co-operative applications, especially about financing and decision-making. Finally some observers, mainly researchers, consider that such problems are just symptoms of the ageing co-operative organization.

2.2. Clash between systems

These explanations are certainly part of the truth about what actually happened. To me, however, the most interesting explanations for the future are those which draw attention to the changing relations between the co-operative system and the changing environment. For large and established co-operative organizations there seems to have become an increasing conflict between traditional ways of establishing structures and developing policies and those which the dominating and changing trends of the society have dictated as the most efficient. The late 70’s and the 80’s seem to have imposed an increasing “incongruence” between the co-operative system and that of the environment, as some researchers prefer to express it (Nilsson 1986).

Such conflicts have, of course, always been there; that is why co-operatives have been, and still are, established. During the 50’s and the 60’s, however, co-operative organizations became more integrated parts of the national economies and of society at large, and hence become more sensitive to change. This is especially true when one considers the fact that the co-operative organizations had built up nationwide secondary organizations for common services, and so entered the 70’s with less autonomous structures than before. To indicate the problems in more detail:

The established co-operative system in its federal models is found to function best in surroundings with a stable and expanding economy. The more unstable situation of the 70’s disturbed the efficiency of the co-operative planning structures.

Democratic co-operative management always seems to include a conservative tendency. The members are cautious when dealing with assets which they have accumulated with difficulty. This quality, whilst desirable in itself, seems to have become problematic within an environment that demands rapid decisions, especially about giving up unprofitable activities.

The co-operative culture has long been characterized by concerns for honesty and reliability in establishing structures to serve its members. Short-term, speculative and temporary “values” usually have no place in the co-operative approach. Common (planned) functions have tended to become too rigid and too insensitive in such an environment, and tended to increase conflict between the demand for local autonomy and the traditional values of solidarity with the movement as a whole.

The traditional self-financing ways of raising co-operative capital tend to come into conflict with the increasing need for aggressive investments. This was further emphasised by the expansion of the stock exchange markets and their growing importance for economic policy, enterprise financing and financial investment. Co-operative organizations were placed in a bad position within such environments, especially when they needed capital for expansion. The stock company model was favoured, and the co-operative organizations were even advised by governments, legislators and investors to transform themselves into joint-stock companies in order to gain better access to capital.

The basic aim to serve the needs of members has traditionally given co-operative organizations a local orientation. There are differences between producer co-operatives and consumer co-operatives in this respect, but both are characterized by the domestic and the local. Additionally, it has not been considered within the interests of the members of consumer co-operatives to export, only to import. And, by tradition, producer co-operatives do not enter the territory of other co-operatives, when they want to export. Such basic character-

istics became problematic in the climate of the late 70's and the 80's, where "business values" such as the "offensive", the "profitable" and the "future looking" were connected with multinational corporations and the penetration of export markets.

Finally, we cannot shut our eyes to the fact that the long-term trends toward post-industrial society with higher levels of income, etc, have tended to weaken the need for the services of the established consumer co-operatives. It is also probable that tendencies toward a more flexible and less class-oriented society gradually lessened the incentives to organize these larger organizations to meet basic material needs.

The late 70's and 80's was a very difficult period for co-operative development in these parts of the world. There was an increasing feeling that **something** was wrong, but it was difficult to put the finger on what that **something** might be.

I agree with Brazda/Schewidy, but at the same time I must say, as I have participated in this development since late 60's, that the problems were difficult to identify because they were unusually universal. It is easier to look at the period from a distance.

2.3. The process of adaptation

The process of adaptation became problematic for traditional co-operative values. Contact with the members became more impersonal as organizations became larger and member participation decreased. Radical and new measures need serious discussion among members, otherwise negative attitudes will automatically dominate. Some such problems are outlined below:

More transformations into the joint stock company form of organization. Most of these, however, were carried out at secondary and tertiary levels of co-operative organizing (see chapter V section 3).

- More solutions to capital-raising problems by obtaining equity capital from sources other than the members. To some extent, although restricted, co-operative shares are sold on the stock exchange markets. This measure is mostly at secondary and tertiary levels (chapter V).
- Closer collaboration with private capital associations in ownership, joint ventures and franchising. It has also become usual to expand by taking over private enterprises, where the ambition of co-operation has mostly become a question of ownership. The company thus acquired remains unchanged: one cannot “see” that it is now a co-operative.
- More activities at the secondary levels have been separated from the co-operative whole. These are given more independent positions and usually more outspoken market and profit-oriented aims - and are often organized as stock companies. Less of the “planned economy” of the co-operative system is left, even if there are some exceptions (see below).
- In some countries the federative form of organizing relations between primary societies and secondary societies has been more or less abandoned. In some cases, the federative form has even been replaced by an integrated national organization. In other cases, there are various forms of gradual, or temporary, approaches to this integrated national organization by forming relatively large regional associations and by developing special associative forms of collaboration between the union and the societies which need support. To quite an extent these new forms are using the joint stock company model of organization.
- The development of services for members’ needs has become more a matter of usual market communications. In consumer co-operatives especially, members tend to have been regarded as customers and consumers. In recent years, however, the member concept is more in focus again.

- More co-operative organizations have started to push for export and for production in other countries. Often such activities have been given a profit-oriented aim, and are organized as stock companies. On the other hand, the more international collaborative forms of economic activity seem to have lagged behind, even if such tendencies can now be seen within the European Common Market.
- Visionary aspects of co-operative development have been tuned down as have activities for ideological education, consciousness-raising and research. Co-operative organizations have chosen to become silent institutions within the societies in which they operate.

2.3.1. General impressions

The general impression is one of a move away from co-operative organizations as people's movements towards co-operative organizations as companies and enterprises, although still mostly owned by smaller or larger groups of people and still with more or less democratic management. Taken by themselves, the applied structures, the "inherited" structures of past decades, tend to make the co-operative process of development more ready to produce values other than the traditional ones. The overall orientation is clear: co-operative organizations are moving much closer to capital-associative systems and a little closer to the general interest organizations (the "Gemeinwirtschaft" well-known in Germany).

These tendencies are to be found in the established consumer co-operative as well as in the agricultural co-operative organizations. But the situation is still different in basic aspects. In the agricultural co-operatives the members are more dependent on their co-operative societies for their living and they are thus closer to their organizations. The agricultural co-operatives have also often been entrusted by governments to carry out farming, processing of food and distribution in the most efficient way. As a consequence, their operating conditions have been influenced by the state. They have carried out their activities within a more or less regulated

part of the economy, which has made it possible to use integrated planning methods to quite an extent and to obtain dominant market positions.

However, in many countries this state-regulated policy seems to be changing as a consequence of the on-going trends towards internationalization and towards increased market orientation of economies and of economic policies. Agricultural co-operatives have already experienced some international competition, but such experiences will probably become even harder during the 90's, necessitating the reorganization of structures.

2.3.2. Overall tendencies

It is, however, not only co-operative organizations which have adapted to cope with the changing environment. In a broader perspective, we can observe that other types of association have demonstrated similar tendencies. Public bodies are more oriented to the principles of capital associations in many ways, this is a clear-cut observation. But capital associations are also changing, among other things they tend to move closer to co-operative systems. Since the late 1980's discussions about moral values have become usual among these associations, and many of them are searching for some kind of basic ethics as a supplement to their traditional values. We have also seen that many of them have applied various forms of member-oriented methods to align themselves more closely with their customers, for instance members' clubs. Furthermore, there are abundant examples of various schemes for employee participation and profit-sharing.

So, there is a general tendency for businesses - especially the large enterprises - to move closer to each other. The overall orientation, however, seems to be towards the capital associative system.

Sometimes I have met the attitude among co-operators and outside observers, that co-operative organizations should be "different". This is partly true. But to be different can never be considered as an end in itself.

If co-operative organizations manage to keep to their values and principles they will become different in a society dominated by capital associations.

2.4. Signs of co-operative revitalization

Toward the end of the 80's and the beginning of the 90's I have the general impression that such parts of the world co-operative sector are starting to recover from the shock of the radical changes to their environments. New programmes of action are signs of this.

We cannot ignore the fact, however, that recent changes have influenced our starting points for the future. Most parts of the process of development (see introduction) have been influenced as will the final outcome of the process for many years ahead. The most alarming tendencies in the long-run are the weakening member basis. This implies that co-operative organizations lose one of their basic economic advantages: the comparatively low "costs of transformation", to speak as an economist, in communication with the members. Members need more economic persuasion than before, becoming almost like "normal" customers or clients. This weakens the power for market penetration and consumer co-operative organizations especially have started to change from active and influential agents in the markets, as in the 1950's, 1960's and early 1970's, to play a more "normal" part in the market economy. It will take a long time to "repair" these problems, if member confidence has disappeared (see chapter IV).

3. Co-operative contributions in developing countries

Co-operative activities have long been present in those parts of the world which we call the developing countries. Co-operation was found, and still is, a natural part of the people's culture, a natural way of working together in rural and village areas. Co-operation also appeared during the colonial period, as models with values and experiences taken from the Western European countries³.

“Even allowing for the fact that some portion of the reality reflected by these official statistics is inoperative or ineffective, one must remain impressed that cooperative systems in the developing world now represent a growing and diffuse network of local organizations linked together by a common commitment to collective action through cooperatives. This widespread distribution of cooperatives in developing countries suggests that such organizations now represent a potential new supplementary channel for food aid used (1) as a resource for development and (2) as an in-place, local institutional structure which can be utilized as part of the apparatus for response to emergencies and disasters. It would be fair to say that the co-operative network in most developing countries is matched today only by such structures as the schools and churches.”

Jack Shaffer, COPAC, 1988

3.1. Co-operation as a mobilizing power

One of the most exciting prospects for co-operative development about 30-40 years ago was the fact that many new states, particularly in Africa and Asia, chose co-operative solutions as essential parts of their plans for social and economic development. Co-operative organizations from the colonial periods were supplemented with, and partly replaced by new and more comprehensive forms of co-operative activities, often within long-term state support. The co-operative way was regarded as highly relevant in its potential capacity to mobilize people, to encourage participation and to tie in with the traditional mutual self-help cultures. Co-operation was in harmony with the values which G. Myrdal in his well-known “Asian Drama” has expressed as the ideals of modernity of the Third World. (Among others: Rationality, Planned development, Increased productivity, Social and economic equity, Democracy, “Grass-root” self-reliance). People had great hopes for, and expectations of, co-operative solutions: in many cases expressed in comprehensive visions as, for instance, by the great leaders J. Nehru in India and J. Nyerere in Tanzania. The co-operative way was looked upon as a people’s development power and as “a third way” between capitalism and communist socialism.

3.2. Mixed experiences

Comprehensive critical examinations and debates demonstrate that the experience to date is somewhat mixed. In some parts the successes are evident, as for individual co-operatives and co-operative projects in most of the Third World countries. But at the same time one cannot hide the fact that the experience has also been characterized by disappointing progress, particularly when compared with previous expectations.

The explanations for this slow development have their roots in the general situation of the national economies of many Third World countries. The growth of these have, as said, been relatively slow and the situation has even become worse in absolute terms during the 80's . Most of the countries of the Third World have also, especially within the poorest parts, been plagued by frequent catastrophes, political conflicts and instabilities, and by disease. The state is often weak (see G. Myrdal's concept of "the soft state"), having little legitimacy in the local community and a lack of power to carry out the necessary infrastructural measures to, among other things, establish the conditions for co-operative development.

The problems, however, also seem to come from the strategy used for co-operative development and above all from political interference with the internal affairs of the co-operatives. Governments, political parties and ideologists have led people to have unrealistic expectations of co-operatives. Long-term visions have been confused with short-term realities: co-operatives being expected not only to mobilize people but also to penetrate and improve established institutions and power structures (religious, political, social, etc.). Furthermore, co-operatives were expected to be able to solve the problems of the very poor.

It goes without saying that these are impossible expectations of co-operative development, at least in the short-term and at current operational

levels. Visions and ideas are important, but if these are too far from reality, and if these are used for aims other than to encourage co-operatives, they will become sources of disappointment instead of inspiration. And so, co-operatives will get an undeserved bad reputation as an instrument of development.

3.3. The role of the government

Whilst expectations have been developed from the macro perspectives, co-operative development frequently lacks the basic preconditions for developing them. Co-operatives have often been initiated from above, by state bodies and local authorities. They also have been given strong support from governments, financially and technically. This was vital in the introductory stages, particularly as the basic infra-structure was lacking. The plan was that this support could be withdrawn once the co-operatives were able to stand on their own feet and began to realize their full potential.

“The original philosophy underlying the concept of state-sponsored co-operatives, namely to allow co-operators to learn by making their own mistakes, was gradually abandoned and instead the policy “to prevent is better than to cure” was applied, covering co-operatives with a net of interventionist owners of inspection, inquiries, approvals required for almost every decision, secondment of staff and direct interference with the day-to-day management, administered by an ever increasing, costly but largely inefficient development bureaucracy.”

H. Münkner, 1991, p. 2

This transformation seems not to have occurred in many cases. Instead, co-operatives have been fossilized as instruments of the government, especially in countries with planned economies. They are closely controlled by state departments, authorities and registrars. The necessary degree of autonomy has not been realized, neither has the potential for

economic efficiency, member participation and people's involvement. With the warning of J. Nehru one might say that the government in some cases seems to have embraced the co-operatives to death. These have lost their viability, stiffened into bureaucratic structures, applied bad management and got the reputation of being economically inefficient. Co-operatives have become territories for political careerists and personal privileges. And they are perceived as part of the state.

3.4. Step-by-step strategies

The need for co-operative approaches to development issues has never been questioned. On the contrary, most of those concerned - including critical researchers such as Münkner - stress that co-operatives are good instruments for development if they have the proper preconditions and are subject only to realistic expectations. Co-operative development needs a reevaluation of its strategies and models.

"In virtually all developing countries, the relationship between co-operatives and governments is of key importance for the success of the co-operative movement. Not only support, but the right kind of support is required. Increasingly, co-operative and government leaders alike are recognizing that previous forms of collaboration may not have been the most appropriate if the independence and self-reliance of the co-operative movement are to be fully respected.-- There is no doubt that in Africa co-operatives have proved to be vehicles for development. Faced with problems of drought, co-operatives have established infrastructures for crop purchasing and farm requisite distribution. Members of credit unions have been known to obtain loans with which to replenish stocks looted in violent change of regimes. To be more effective, co-operatives need to develop strong structures at primary, secondary and tertiary levels. Co-operatives and governments will have to go for collaboration rather than confrontation, because both governments and co-operatives realize that co-operatives will make their greatest contribution to development only if they are allowed to function as real co-ops."

V. M. Lubasi, ICA Moshi, Development Forum 1991

There is agreement on the need for government support in the introductory stages of development, especially in establishing a proper infrastructure and legitimacy for the co-operative form. At the same time, there is a need for a degree of autonomy, so that the co-operative organization can gradually become self-reliant and responsible in its activities. Then, the co-operative might also be able to develop its potential to benefit for the community at large. This is, and has to be, a slow process of development. However, it will turn out to be a viable process of development with good results for, and influences on, the poorest parts of the population.

Critical examination is progressing. Grand expectations are made more realistic at the operational levels and the process of development seems to have become more concentrated on concrete objectives and values within a "step-by-step" strategy. I have also understood that many experiments are going on with alternative strategies, built on the basis of participation and mutual self-help, within which efficiency in meeting concrete member needs and professional co-operative management have been given high priorities.

"In spite of the many difficulties still facing co-operatives in the developing countries, it is now almost possible to speak of a breath of fresh air that is invigorating the movement. The need for structural change has clearly been recognized by the major development agencies, not only the co-operative development organizations which could be expected to be better aware of the preconditions for co-operative success. National movements are responding enthusiastically to the opportunity to develop national strategies and to participate in national policy development. The ICA and its funding partners have pledged their full support to these efforts, and have created a number of structures to promote such collaboration....."

Experiences around the world demonstrate an undeniable link between democratic pluralism and co-operative success. It may well be that co-operatives in Africa will have to await large-scale changes in their own countries before they are in a position to benefit fully from the new collaborative approaches which are characterizing co-operative development in other parts of the world."

Bruce Thordarson, 1991 (Plunkett Foundation Yearbook)

So, for instance, with the assistance of the ILO co-operative department and various co-operative consultant groups: also, of course, through the ICA and its regional offices, which for some years have organized conferences and seminars with the governments of Third World countries in order to create a deeper understanding of the conditions for co-operative development. The outcome of these is encouraging.

For the whole world co-operative movement this point of departure for the future turns into a challenge of solidarity with the co-operative future of the poor part of the world. There is a need for continued direct support in financial and technical terms as well as for indirect support by promotion of trade. It can be repeated again: these parts of the world offer the great potential for future contributions through the co-operative way.

4. Co-operatives in planned economies

At the time of writing (autumn 1991) it seems as though the state-planned economies are becoming a smaller part of the world economy. Transition to some kind of market economy seems to be the future environment for co-operative organizations in the former USSR and Eastern and Central Europe. Other countries with state-planned economies, among those some of the young states in Africa, will probably embark upon a similar process, as will the co-operatives within those countries. There are evident signs of this already⁴.

As many have stressed, inside and outside the co-operative organizations, such a transition must be a long-term process. The transfer to a market economy demands radical changes in economic thinking, legislation, organization, education and training. There is also a need for basic institutional changes, such as people's habits and attitudes, and existing infra-structures. To co-operative organizations this certainly implies adaptations of their basic identity. This process will take place over many generations.

4.1. Rapid transformations

From what can be observed to date, however, it seems that such transformation is forced upon the co-operative organizations in too rapid a tempo. This is evident in Poland and Hungary, above all in the old East Germany. The co-operative organizations have experienced dramatic conflicts between their traditional organizational cultures and those of the market economy. The “clashes” between systems discussed above are modest compared with these. Suddenly, the co-operative organizations of the former East Germany have been faced with views on “productivity”, “employment”, “efficiency”, “models of distribution” etc, which are in sharp contrast with those of the state planned economy. Consequently, this situation has resulted in demands to close down shops and factories, to dismiss employees and to replace the state with new partners in production, wholesaling and distribution. Such changes are radical and tough for the co-operative organizations, as for the people who are engaged in them as employees and members.

“The Hungarian co-operative movement looks back on nearly one-and-a-half centuries of history, and has rich traditions. However, it is frequently considered and judged on the basis of its bad experiences and practices during the recent period of our history. But today’s co-operatives - and this is also said in our Constitution - are voluntary associations, supported by the state, which possess independence and have their own support organizations and the right to be represented. I personally know co-operatives well - especially the agricultural ones - since I worked in this area for years as an agricultural engineer. I know perfectly well what was wrong with them, what we have to get rid of. At the same time, good traditions should be maintained. ..The new law on co-operatives, which is waiting for parliamentary approval, will not only help to arrange relations in ownership but will certainly contribute to the rebirth of co-operatives based on real self-government. Having established their legal framework, the co-operatives will be in a position to prove their abilities and efficiency in the different spheres of our economy, and in a spirit of equality of opportunity.”

A. Göncz, President of Hungary, International Co-operative Day 1991

Similar thorough-going adaptations have also occurred in Poland, where the larger parts of the established national co-operative organizations have been dissolved and co-operative development has had to more or less start from the beginning again. From these introductory stages of transformation we can also observe that the old collaborative relations between co-operative organizations, especially between those in Western and Eastern Europe, seem insufficient for this rapid process of change. One sign of this is the fact that co-operative organizations in Eastern Europe have found themselves compelled to collaborate with private capitalist associations in the West (in joint ownership, production, distribution and development). Of course, such tendencies are dangerous for the co-operative way. On the other hand: what are the alternatives?

4.2. Some impressions and considerations

I have decided, on good advice, not to discuss the on-going process of transformation, because the process is so rapid that such discussions would quickly become out of date. I also know that these issues will be dealt with within the ICA. Nevertheless, as I am deeply interested in what is happening in this part of the world, I cannot avoid reflecting on what I have seen, heard and read.

It is obvious in these first stages of the process of transition that the swing of the pendulum has oscillated strongly towards “privatization” and “market economy”; great expectations are attached to the benefits of such changes. In this context it might be appropriate to warn against overoptimism because to quite an extent the co-operative organization has historically been the “answer” to the bad effects of private enterprise and the market economy. Co-operatives have emerged, and still emerge, as organizations to protect farmers, consumers, workers, savers, etc against the exploitation found in such systems to achieve a fairer distribution of benefits. The examples of this are many.

I do think that our co-operative friends in the former planned economies must keep this in mind when privatization and market economy are the messages of the day. Private capital associations are historically well-acknowledged for their ability to mobilize resources: capital, innovations and “know-how”. But they are also well acknowledged for their exploitation of resources for the benefit of the owners (often few) of the enterprises. There is no reason to expect anything else in this on-going transformation: why else would private business wish to participate in it? So, there is a crucial role for co-operative organizations to play in such periods of transition. On the one hand they should develop themselves as effective alternatives to the market economy in increasing productivity, above all in meeting people’s needs. On the other hand, they must demonstrate their advantages when it comes to the distribution of the benefits from such improved productivity. As I see it, this is one of the greatest challenges for the co-operative way for the time being.

In this context, my impression is that our discussions are for the time being very much concentrated on the supply side of the economy. They are about how to improve the efficiency of agricultural co-operatives and producer co-operatives. These are certainly important issues and co-operative organizations have important contributions to make in these aspects, especially in the introductory stages of the transition, when the need to improve productivity is the main focus. But the consumer perspective must not be forgotten. It would certainly be a mistake to leave this to “the market” and to trust the “market mechanisms”. The markets are still very imperfect; there is a need for many institutional changes and supplements. As I have understood it there is, for instance, an urgent need to improve the distribution system from wholesalers to shops in order to match production and consumption. There are serious bottlenecks in these areas.

To approach such pressing needs is the task of consumer co-operatives, above all, nationally and regionally, and for closer collaboration between them and the producer co-operatives. In experience, the benefits of improved productivity all too often fail to reach consumers but fill the pockets of various middlemen, especially as long as the markets are far from the theoretical ideals (in other words, for some decades). So, it is

necessary to improve distribution facilities in order to guarantee a fair-share of the benefits to the majority of the population. It would be an illusion to believe that the market economy is able to guarantee this.

Finally, I do think that it is a mistake to mix the concepts of privatisation and co-operation too much. The co-operative way might be considered as private enterprise in comparison with state-owned organizations, but it can never be considered to be the same as the private capital-associative way. The co-operative economy has its special characteristics, which are different from both the public economy and the private capitalist economy.

4.3. A challenging melting pot

The on-going process of transformation is rapid and impossible to forecast. It is nevertheless one of the most crucial aspects of the world co-operative sector today when we are considering contributions to future values. There are many challenging prospects, especially in demonstrating the co-operative way as an alternative to both the public and the private capitalist economy. For the time being, private enterprise seems to be eager to invade the new market with investments. It is, however, a crucial concern for the whole world co-operative sector that committed co-operators of the former USSR and Eastern and Central Europe should succeed in their hard work of transforming the co-operative way according to the new conditions. It should be a basic priority in the global co-operative perspective to support and assist in building up viable organizations and in demonstrating the relevance of the co-operative way in this part of the world, which has urgent needs of Co-operation and long co-operative traditions.

Since we have no experiences of this kind of transformation it is also necessary to exchange knowledge and to encourage research. This ought to be a task for the ICA in the years to come.

5. The situation before the 90's

The process of development during the past 2-3 decades has brought the co-operative organizations a mixture of preconditions for the remainder of the 90's. There are remains from the past, as well as heralds for the future. There are good and bad experiences, successes and failures. In this chapter I have focused on main problematic tendencies in relation to what we have usually considered as basic co-operative values.

Then, we have seen that many of the established co-operative organizations in European industrialized market economies have experienced problematic adaptations to unusually difficult and far-reaching changes in their environments. There has been nothing less than a clash between basic aspects of the co-operative system and the changes within its environment, which has necessitated a pragmatic approach to basic aspects of the co-operative way.

Turning to the co-operative organizations of the developing countries: experience, with some exceptions, demonstrates a relatively slow development. The problematic aspects are mostly connected to general economic, social and political difficulties in the overall development situation. There are also, however, problematic aspects connected to co-operative practice. This is especially true when it comes to issues of how to achieve and maintain a proper degree of autonomy for the co-operative way, and consequently to issues of how to achieve the conditions to realize such values as member participation, economic efficiency and human resource mobilization. This makes the relations with governments and state authorities crucial for the future.

Finally, co-operative organizations in planned economies are faced with (as it seems for the time being) the crucial task of more-or-less creating a new co-operative identity.

The experience of recent decades has also demonstrated some critical aspects of co-operative development in realizing such values:

- 1) application for capital formation
- 2) transformation to stock companies
- 3) democratic management
- 4) approaches to the concept of efficiency
- 5) proper relations with governments
- 6) co-operative collaboration, especially internationally
- 7) methods to encourage participation, involvement and mobilization.

These are valid for all types of co-operative development, more or less. I will further examine most of these in chapters IV, V and VI, before drawing some conclusions.

6. New co-operatives

Before finishing my examination of the problems encountered in recent decades I will again strongly emphasise that there are good and encouraging aspects as well. But we are discussing the values and the principles because of the problems, and that is why I have to focus on them.

Among the good developments of recent decades are the new lines of co-operative development, and it would be misleading to omit these in a discussion of starting points for the future. In the 70's and the early 80's these new co-operatives were looked upon as nothing more than temporary expressions of the special problems of the 70's and of the ideological interest in alternative forms of activities. Today we can state that these new co-operatives were not temporary: they constitute a growing trend. The statistical information is poor, since most of the new co-operatives are outside the established co-operative movement and are not members of the ICA. From various sources, however, it is possible to get some idea of their performance²:

- 1) These new co-operatives have emerged in most parts of the world: in highly industrialized countries, the Third World, the former USSR and Eastern Europe. As far as can be seen, this is a growing development.
- 2) They have been established in many forms, often as quite informal pre-co-operative organizations of self-help character, and for many different kinds of needs. There are co-operatives to solve concrete and practical problems; these are common in Third World countries. There are co-operatives to create employment or better working conditions, partly established in collaboration with local authorities in, for instance, Spain, Portugal, Italy and England. There are various forms of co-operative created by and for women, young people, disabled people, etc. Co-operatives have also been formed for special aims, for instance to promote healthy food, products which do not use non-renewable resources, organic cultivation, local self-reliance, etc. Many forms of co-operative have been established in new service areas, often by quite highly-educated people such as architects, data technicians, consultants, etc. There are co-operatives to meet social needs, for instance day care, care of the elderly, preventative medical care, support for those dependent on drugs and alcohol, etc, and there are cultural co-operatives of various kinds, for instance film producers, theatres, orchestras, etc.
- 3) As a contemporary and simultaneous phenomenon they can be said to constitute a co-operative movement, even if contact between them seems to be undeveloped and very informal: mostly networks of various kinds. The contacts with established co-operative organizations seem to be few.

It is high time for the established co-operative organizations to take this new trend of co-operative development seriously. It is a sign of the fact that co-operative ideas are living and that many people are choosing these as guidelines to organize activities for their common needs, as a reaction to the shortcomings of the existing institutional structures of society or as

a conscious development of alternative forms of organization. However, they can also be seen as a criticism of the established co-operative organizations; we cannot shut our eyes to that. Anyway, these new co-operatives can be looked upon as pioneering organizations similar to the early co-operatives of the last century.

"Les valeurs coopératives sont ainsi à la fois les conceptions générales, caractérisant pour les coopérateurs ce qui est bien et juste dans l'ordre de l'organisation de la société et de l'entreprise, et "tout ce qui vaut la peine", qui les pousse à agir, qui entraîne et justifie leurs efforts, et d'où découlent les règles générales de leur société. Par rapport au système capitaliste, on peut proposer une première liste:

- * prééminence de la personne humaine, et non priorité au profit*
- * définité du travail, et non rôle dominant du capital*
- * démocratie, et non système monarchique ou technocratique*
- * initiative et responsabilité, et non dépendance et subordination*
- * entr'aide et solidarité, et non individualisme ou égoïsme*
- * pérennité de l'entreprise, et non droit absolu de propriété sur celle-ci."*

Y. Régis, President of ICA CICOPA, 1990 (from preliminary paper)

To try to collaborate more closely is probably not wise. Instead, it is important to try to establish a climate of mutual understanding. For the older and established co-operative organizations this means that it is important to understand these new co-operatives in order to at least give moral, ideological and infrastructural support. Among other things, I do think that it is necessary to use more flexible attitudes when it comes to the question of the "true" co-operative form of activity. Most of all, we should not turn our backs on them and even work against them. The French concept of "économie sociale" constitutes an interesting approach to such issues and might be used as a point of departure in broader contexts.

There are problems among these new co-operatives, I do not want to romanticise them. But, among these new co-operatives there are surely heralds for the future. There is also something to learn from them for the older co-operative organizations; because all co-operative organizations

which want to keep their character as movements must allow young people the opportunity to become pioneers. To some extent the new co-operatives are expressions of this.

Appendix A:

Special recommendations

- 1) There is a need for some kind of body which could contribute to supporting the co-operative organizations in developing countries in their relations with states. Such work is an on-going task of the ICA Regional Offices, but might be strengthened by a special ICA body with participants from the developing countries and the Regional Offices, which had a group (or network) of experts, some of whom might be members of the committee, at its disposal. The aim should be to follow the issues of relations with states, to carry out special investigations on request and to collect and to evaluate experiences.
- 2) There is also an urgent need to collect and analyze data about the on-going transformation process in planned economies. This will go on many years ahead, and in more countries. The preconditions are different, but there are also some similarities. Perhaps this might be organized as a special programme, or as a special “institute”, established by the ICA (and perhaps some others). The character of this body, whatever its form, should be research oriented.
- 3) There is a need to make a study of the various ways in which established co-operative organizations may be revitalized. To some extent, this is a task for co-operative research, but it is mainly a matter of identifying and testing new ideas. An exchange of experience is going on, of course; the need, however, is for an on-going, comprehensive view of the good examples. The ICA is the natural co-ordinator.

- 4) Relations with new co-operatives need to be discussed in more detail. It is an on-going work of CICOPA and there is no need to make any other arrangement. The issues, however, ought to be presented as part of larger ICA contexts in order to give a basis for some overall policy recommendations.
- 5) The lack of overall statistics is problematic and alarming, especially as regards basic economic data such as output (turnover), employment and capital even for the ICA members. This makes it difficult to compare development over a period of time or to compare different parts of the economy. I strongly recommend the ICA and its member organizations to improve their statistics, at least in such a way that it is possible to make some modest overall analysis of the development of the world co-operative sector.

Appendix B:

Some indicators of overall co-operative development

As we have seen at the beginning of chapter I, the overall co-operative development is one of expansion (measured as number of members). Within this, there are many changing trends during the last 3 - 4 decades and I will briefly indicate these in this appendix, whilst bearing in mind the shortcomings or the weaknesses of the statistics.

1. Geographical penetration

European dominance remained until the beginning of the 1960's. Then, the geographical pattern started to change and this has continued throughout the 1970's and the 1980's. More members of the ICA have come from other continents, as new states are established and often use the co-operative way as a part of their plans for social/economic development. This is evident from the statistics for Asia and the expansion of credit co-operatives in this area. When we also include the Chinese co-operative sector in the statistics, mostly classified as multipurpose co-operatives,

this Asian dominance will become even more accentuated than in the table below. The Chinese co-operative organizations joined the ICA in the 1980's. In order to get a comparative picture they are not included.

Continents	1935	1960	1970	1986
Europe	89	54	46	28
Asia	10	32	36	56
Africa	0	0	0.6	2
America	1	13	17	12
Oceania	0	0	0.5	0,5

Source: Ahnlund 1990, ICA Statistics

2. Types of Co-operative

Traditionally, the general consumer co-operative has dominated ICA membership; as recently as the 1930's almost 85-90 % of the members belonged to these co-operatives. Of course this reflects weaknesses in the statistics, since many agricultural co-operatives were outside the ICA, as were various kinds of industrial and workers co-operatives. Anyway, the statistics indicate the true situation of 50 - 60 years ago.

This pattern started to change in the 1950's. More agricultural co-operative organizations joined the ICA and were established in more countries. The consumer co-operatives became diversified, and housing and insurance co-operatives started to gain ground. The credit co-operatives began their expansion. These tendencies became more clearly established as we moved closer to the present time. Consumer co-operative organizations now constitute a decreasing part (in relative terms) of the world co-operative sector, while credit co-operatives have become the largest part.

Table 4: Types of co-operative (% of ICA membership)
Sector: Individual members Societies

Agricultural	10.4	33.9
Consumer	21.2	7.0
Credit unions	29.5	27.6
Fisheries	0.5	2.4
Housing	2.4	11.2
Industrial	0.5	5.4
Insurance	6.8	1.9
Multipurpose	23.2	7.9
Other	5.6	3.3

Source: Co-operative Credit Union, Directory and Reference, 1990

I will not try to make any explanations, but I will again stress that this pattern is measured in terms of membership. It would surely be different if we characterized it in terms of economic figures. Then, we would see that the consumer co-operative organizations and agricultural co-operative organizations - even if these are decreasing in terms of members - still account for the majority of the ICA membership and of the world co-operative sector.

3. Co-operative development in various contexts

The pattern of the co-operative sector is of course different in different parts of the world, depending on their initial stages of development. Using the rough U.N. classification (as in Ahnlund, 1990) we can observe the following:

- * Least developed countries. Few countries of this type have co-operative organizations which are members of the ICA. We must, therefore, be aware of the weakness of the statistics. The dominant types of co-operative are various types of primary agricultural co-operative and partly credit co-operatives connected to the former.

There might be various types of pre-co-operative as well, and more or less informal work groups belonging to the old culture.

- * Developing countries. About 25% of the countries have co-operative organizations which belong to the ICA. The largest section seems to be the credit co-operatives, followed by agricultural co-operatives and, to an increasing extent, consumer co-operatives. There are also fishery co-operatives and workers' co-operatives, and to some extent also housing co-operatives. These countries also have various kinds of pre-co-operative.
- * Newly industrialized countries. Among those are the rapidly growing countries of South East Asia. ICA membership is quite high and co-operative organizations have been expanding since the 70's. Agricultural, credit, consumer and multipurpose co-operatives are the dominating types.
- * Industrialized countries with market economy. Most countries have co-operative organizations which belong to the ICA. Here, consumer co-operatives predominate, closely followed by agricultural and insurance co-operatives. Credit co-operatives and housing co-operatives are increasing, but still constitute relatively small parts of the total co-operative sector in those countries. There are also other types of co-operative; the co-operative pattern is more diversified.
- * Countries with planned economies. Changes are rapid in most of these countries, and most of the co-operative organizations are members of the ICA. These countries have a long co-operative history with many kinds of co-operative. The dominant types of co-operative are consumer and agricultural co-operatives, but there are also workers', housing and credit co-operatives.
- * Highly industrialized countries. All these countries have co-operative organizations with membership of the ICA; these are the old basis of the ICA. In these countries general consumer co-operative organizations have been the dominant part, together with the agri-

cultural co-operatives, but these have decreased in both relative and absolute size in terms of members. Today credit unions account for the largest part, especially through the rapid growth in the USA, Canada and France. Housing co-operatives have expanded, as have insurance co-operatives. Workers' co-operatives are not included in the ICA statistics, but other sources indicate that these are becoming more numerous.

4. A more diversified world co-operative sector

Again, I will emphasize the weaknesses of the statistics and the fact that these are based on number of members. They can only be used in an overall way as indicators. The most obvious tendencies and trends indicate that:

- Co-operative organizations have spread to more parts of the world. Most of this development has happened during the last 3 decades.
- The largest part of the world co-operative sector (measured in terms of membership) is no longer in Europe.
- The traditional types of the co-operative, the consumer and agricultural co-operative organizations, are not as dominant as before. More of the other types of co-operative have been established.
- The credit co-operatives form the most rapidly growing type of co-operative of recent decades.

So, the world co-operative sector has become more diversified, as has the membership of the ICA during recent decades. Among other things, this makes the issue of universality crucial when it comes to the values, and especially to the Principles.

Notes

- 1) I have noticed that there are few overall empirical analyses of long-term development trends. In particular, there are few studies with a comparative approach. So, I have collected information from a variety of written and unwritten sources and used it to form some overall judgments together with my own experiences of the last 20 years, participation in seminars, conferences etc, from lectures and discussions, and from reading periodicals and yearbooks.
- 2) For consumer co-operatives, the main sources have been the large study by Brazda and Shediwy (1989), a very fruitful contribution, and the analytical approach to these issues by Ilmonen (1986, among others). For agricultural co-operatives I have, to quite an extent, relied on articles in the Plunkett Foundation Year Books and on the various reports of the Nordic research programme about the future adaptation of Nordic agricultural co-operatives (see Bager, 1988 for a survey). I have also been able to follow these issues quite closely since the late 60's in various ways, among others within the ICA Research Working Party.
- 3) I have mainly based this part of the chapter on various ICA documents, COPAC (1988), Plunkett Foundation Year Book 1991 (part III), Verhagen (1984) and the articles in Helund (1988). There are many reports and articles by researchers in this area: most of them have the same type of (critical) conclusions.
- 4) This part of the chapter is mainly based on unwritten material: discussions, seminars and conferences.
- 5) Mainly CICOPA (1988) for a survey.

IV. DEMOCRACY, PARTICIPATION AND MOBILIZATION

The essence of Co-operation

“With an enlightened and active membership we can face the future with confidence; this will enable us to bring about, through a gradual development of the co-operative movement, an economic democratization of the community and to make our contribution to the work towards a higher economic and cultural standard for the entire population.

If member interest wanes, if the members' ability to take initiatives and their capacity for self-help within our organizations disappear, then we will be in eminent danger of losing our character of Popular Movement. That would mean an erosion of the very foundation upon all our activities are built. In that case, the co-operative movement would perhaps be an efficient business organization, a type of enterprise among others, but no longer a self-help movement, an applied economic democracy in vital areas of commerce and industry. It would no longer be an instrument “of the people - for the people - through the people”.

Mauritz Bonow, 1951

As seen from the previous, and as witnessed in many other contexts, large parts of the world co-operative sector have experienced increasing difficulties in the effective application of democracy, member participation and mobilization. This is all the more serious since these have always been considered as the traditional core values of Co-operation: equality, equity and mutual self-help. The importance of these was also recently confirmed by a unanimous ICA Congress in Stockholm, 1988.

So, it is desirable to consider the reasons for these difficulties in more detail, to look for possible solutions and to emphasize the good experi-

ences. I take as my point of departure the traditional co-operative view of democracy as both ends and means, which basically implies that

- (i) the individual members are the heart of the movement and are expected to participate in all the essential activities of their co-operative society, directly or indirectly and that
- (ii) the co-operative organizations as a whole are expected to participate in the social, economic and cultural formation of society at large.

Together these express the combined individual and collective character of co-operative participation and democracy. The first are mostly concerning the relation between the individual members and their society, the second more about collective relations with society in general. By mobilization, I understand the process by which existing and potential members become involved in co-operative development and transform their individual resources and wills into collective action for their own benefit and for a better society.

In this chapter I will concentrate on the democratic issues as such, reserving most of the discussions of other values to chapter VI¹.

1. From today's horizons

Since the conditions for democracy are formed in the long-term perspectives of development we again have to look back in order to consider the future. We can then clearly observe that the difficulties applying an effective democracy started to emerge quite early. Almost all the ICA congresses and central committees had various issues of democracy on the agenda during these decades, mostly initiated by experiences in connection with adaptations to changing environments. In the 1960's and the

early 1970's much discussion was related to the increasing size of the co-operatives, economies of scale, automatization, on-going urbanization and the rapid internationalization of trade and production.

The discussions produced recommendations for active adaptation as the best way to protect the social and economic interests of the members. The co-operative movement should decide to play an influential role in the world economy, and such a role demands radical adaptations of co-operative structures in order to be a step in advance of competitors. At the same time, the concern for democracy was much emphasized: co-operative organizations were reminded to seriously "apply the fundamental principle of democratic control by providing the maximum opportunities for the active participation of the members" (ICA Congress resolution, 1960. Almost the same in 1963).

1.1. Emerging difficulties

The co-operative organizations also experienced a successful period, both economically and democratically. However, conflict arose between ambitions for economic penetration from overall perspectives and those for maintaining and improving democratic participation within the co-operative structures, and in the Hamburg congress 1968 it was possible to see which would be the loser. The co-operative organizations reported increasing difficulties in retaining the full vigour of their democratic base. The sweeping changes in co-operative structures have all been designed to enhance trading efficiency to enable them to stand up to the severe challenges from competitors involving, among others things: concentration of resources, larger and more integrated operational units, centralization of services and federative power, and growing numbers of professional managers.

"But this process of centralization also implies a transfer of authority from primary societies to apex organizations. Increasingly decision-making is entrusted to an experienced and professional managerial élite at the centre of the movement. This means that in many cases societies surrender part of their authority in connection with such basic issues as assortment, financing, personnel, information, pricing and services. This loss of sovereignty is none the less real for the fact that it is usually given up voluntarily in the interest of greater efficiency for the movement. Obligations once assumed are binding, and responsibility is permanently delegated to the centre.

The major effect, in the context of democracy, is to widen the gap between members and management; to remove decision-making from the local base which had long been considered the foundation of democratic control. The emasculation of democracy can and does manifest itself in diverse ways: in member apathy, low attendance at meetings, weakening of traditional co-operative loyalty, inability to attract young people, difficulties in recruiting staff, loss of the sense of belonging and of exerting influence, encroaching bureaucracy and rigidity, even sometimes in a blurring of the end purpose of co-operation, namely to serve the interests of the members."

ICA Congress 1968, p. 169

The problems were mainly identified in relation to the above-mentioned aspect (i) of democracy. Member organizations reported that they were worried about these tendencies and had made great efforts to counter them. But, obviously, these have not been enough to keep pace with the demands for economic efficiency. During the late 70's and the 80's, when the overall economy started to become more unstable, large parts of the co-operative sector were forced to concentrate their resources even more for economic effectiveness: increasingly with reactive aims. The signs of weakening democracy visible in the late 1960's, became permanent structural trends; and this also made the collective and penetrating aspects of democracy problematic².

1.2. A radically changed structure

Today, we can see very clearly that the process of development over recent decades has carried forward a radically changed structure of co-operative organizations since we last examined the ICA Co-operative Principles. Borrowing the idea of the old classification from E. Dülfer (1969, and 1985), we can roughly distinguish between three types of co-operative organization, which presently constitute our point of departure:

- (1) Traditional co-operatives, more or less in accordance with the original prototypes of Rochdale, Raiffeisen, Schultze-Delitzsch and Buchez.
- (2) Larger market-oriented co-operatives in which the members still indicate guidelines for the activities (for instance, in programmes and policy resolutions), but in which the management (professional and elected) makes most of the decisions about how these guidelines should be carried out. Usually management relies on the market in these decisions.
- (3) Larger horizontally and vertically integrated co-operatives, in which the members have handed over most of the short- and long-term decision-making to the (increasingly professional) management; the managers interpret the interests of the members, mostly with reference to the market.

1.2.1. Large and integrated structures

The significant feature of the structural changes is the growth of types (2) and (3). Among those, we also find an increasing number of co-operative organizations at secondary and tertiary levels, which reflect a far-reaching functional specialization and distribution of responsibility between primary and secondary/tertiary levels. The unions have become larger during this period and are undertaking more of the common functions of the

primary societies, which have increasingly been transformed into joint stock type companies. This radical change is, above all, true for co-operative organizations in industrialized countries, but is also seen as a tendency for the older and established co-operatives in developing countries.

"The beginnings of co-operative activities were promoted by the idea of creating a joint business enterprise for the improvement of the economic conditions of the members: obtain, by self-help, economic benefits which could be equitably divided. The same ideological principles are still valid today - only the methods to reach these goals have been modified and must continue to change in order to take account of social and technological process."

Konsum Osterreich, Presentation, 1989

So, when discussing democratic values for the future, we are faced with a co-operative reality quite different to that which existed some decades ago. There are still small traditional co-operatives, but this is not the main picture, at least not when it comes to problems and difficulties. If we approach the issues of democracy with such co-operatives in mind, we risk being unrealistic and missing the essential issues, at least for established co-operative organizations in the industrialized countries.

This, of course, raises the question whether our traditional concept of democracy is still relevant. The Commission of 1966 on the Co-operative Principles anticipated this issue, but left it to be dealt with later. The second Principle about democracy has little to say about these new structures. I must confess that I feel a little confused about this issue and these large structural changes, but I will not discuss the traditional view until later.

1.3. Built-in conflicts

From such a view, however, it is evident that the future will inherit structures which are much characterized by built-in conflicts between democracy and economy, for instance in establishing the proper size for realizing those values. Size is definitely chosen more for economy than for democracy, at least for the participatory aspects (i) above. We have also experienced that the power to apply and to encourage democracy has been put in the hands of the management: the management has in reality both the power and the responsibility to change the situation. It would be unrealistic to expect extensive and spontaneous initiatives from the members themselves, and deeply unfair to blame their passiveness as expressions of ‘‘apathy’’ etc. The reality is more complex.

Furthermore, since this is a process which has been going on for some decades, some background problems might have emerged in connection with the changing generations in membership and management. The older generation, those who have participated in and often supported the structural changes of the 1950’s and the 1960’s, have been replaced by new members, to whom the motives behind such changes are history. Their realities are today’s structures. This might result in a weakening loyalty and solidarity, reflected in lower participation. It is the usual experience from members’ gatherings in many established co-operative organizations, that the average age of the participants is quite high.

Turning to the new generations of management, we can observe that they now frequently come from outside, and may not be very acquainted with the co-operative organizational culture. The crucial issue, of course, is their attitude to democracy: are they used to, and willing to accept, the traditional democratic view that it is necessary to meet the members ‘‘face to face’’ as much as possible in order to explain the methods - preferably before these are undertaken? Or do they look upon it as an irritation? But, of course, I must not overestimate such aspects: new members and new managers also give us a fresh view of co-operative democracy and economy, without the ‘‘burden of history’’.

In addition to this, it can be observed that communication between members and their societies has changed character in basic ways. There are evident tendencies and trends to replace direct ways of communication (meetings, debates, study groups) by indirect ways, such as one-way information, advertisement and marketing. The member-oriented publications have become fewer, and so have the deeper discussions about co-operative issues, visions and prospects.

So, taking everything into consideration it is no exaggeration to present this serious overall impression of the trend: members are becoming more outside the co-operative process, both physically and mentally. The participation aspects of democracy have mostly become a matter for the management and a decreasing elite of representatives in more formal democratic methods of decision-making, above all at the second and third levels of co-operative organization³.

1.3.1. Nuances and exceptions

But, of course, there are nuances and interesting exceptions from such overall impressions. It generally seems as if participatory democracy in traditional co-operatives has become more difficult to apply in consumer co-operative organizations than in producer co-operative organizations. This is not surprising, because the conflicts between the proper size for economy and democracy are generally more problematic to handle in consumer co-operatives. The consumer's interest is also more difficult to organize, among other things because of its general and heterogeneous character and because of the fact that there are more easily available alternatives to co-operative services. This has been demonstrated in modern economies by market competition.

"As voluntary organizations of farmers, the agricultural co-operatives were established with the spirit of mutual help. The objectives of agricultural co-operatives, as prescribed in Agricultural Co-operative Law, are focused on increasing productivity, and the enhancement of the social, as well as the economic, status of the member farmers: the ultimate aim being to contribute to the balanced development of the national economy."

National Agricultural Co-operative Federation of South Korea

The members of producer co-operatives (farmers, workers, fishermen, forest owners, etc) generally have stronger incentives to participate; they are more closely connected to their societies because their whole situation is deeply dependent on the success or failure of their organizations. They are usually more threatened as a group, for instance by various forms of government policy, and have more concrete motives to join together to protect and to defend themselves. This is, of course, also true for consumers in many parts of the world, as it was in earlier periods in the industrialized countries, but these needs have become more difficult to identify in ways that lead to conscious collective action. Producer co-operatives are also usually organized in smaller units, at least at the primary level, and members have usually invested more capital in their societies.

So, there are many nuances. There are also good experiences for the future of smooth functioning co-operative democracy. From an overall global perspective I have the impression that the Credit Union Movement especially has paid much attention to the issues of democracy, as have the Housing Co-operatives in many countries. I also have the impression that the Japanese Co-operative Movement is very close to the ideals of democratic performance, with many inspiring experiences for the future. And finally, there are many individual and concrete experiences throughout the world, which "disappear" in these overall impressions.

Despite that, however, we cannot escape from the general picture, that large parts of the world co-operative sector are currently experiencing serious problems in their application of effective democracy, in both the individual and the collective meaning.

2. Societal tendencies

Such questions become even more complicated when the outlook is widened to structural changes in society at large. This is again especially true for large and established consumer co-operative organizations in industrialized countries: traditionally the main part of the ICA membership. The old "civic society", the social stability of the co-operative organizations, has become increasingly fragmentary as urbanization progresses, as the structure of production and employment changes and as the class mobility speeds up. The natural basis for solidarity and identity is becoming weaker, and the structure of basic interests seems to have become more differentiated. People have certainly got more free time, and so more opportunity to participate, but there is also an increasing competition for that time from various activities, particularly from new leisure pursuits such as TV, which have proliferated during recent years⁴.

In many countries there are more political, social and cultural associations competing for people's involvement and need for social commitment and affiliation. And it tends to become more of a problem for the co-operative way to keep pace with such associations, as co-operative organizations become more economic in character and more silent about other characteristics. Co-operative organizations are identified as "other enterprises" and not as the exiting heralds of economic democracy. Potential members, and even members, turn instead to other organizations to give vent to their political, social and cultural needs. And finally, we cannot shut our eyes to the fact that the process of democratization within modern societies tends to decrease the need - at least as it is subjectively understood - to actively fight for such human rights through co-operatives.

2.1. Paradoxical experiences

To some extent, these experiences can be seen as paradoxical. Co-operative organizations have, without doubt, been in the forefront fighting for these ideals of modernity, improved standards of living and to increase democracy and mobilization; and have actually contributed to make the situation better. That is the paradox: the better society becomes, partly through co-operative contributions, the more difficult it seems to become for co-operative organizations to demonstrate the benefits and merits of the co-operative way. This is emphasized even more by the fact that the state, local municipalities, etc. in many countries have “taken over” welfare tasks, which used to be carried out by co-operative organizations and constituted part of their identity within society. In many countries consumer policy is an obvious example of this.

I am not saying this in order to complain about the development. I just want to call attention to the paradoxical dilemma, which co-operative organizations share with many other reformist people’s movements of the last century and the beginning of this. Investigations demonstrate that people hand over responsibilities to their representatives and to the managers of their democratically-built-up co-operative organizations, whilst actively promoting their need for social affiliation through smaller neighbourhood organizations of various kinds.

Co-operative organizations, however, might be in a worse situation than the other people’s movements because they are becoming “jammed” between two structural trends: the logic of economics in a market economy which is currently demanding basic changes for efficiency, and the basic socio-economic changes of the society. Both of these tend to weaken the possibilities, and incentives, for active participation in co-operative organizations.

2.1.1. Unpleasant forecasts

And finally, to make the picture even more problematic, there are some unpleasant forecasts from research and some pessimistic attitudes from co-operators themselves. Interactions between the structural changes of the environment and the co-operative adaptations form a (deterministic) process that will, step by step, remove co-operative organizations from participatory democracy with no way back. These trends are becoming cemented in the co-operative structures, are creating their own mechanisms and are even invading the minds of the management. These are by (logical) necessity forcing the mature co-operative organizations outside the co-operative way. And the outspoken recommendations are: these organizational structures are lost to Co-operation, and co-operative hope for the future must be found in the new co-operatives and in new lines of co-operative organization. It is no use wasting resources in attempts to revitalize democracy in these old structures. Leave them to history: they have completed their mission as democratic organizations!

3. The challenge identified

Against this background of problems and difficulties we have to consider the serious question: is the time now ready to abandon the traditional ways of interpreting co-operative democracy and to instead adapt the values and principles to the experiences and realities as these have appeared during recent decades?

The overall and long-term answer: no, of course not. That would be a destructive attitude. We must instead carefully chose our paradigm. The world is crying out for democracy! We cannot give up the fight for democracy now, when it has just started, as the global perspectives clearly demonstrate.

The problems experienced in the last decades cannot be permitted to stand in the way of future values. The established co-operative organizations cannot allow themselves to become paralysed in their global outlook

because of the fact that they have not been able to effectively apply democratic methods and have not been rewarded and appreciated according to their evident merits. This is no more than an expression of the logic of history: people's memory is restricted and new events are constantly competing for place. The ends and the means must be developed now to help future developments, and plans must be made for future contributions. The fight for a place in the memory of future generations must be carried out now.

“Co-operation is a school of democratic order where pluralism is practised, where the philosophical and political views of every man and woman are respected, and where people contribute daily, in a fraternal atmosphere, towards the creation of a mutual enterprise and service for its members.”

Cudecoop in Uruguay, 1988

On the other hand we cannot ignore the fact that the past has been problematic in the application of co-operative essentials, which has weakened some points of departure, both for the individual and for the collective aspects of democracy. And it cannot be denied that there are truths in these analyses and predictions about the “destiny” of the established co-operative organizations: it looks as if these also pass through some kind of life cycle processes. But, since these predictions are from the past, we need not accept them for the future: especially not the conclusions and recommendations for action. Instead, it is more important than ever to start to learn from past solutions and to look for solutions, because there are always such ways. This requires an openness to reveal the mechanisms behind these processes, to give room for innovating dynamism and to use resources to search for positive experiences by testing and exploring new methods.

3.1. Long-term investments in democracy

This takes time and needs long-term investments in co-operative democracy and education, as conscious and as long-term as the investment in co-operative economy. We probably have to realize that some old structures are impossible to revitalize as living organizations for participatory democracy in the aspects of (i) above, and therefore have to accept lower ambitions and less priority on some aspects of democracy in these structures. Instead, we had better keep large revitalization efforts for such structures until there is need of more far-reaching radical renewals. The old structures need not be lost to the democratic way for these reasons: they have basic contributions to make for democracy in, for instance, education, information, promotion of co-operative ideas, exchange of experience, financial and technical support to new co-operatives, experiments in new forms of democracy, etc.

So, it is wise to apply a dynamic view to the co-operative structures and the co-operative process of development and to some extent rely on the old saying: let bygones be bygones! We made the best out of a problematic period of history and now the future is waiting. But we should realize that few other organizations can keep pace with the co-operative organizations in furnishing the future with experiences of democratic applications and contributions. It is necessary to apply some self-criticism when plotting the ways for the future, but we should not lose sight of the essential fact that co-operative organizations, even if they have had problems for some decades, are far ahead of other organizations in democratic perspectives: we have experience, committed people, basic ideas and a rich fund of good examples!

The challenge for the time being is much a question of mentality, as the co-operative utopian thinkers and pioneers expressed it in far worse conditions than those of today. It is a question of an inner challenge. It is too easy to become a pessimist. But our energy must be used to demonstrate the basic merit and eternal uniqueness of Co-operation: Organizations for economic democracy. Co-operation is a combination of economy and democracy "of the people - for the people - through the people".

3.2. A common strategy

This challenge is basically similar for all co-operative organizations in the ICA throughout the world, and in all stages of development. These are, by definition, “established” when looked upon in the light of their infinite potential.

The orientation of the application of democratic strategies must certainly vary in different contexts. Co-operatives in the industrialized world are faced with the crucial task of revitalizing the ideas of democracy in the minds of members, employees and management, in the old structures and in public opinion. Co-operatives in developing countries face the same needs, but the democratic challenge is connected more to the issues of how to build up structures, which can maintain and improve a process with the merits of economic democracy. The same has become true, it seems, for co-operative organizations in Eastern and Central Europe as well as in other countries in, or with plans for, transition from state-planned economies to market economies.

There is an urgent need for agreement on a strategy for the early 21st century to:

- 1) Communicate the co-operative message to society as a whole. The co-operative way to economic democracy must be made visible again for coming generations.
- 2) Revitalize the idea of participatory democracy among members, employees and management and in the practical instruments for carrying out co-operative activities.
- 3) Introduce applications which, from the beginning, include the view of participatory democracy, especially in the formation of new co-operatives in developing countries, but also in the renewal of established co-operative organizations in industrialized market economies.

To consciously and persistently apply such a strategy is no less than a challenge for several generations, a challenge for the present generation to “hand over” a democratically-viable co-operative movement to the next. In this overall perspective, it is especially urgent to demonstrate that Co-operation, also in these mature stages of development, is able to apply the democratic way in new structures and in the minds of members, employees and management. It is urgent for the overall creditability of the co-operative way, but also for the fact that a functioning democracy is the basis for furthering the processes of international responsibility and solidarity between people. The driving forces in such processes have always been organizations which are themselves democratic in their basic character. Co-operative organizations have traditionally belonged to these and should go on to do so in the future. This is the basic challenge for the co-operative future.

4. Strategic principles

After this plea for the democratic co-operative way, I turn to a more analytical approach and language again. What are the essential principles of a strategy to revitalize and encourage a future for participatory democracy? What have we learnt from past experiences? In considering such a crucial issue we might interpret experience as reflecting problems with two basic principles:

- 1) a weakened identity,
- 2) a weakened autonomy.

These might be looked upon as common basic denominators behind the difficulties, and should consequently be in the focus for participatory and mobilizing strategies⁵.

4.1. Identity and autonomy

Weakening identity has been reflected by the increasing difficulties for members to know each other, even to know about each other, and so to identify themselves as a group of people working together for the same end. In other words, it is increasingly difficult to take the step from individual action to collective action: what the co-operative way is basically about. They have also experienced decreasing incentives to communicate with their societies in capacities other than as clients and customers. And they have tended not to rely on their societies and not to expect solutions from the co-operative way. This is also true for the citizens of society in general; the co-operative way has become less evident.

One might say that the members have become more objects for the management of their societies, and less subjects in the efforts to improve their living conditions. At the same time, the co-operative way, at least the established co-operative way, has lost much of its subjective relevance for people in their identification of methods to improve society. This is not generally true, because there is a growing amount of interest in new co-operative solutions in many countries (see chapter III section 6).

To avoid misunderstanding, I will say that I have isolated and emphasized these aspects in order to make them clear. This is only an outline: reality includes nuances and exceptions.

The effects of weakening autonomy have most concretely been reflected in developing countries and in planned economies, especially as a consequence of interference from states and governments in the internal affairs of co-operatives. To some extent this seems to have destroyed the basic incentives for members to participate actively, and thus the mutual self-reliant and mobilizing character of co-operative organizations. The same effects have probably emerged as a general consequence of centralization in larger co-operative organizations; members at local levels might have found it meaningless to participate actively if their decisions turned out to be of no importance.

Probably, a weakening identity between the society and its members has also made market relations more “expensive”, and made it more difficult to demonstrate clear benefits to members and to fulfil an active and independent market policy. This might have been strengthened even more if the co-operative society also had problems in mobilizing the relatively “cheap” member equity capital, and more have become obliged to resort to outside capital.

Basically, the weakening identity and autonomy result in difficulties in applying both individual and collective aspects of co-operative democracy. An effective strategy should consequently aim at rehabilitating and maintaining the essence of these principles. And this long-term task should be carried out in accordance with the basic co-operative idea that people are subjects in the co-operative contexts with a will to work together with others.

4.2. Reproduction

The fundamental guiding concept of such a strategy is “reproduction”, as it always has been in successful people’s movements. Co-operative development must be consciously considered as a process within which the conditions for identity and autonomy must continuously be recreated and rediscovered. Because those principles, as is evident from experience and research, cannot be there once and for all. Consequently, nor can the values which these principles are intended to promote. A viable co-operative needs a current reproduction of those principles.

In revitalization, the members must gradually recover the proper opportunities to meet as members in order to discuss and decide upon common matters. They must again feel that it is meaningful to use their time, efforts and capital to participate, and they must have the opportunity to put their own efforts into long-term co-operative development. And the co-operative society, its management and members must improve their efforts to resist unreasonable outside interference, be it from states, from other organizations or from capital. Such measures also call for proper methods

of decentralization and education in order to encourage and improve responsibility, competence and meaning. In attempting from the outset to build up and maintain a co-operative development for participation and mobilization, the principles of identity and autonomy are vital.

The plan for increased participation and motivation should cover all the basic functions from a member perspective:

- planning
- decision-making
- implementation
- meeting members
- finance
- benefits
- evaluation and control

Because such a participation, when satisfactorily achieved, will promote a process that will strengthen itself by mutual interactions. The reproduction of the essential principles will be a more or less automatic outcome of the process.

4.3. Economic effectiveness

I cannot avoid mentioning aspects of values other than democracy in this context, even if I wanted to reserve such discussion until chapter VI. However, it is obvious that the values of economic effectiveness (and efficiency) are crucial in this context. The capacity of the society to promote the economic benefits of its members, both through offering the redistribution of surplus, has always been seen as basic for encouraging democracy. It has been considered as a precondition for participation, identity and autonomy.

"It must be profitable to be a member: the co-operative must offer better alternatives than other organizations. Otherwise the co-operatives have no justification. In other words: an effective economy will encourage an effective democracy.

The co-operative consists of members who have joined together to solve their housing problems. The members and their housing societies determine the organization's policies. The price of the housing is kept down to the actual cost level. The members benefit from the advantages of cost-effective building techniques and financial management."

HSB in Sweden (presentation, 1988)

This is certainly true, especially in the long-term. But, interpreted as a strict causal relationship, "first economy, then democracy" - this eternal "chicken and egg" issue - it is doubtful as a universal thesis. How else can we explain the fact that so many members have been fighting, and still are, for their co-operatives and have used their services to the full, even if they could quite easily have found better alternatives elsewhere? A usual situation in the pioneering periods, but also today. Of course, it is to do with member commitment and with member expectations, individually and collectively, to contribute to a better social and economic order through the co-operative way. It is to do with basic aspects of the conditions for identity and autonomy.

Consequently, one has to be careful in this "economic" interpretation of co-operative incitements and prerequisites. Because there is also the risk that too much emphasis on economic benefits, and economic means for social and democratic penetration, will turn the members into passive receivers of services. This is especially true when such an emphasis has been made for long periods. When such a situation has been established, the only short-term way to demonstrate the relevance of co-operative organizations is to agree with the saying above. All that counts are the economic benefits.

This creates a vicious circle. So, the main thing is the combination of democracy and economy. They belong together like "the chicken and the egg".

4.4. Democratic management

The identification of essential principles in this revitalization strategy for the coming decades has mostly been based on conventional co-operative experience and knowledge, much witnessed in practical and theoretical contexts. Nevertheless, it has to be repeated, when we are considering democratic values for the future. This way of discussing the essentials has been marked by a management-oriented perspective. This is intentional, because such a perspective is relevant today for large parts of the co-operative sector. It is also past and present experience that democratic management has a key role to play in the implementation of such a strategy.

We usually say that the basic challenge for co-operative practice has always been connected to the capacity to reproduce the proper conditions for people to involve themselves in the co-operative way. For the time being, we can say that much of this challenge is about how to reproduce good democratic management. We can further add that the methods, and the responsibility, to meet such a challenge are in the hands of the management.

5. Some good experiences

Let me put some flesh on the bones of the outline above by drawing from our rich co-operative experience. As I said before, no other large economic organizations can match the co-operatives when it comes to demonstrating a wealth of experiences and ambitions in searching for democracy in practice. This might sound contradictory to the previous observation of problems, but these mostly indicate increasing difficulties in effectively countering the prevailing structural forces in the environment and the strong pressure to use most of our resources in order to survive economically.

I will point out some experiences of interest for the future in this context.

5.1. Identity at primary levels

The trends towards larger primary societies, especially among consumer and agricultural co-operative organizations, have also invented methods to encourage member identity and member participation within these large structures. There are numerous methods:

- * Smaller districts within the larger societies, often according to the older structure of societies or to natural geographical areas. These districts usually have their own boards, representatives, elections, etc.
- * Special member-based bodies connected to the various service instruments (shops, dairies, multi-storey apartment blocks, etc). The aim has been to take part in decision-making, to advise on local policy matters, to establish and maintain local contacts, etc.
- * Member delegates with special responsibility to inform members, and organize meetings, educational activities, social and cultural gatherings, etc, for members and potential members.
- * Identification of activities for special (homogeneous) groups, such as young people, women, pensioners, etc.

These activities are indispensable in the day-to-day performance of democracy. It is mostly low-profile voluntary work. The problems seem to be connected with issues of how to mobilize people who are ready to volunteer time and effort for these crucial tasks, and to define the proper status of these parts of the organization in relation to the whole: what kind of influence, how much autonomy in decision-making and what economic resources?

Perhaps the most systematic experience of recent decades is the famous Japanese HAN groups, which are found in many types of co-operative,

mostly in consumer co-operatives. These were started in the late 1960's, when Japanese co-operators were experiencing weakening participation at the grass-root level and were considering ways of revitalization. The HAN groups became successful instruments, with activities today covering a wide range of areas, from household necessities to broader issues of culture, welfare and peace. The special features of these HAN groups are, among other things, that they are systematically integrated in the whole organization of the societies: an interesting example of a combination of very local autonomy with the responsibility for, and identity with, the whole. In other words, an expression of how to encourage member identity in all its basic meanings.

"Recognizing the slogan 'Creation of new life and communities full of humanity' as an important task for the Japanese consumer co-operative movement, they are marching forward with the aim of developing a wide-ranging, in-depth movement. It is hoped that the time will come when the consumer co-operative movement plays an even greater role in Japanese society. It seems that the basic value of the consumer co-operative movement in Japan lies here. We believe that this human-oriented direction will distinguish more clearly the consumer co-operatives from their totally profit-minded competitors and contribute to even further development of the Japanese movement in the future."

JCCU, 1988

It might be possible to apply the essence to other contexts, but of course one has to be aware of the special Japanese preconditions: the success of the HAN groups is largely dependent on the voluntary efforts of housewives working at home, and these methods are implemented by a society which is still characterized by a small-scale distribution system. In considering similar applications in other contexts, I do think that it is important to connect with other local and basic organizations in order to create that kind of network, which is also one of the viable aspects of the Japanese HAN groups. Locally collaboration between co-operatives is especially important. I think that the Housing co-operatives might be a proper base for this kind of application in many countries.

5.2. Identity with the co-operative whole

Especially in periods of radical changes of co-operative structures and in connection with basic policy decisions, member participation is crucial for maintaining an identity and a responsibility for the co-operative whole. It is a very bad tendency, when changes at secondary levels, etc., are defined as “neither the business of nor of interest to” the primary members. I touched upon such methods above, there are also other types, for instance:

- * Study material and information campaigns, locally and nationally. In co-operatives in Nordic countries, for instance, this has been routine procedure.
- * Extensive member hearings, e. g. in connection with preparation of action programmes, overall or special. Member gatherings at regional and national levels, special congresses, conventions, members’ forums and conferences.
- * Continuous information and discussions about crucial issues in local and national journals, study circles activities, co-operative broadcasting programmes, etc.

It goes without saying, that such large applications are especially important in connection with the preparation of programmes, strategies, etc. The final documents coming out from these applications are not the most important. It is the process of preparation and implementation that really matters from an identity-creating point of view. Much too often other types of effectiveness criteria are used, when discussing these applications. Taking into consideration the revolution of communication techniques, and of the approaching information society in many parts of the world, there ought to be good opportunities for co-operative organizations, even large organizations, to improve these types of member communications.

5.3. Societal identity

Keeping our identity by communicating the co-operative message and co-operative thought is a crucial task in the long run, and greatly underestimated. So is the basic resource for this: the co-operative members. These ought to be seen as the main ambassadors for the co-operative message. But are the members identifying themselves with this crucial task? In other words, are the members encouraged to take this position and furnished with the conditions to do so?

In this context particularly interesting lines of action within which members and employees make valuable contributions to educating the younger generation are:

- * The development of school co-operatives in some countries, for instance in Malaysia, France, Italy and Poland, in order to give children basic practical insights into the co-operative way. This requires continuous work and resources. Active members of these school co-operatives go on to become active members, employees and leaders in the official co-operative organizations.

- * The development of university co-operatives, mostly in Japan, are important for the same reason as above, but especially for the recruitment of co-operatively-committed management and professional leaders. From the Japanese experiences it can be seen that many of the present co-operative leaders have come from these university co-operatives.

These co-operatives might also function as vehicles to promote education, textbooks, research, etc. about co-operatives in the educational system. The committed members of such co-operatives will sooner or later demand education also about Co-operation.

5.4. Development processes for identity and participation

Finally, I will turn to another interesting example, which has become more usual during recent decades as an alternative to the “top-down” way to establish and develop a co-operative. These are mostly developed in connection with new co-operatives in order to avoid the well-documented failures of similar top-down models, especially when it comes to mobilizing people.

Practitioners and academics have started a school of alternative thinking in these areas, and have obviously been successful in mobilizing poor and weak parts of the population to better their situation. These co-operatives might be seen as “pre-co-operative” groupings with inner characteristics of genuine co-operatives, but not necessarily with all the formal co-operative characteristics. The leading principles and values are identity, participation, mobilization and self-reliance, and the approach is characterized by continuous reproduction. In an overall perspective, these can be seen as steps towards a democratic and associative economy. As I understand it, the strategy of the ILO co-operative department is traditionally connected to such mobilizing aims⁶.

“If Co-operation is practised in conformity with its ideological premises it definitely contributes to participatory development, because it empowers the weaker sections of society to determine how to allocate their (meagre) resources, and provides them with a defense mechanism against manipulation or exploitation by outsiders.”

K. Verhagen in Co-operation for Survival, 1984

As I understand it, this is practised in many developing countries throughout the world, as well as in industrialized countries. The essence of these strategies should be transferred to many basic contexts of co-operative mobilization, also to establishing a participatory base in the large co-operative organizations in industrialized contexts.

5.5. Use of experiences

I have touched upon some good examples, there are numerous others. I think that it will be even more important in the future to devote resources to systematizing these experiences, to evaluating them and to attempting to apply them in other contexts. We will surely face a period with a shortage of resources and, therefore, it is necessary to use efficient methods.

This is an area in which the ICA has good opportunities to contribute to efficiency. Of course, the ICA is already doing this, but there are always possibilities for improvements with relatively small resources, if these are used in a spirit of collaboration (mutual self-help).

6. Employee participation

The above has been concentrated on member democracy, since this is the basic type of democracy in co-operative contexts. Recently, however, the participation of employees in decision-making, capital finance and benefits has become increasingly important. This is the “old chestnut” of the proper place for workers within a context of member democracy, this time very much initiated by the increasing tendencies in private enterprises to initiate various forms of profit-sharing combined with increased influence in decision-making. This has also become topical in co-operatives because of the evident fact that co-operative organizations have become large employers in the same way as other enterprises and organizations⁷.

6.1. The traditional view

Traditionally, co-operative organizations have approached these issues by recommending employees to become members, when this is not already the case. To some extent co-operative organizations have succeeded in the policy of becoming better employers than other enterprises, since members and employees have been seen as belonging to the same target group

for co-operative activities. Many co-operative organizations have also emphasized this by close collaboration with trade unions from the outset and by various ways of offering relatively good positions for employee representatives in co-operative decision-making processes. It is documented in various contexts that co-operatives have been at the forefront in applying good conditions for their workers and employees.

Against that background one can say, as an overall statement, that the issues of employee participation have not been very critical and were much disputed in co-operative contexts until the 1970's, of course with the exception of those deep conflicts round the turn of the century, clearly expressed when the ICA was in the making. The situation is now changing, and will probably change even more in the near future. It is seen from experience that employee participation in enterprises (employee identification with the enterprise) is a strength in many ways. It is also highly probable that more highly educated young people will claim participation more strongly - they will not accept hierarchical structures. And certainly, especially in the highly industrialized countries to start with, the competition for skilled employees will be more accentuated as human capital becomes more crucial to business success. With such competition good working conditions will increase in importance.

6.2. A diversified approach

So, can co-operative organizations go on to stress their old answers by making references to member democracy as the overall ruling order? Yes, in principle, but we have to approach such issues from different perspectives; the implications differ for various parts of the co-operative sector and for various parts of co-operative organizations. The implications are, for instance, different in primary co-operative societies of the more traditional type than in the more market-oriented and integrated co-operative organizations of the modern type. Power relations, especially in later types of co-operative organization, are no longer between "members and employees", but between "members, management and employees". The management in those co-operative organizations has in principle the

same position as employers in other organizations, and it becomes artificial to discuss such issues in terms of a conflicting competence between member and employee democracy. This is especially true when considering the increasing secondary and tertiary levels which are, to quite an extent, organized in stock company models. The links with member democracy in such contexts are weak and formalistic and can hardly be stressed as obstacles of principle to employee participation.

6.3. Issues of principle

The more challenging issues of principle, and perhaps also conflicts of principle, might appear as we approach the primary levels and such applications at secondary levels which are close to member interests and organized in accordance with the principles of member democracy. In these parts of the co-operative organization we are faced with the issues:

- Is it possible to introduce methods for employee participation in decision-making, financing and in “profit” sharing, without confusing the basic character of the co-operative association?
- Will such methods necessarily imply risks of conflicting interests and hence weaken co-operative viability?

In principle, and “a priori”, it is easy to identify problems, especially if there are no limits to employee participation. Because, if employee participation exceeds 50% of the voting power, the member association will be transformed into some other kind of association. This however, is an extreme; what will happen at various degrees of influence up to the 50%? Will this entail increasing conflicts between the interests of the members and the interests of the employees, for instance, reflected in better conditions for the employees at the expense of the members? Or, on the contrary, will this encourage the employees to increase their efforts to promote the members’ interest?

Of course, it depends on how the employees see their identity: as a group that will look first for its own interests, or as a group which has priority of promoting the aims of the co-operative organization, and so indirectly its own interests? This, in its turn, is dependent, among other things, on the resources used in education and on the ways in which the overall organizational culture of the co-operative is developed. This delicate balance is the responsibility of a skilful management.

6.4. Need for constructive approaches

One cannot answer these issues in advance. Nor is much research evidence available, nor evidence from practical experience. On the other hand, there are a number of opinions, based on facts or on deductions from basic principles. Nevertheless, these issues have to be put high on the agenda for the next decades. We must look for constructive solutions: in other words such solutions as can make member and employee democracy support each other in an effective co-operative performance. This calls for an open innovative mind when it comes to carrying out experiments and testing ideas.

Among other things, it is necessary to approach some of our ‘‘holy cows’’. Is it possible to organize more co-operatives as a mixture of various types of co-operative in order to take advantage of their special qualities in various aspects of democracy and economy? Or, is it possible to modify and redefine the very basic principle of the ‘‘user’’ as the membership base and instead consider a mixed base, consisting of users and employees together, eventually also supplemented with financiers and main customers and suppliers? In other words, to use a more undogmatic and general perspective?⁸

We will certainly need such approaches in the more pluralistic development with which we appear to be faced.

7. An overall approach

To follow the lines of discussion from the last chapter, I will finally touch upon some more visionary approaches to the issues of democracy, participation and mobilization. When looking at the whole co-operative movement in the light of such issues we can clearly observe that the conditions are different in the various types of co-operative when it comes to implementing participatory democracy in the aspects of (i) and (ii). So, there ought to be a basic challenge for innovations in order to combine various types of co-operative with the overall aim of “maximising” democratic performance.

This has not been the mainstream of co-operative thinking during this century: the dominant schools of co-operative development, as well as practice, have strongly emphasized the “one-dimensional way” based on the user of the co-operative. The consumer co-operative way in its “co-operative” expression is the most extreme reflection of this thinking. There have been some pluralistic co-operative visions, but these are mostly drowned in the competition of theory and practices. Today the multipurpose co-operative and the community co-operative way come close to such visions, as inspirations for the future.

7.1. Strengths and weaknesses

Turning to the usual classification of types of co-operative, for instance the one we use within the ICA, we can clearly see that these have, as said, strengths and weaknesses in the aspect of democracy. The consumer co-operatives seem to have problems in implementing participatory democracy in their own structures both at the primary and the secondary levels, while they have a relatively strong influence on the market from a member (consumer)’s point of view. The insurance co-operatives are restricted by legislation and by their special activities in terms of member participation and have to rely on a highly representative democratic system, mostly

through other co-operative organizations and interest organizations. On the other hand, they have their strength in overall social responsibility and in their capacity to influence the basic security of members. The housing co-operatives, thanks to their small-scale structure and closeness to members, usually have a living participatory democracy at the primary level, and also opportunities to influence overall housing conditions. And so on. This requires further examination in the future.

Producer co-operatives, on the other hand, generally seem to have better conditions to implement participatory democracy at the primary levels; this is especially true for the worker productive co-operatives, often called the “masters” of direct democracy. With the exception of agricultural co-operatives in most countries, the producer co-operatives have their weaknesses in their dependence on the market. They are usually in the position of having to adapt to the demands of the market place and have few possibilities to influence the overall performance of the market from a democratic and economic point of view. The credit unions and credit co-operatives have good conditions for developing participatory democracy at the micro levels, since they use very small-scale methods in their contacts with members and potential members, but seem also to have good conditions to influence macro levels, at least within the Credit Union Movement. And so on.

The consumer co-operatives know about consumers’ needs and market conditions and they have the infrastructure for distribution, etc. The producer co-operatives know about production processes and have deep insights into the preconditions for improvements in quality, etc. Of course, they also have facilities for large-scale distribution. The banking co-operatives and the credit unions know about methods to encourage savings from members and public in general and have control of financial resources.

What an impressive picture of potential strength to improve and encourage conditions for economic democracy! Looking to the future, we have many untried possibilities to improve the strength of co-operatives as a movement for economic democracy and to gradually explore these

opportunities for a “sector approach”, and to apply a more conscious strategy to the development of democratic applications. The challenge is about how to collaborate to develop new structures in order to compensate for individual weaknesses and exploit the strengths of various types of co-operative. I understand that the famous Mondragon is an expression of this.

The same is true of the relations between the larger and more established co-operatives and the newer types of co-operative development. Here also, we can identify weaknesses and strengths, as well as the ways in which the whole democratic output can be maximised. The established co-operatives in mature stages of development might see themselves as the basis for financial and technical support, assistance, encouragement and legitimacy for new lines of co-operative development, outside and inside their own areas of activity.

7.2. Time for collaborative innovations!

The most crucial area for future applications is, of course, the relations between co-operatives in developing countries and industrialized countries; but there might also be some interesting possibilities locally and nationally. For instance, when the larger co-operative organizations are diversifying their activities and/or strengthening and decentralizing their old structures, why not seriously consider new types of organizational applications, using the good qualities of various types of co-operative? Why not use the small-scale techniques and the basis of local identity among members from various co-operatives when establishing some more specific service or production bodies and organize these in a combination of worker co-operative and consumer/agricultural co-operative? Or, why not organize a co-operative department store with basic characteristics from a worker co-operative and combine it with user representation through consumer co-operatives in order to get the knowledge of, and contacts with, the larger market conditions and financial institutions?

There are some examples of the above and we should carefully study their experiences. We also have a long experience of the federative model and of various types of networking. Of course, there are problems, otherwise we would have done it already. But our competitors can feel happy as long as we cannot overcome the problems and consciously start to explore these possibilities.

8. Efficient methods

In this chapter I have concentrated on the issues of democracy, particularly on the participatory and mobilizing aspects of democracy. I have argued that these values deserve a high priority in accordance with the essence of our traditional view of them; the situation for the future is affected by the fact that the values of participatory democracy are under threat in large parts of the co-operative sector, at the same time as large parts of the world have just started to move towards democracy. The challenge is to determine a strategy to revitalize and reproduce these values: I have identified the essential principles for such a strategy and argued for an overall perspective in applying it.

This calls for investments in democracy, when it comes to the crucial tasks of identifying good practice, establishing the co-operative identity and making the necessary evaluations. At the same time, it appears that available resources have become more restricted, which means that concern about the efficiency of the methods applied is increasing.

It struck me, during my preparatory work, that the co-operative sector has a fund of rich experience in these areas. We need not “invent the wheel” again, so to speak. Instead, it is more important that we discuss and analyze the weaknesses and strengths of the various experiences, select their essential aspects, and carefully consider how to adapt them for use in other contexts.

"We understand Co-operation as an instrument for the promotion of the human condition, of the individual's personality and dignity, assuming consequently that all people have been created equal as belonging to the same species and having a common destiny. We think that the human being in this dual dimension - material and spiritual - is imperfect and can only reach his or her full potential in solidarity with other human beings."

Alecoop in Bolivia, 1988

This has always been one of the main tasks for the ICA in all areas of co-operative activity. Regarding democracy, ICA has basic contributions to make in promoting the effective and efficient methods for participatory democracy, which is the essence of Co-operation!

8.1. Basic issues

Basically, the effective way to achieve democracy is through the co-operative mentality: an inner challenge. So, when looking to the future we have to consider the following questions:

- 1) Do we still have a strong belief in the relevance of the co-operative contribution to a more democratic and participatory society? Or do we believe that society as a whole is managing quite well without this contribution and, consequently, that our main priorities should be the realization of other values, for instance achieving economic benefits for the members and for society as a whole?
- 2) Are we still considering a viable co-operative as an organization characterized by active member participation? Or, do we think that active member participation is an obstacle to management and might very well be substituted by "the market" and by capital from sources other than the members?
- 3) Are we seriously exploring the possibilities for communication with members as subjects of co-operative organizations when preparing

larger changes of co-operative structures? Are we seriously looking for opportunities to implement methods for member participation in connection with renewals of co-operative structures? Is member participation an essential part of our vision for the future of the co-operative way?

In the Congress of 1988, ICA members declared that the values of democracy and participation deserved the highest priority. Such declarations are a long way from practice. The touchstones appear, when the proper applications are prepared, planned and implemented. For the time being, the challenge is about future co-operative credibility and, above all, about the responsibility of co-operators to honestly demonstrate that they want to “live as they learn”.

Recommendations

Democratic applications at the secondary and tertiary levels of co-operative organization are problematic and need further analysis. This was pointed out by the ICA Commission of 1963 on Co-operative Principles. Since then, the changes have been radical. A study should be carried out to examine experiences and to propose constructive ways for the future in more detail. The ICA is the natural body to undertake this.

Notes

- 1) The participatory concept in co-operative organizations has been discussed in numerous contexts. Some of the written publications which have particularly inspired me in my approach are Verhagen (1984 and 1987), the articles of Fürstenburg and Blümle in Dülfer and Hamm (1985), Ilmonen (1986), Stryjan (1989) and Pestoff (1990).
- 2) ICA Congress and Central Committee minutes and current articles in the Review of International Co-operation.
- 3) These judgments are based on numerous written and unwritten sources. The main conclusions have the character of conventional wisdom among researchers and co-operators. The main written sources are Brazda/Schediwy (1989), Dülfer (1985), Münkner (1991), Ilmonen (1986), Bager (1988) and ILO (1988).

- 4) My empirical framework is mostly the Nordic context as described in many research contributions and studies of co-operative organizations and other people-based interest organizations. Various observations tell me that the essence of these findings is true for at least the industrialized part of the world. See Ilmonen (1989).
- 5) For the identification of essential principles there is a growing amount of practical experiences and literature. My friends, A. Chomel and D. Mavrogiannis in the advisory committee, have reminded me about it many times in our meetings and in articles and reports sent to me. I have also observed these principles quite clearly in connection with my advisory work with new co-operatives since the 70's. My written sources are: Verhagen (especially 1984), Stryjan (1989), Jobring (1989), Ilmonen (1986), Münkner (FAO 1991) and Rökholt (1984 and 1989).
- 6) In this context I refer to the revitalization of the old co-operative and closely-related ideas of the utopian thinkers, currently reflected in the various strategies based on P. Freires' and others' experiences and theories of development. During the 80's, and in co-operative contexts, I have particularly noted the pioneering work of K. Verhagen (1984 and 1987) in putting such principles into practice, which I understand to have inspired many theoretical and practical approaches, for instance Craig/Poerbo in *Journal of Cooperation* (1988) and Münkner (FAO 1991).
- 7) The views in this part of the chapter are mostly taken from my own experiences and studies in connection with the Swedish plans of the 1970's and 1980's to introduce "wage earners' funds" as a method of radically increasing employee participation. My reports and articles are only in Swedish, partly summed up (in 1990) for consumer co-operatives. For an early discussion of these issues see *Ostergard/Halsey* (1965).
- 8) An interesting and co-operatively-oriented discussion about similar issues can be found in Meade 1989.

V. CAPITAL FORMATION FOR A DEMOCRATIC ECONOMY

Challenging perspectives of applications

“For non-co-operators the solutions seem evident: co-operatives must simply reorganize and become joint stock companies, and all their troubles will be over. This is, however, a very narrow-minded and unsatisfactory point of view. A co-operative society is clearly defined within its constitution: to serve the members, and to act as their agent in matters concerning their own society. It was never the idea that other people or groups should profit from the activities of co-operatives.

If co-operatives want to increase the influx of risk capital, they will have to reconsider their position. I think it would be possible to work out a system of two parallel democracies, one for the members and one for the employees. And within such a system it would be possible for the members and the employees to agree upon a sensible distribution of the surplus among members, employees, and the society itself, a distribution which would secure the continued existence of the society.”

K. Ollgaard, Danish Agricultural Co-operative Federation, 1989

Issues of co-operative capital formation have also been critical during the past decades, especially during the 80's. And, certainly, these are closely connected to the issues discussed in the previous chapter. Capital formation has been recurrent on our co-operative agendas, nationally and internationally, and the applications discussed and practised have often had significant consequences for the co-operative way. This is not surprising, since the issue of capital formation concerns the fundamentals of the co-operative economic system. Most basic ideas and values are, in one way or the other, linked to and influenced by capital formation. As we have seen, the changes in co-operative environments during recent decades

have more than usually challenged the traditional methods and practices. Among other things, we have experienced a period of:

- * Increasing inflation.
- * Discount rates permanently higher than those of the 50's and 60's.
- * Monetarist approach to economic policy in many countries.
- * Increasing liquid capital resources, nationally and internationally.
- * Increasing growth and importance of the stock exchange markets.
- * Rapid institutional changes in capital markets, nationally and internationally; new financial institutions, investment bodies of various kinds, more international collaboration.
- * Decreasing barriers to capital transfers across national borders, especially within the European Common Market.
- * Increasing importance of the stock company form (limited company) of organizing economic activities and the consequences of, for instance, government tax and financial investment policy, etc.
- * Increasing importance of cash management and financial investments in business management.
- * Stronger competition for people's savings in money and capital markets.

As a general judgement, one may say that these trends and tendencies have not been in favour of traditional co-operative capital formation, but rather of capital-based associations. Co-operative organizations have been faced with more challenges in looking for and selecting economically efficient applications which are consistent with other basic co-operative values and principles. It seems as if pragmatic considerations have characterized the

applications so as to at least maintain the essential long-term character of the co-operative way.

I will discuss some aspects of these experiences and, in doing so, I concentrate on the financial perspectives and on the special issues concerning co-operative equity capital. I approach these from the traditional co-operative point of view, in order to gradually discuss the need for reinterpretations of that view.

1. Background issues

When defining the co-operative framework for capital formation, we can immediately observe that the institutional pattern of co-operative practice in this context has become very complex, even when the issues are restricted to the financial aspects. I refer back to the previous chapter; we are facing quite another co-operative reality to that which existed only 20 - 30 years ago. Furthermore, the various types of co-operatives have experienced different problems as a consequence of their structures and aims; some have experienced difficulties in raising capital, others in investing it in a co-operative way. Older and established co-operative organizations are in quite different positions to new co-operatives, among other things in their socio-economic situation (members' capacity to save) and the crucial relation to state (legislation and tax system). There are also quite different relations between the member and his/her society: in some types of co-operative the members have invested relatively large amounts of capital and are deeply connected to their societies; in other types the investments are relatively small, as is the dependence.

These differences in basic structural conditions certainly influence the ways in which the values relating to capital are interpreted and carried out, and one might pose the question as to whether it is meaningful to discuss capital formation in a general way: because there seem to be many types of co-operative capital formation. Nevertheless, there are some well-founded views on the universal "essence" of capital formation in the co-operative economic system, and I will keep myself to those.

1.1. Framework of values and essential principles

Co-operative organizations have usually specified the values and the principles as some basic guidelines for their approaches to co-operative capital formation. Generally, it has been stated that capital inside the co-operative system:

- * Should not interfere with the process of decision-making, since that should be the domain of democracy. This has been regarded as an imperative for primary societies, while there might have been some modifications for secondary and tertiary societies.
- * Should not be given more than a limited rate of interest, if any. It should not be possible to buy and sell the shares and these should not appreciate or depreciate in value.
- * Should be a condition for membership and the exercise of member rights to participate, almost as a “member fee” (there is some flexibility in practice). Members should participate individually and collectively in financing the activities. The individual part of the capital, the shares, should be redeemable at their nominal value, and should be at risk.

Many co-operative organizations have also considered it necessary for a stable and viable performance that the members will remain the (main) owners of the capital and take long-term responsibility. This has been stressed by special rules and as supplements to the ICA Principles, saying that capital:

- * Should be raised and administered in such ways that the independence and the stability of the co-operative organization will be maintained.

In practice this has often implied a policy to carry out capital formation in collective forms; large parts of the annual surplus have been distributed as

non-allocated reserves: as members' collective savings. This, however, is currently being hotly debated.

The overall intention behind these basic guidelines has been to define capital formation within the framework of co-operative economic democracy. The members should control the effective use of capital in at least three ways: as financiers, as participants in the processes of decisions about how to invest it and as users of the services of their co-operatives. In other words: the member is the master, and the capital is the servant.

1.2. Issues for the future

Facing the future, I have understood that some issues are universally topical. Experience from past decades tells us that:

- * Many co-operative organizations are worried about how to maintain, expand and mobilize their equity capital. The reasons are many: increasing needs for capital, more capital-intensive methods of production, inflation, limited capacity for member savings (quite a high proportion of members from the middle and lower classes within society), stronger competition for savings, changing structure of membership (e.g. an ageing membership) and increasing difficulties in achieving sufficient surpluses.
- * Some co-operative organizations (more established consumer and agricultural co-operatives) especially need capital for lines of development which are often offensive and penetrating activities with relatively high risk involvement. This is especially true of co-operative organizations which are trying to find new ways for internationalization of their activities.
- * Some co-operatives need improved ways and means for making co-operatively good financial investments. This is especially true of co-operative organizations which administer large funds of capital as a consequence of their activities.

- * New co-operatives, mostly outside the established co-operatives, need capital for the early phases of development. The existing and potential members need capital to pay their shares: many of these co-operatives have been started in times of economic depression and unemployment and often by persons with relatively low incomes. There is also an urgent need for proper finance in the phases which come after that period, when supporting bodies have taken away their initial assistance. Without sufficient capital, new co-operatives are often obliged to resort to less capital-intensive activities, to play a background role in the reconstruction of economic life, and to stay outside various types of collaborative branch bodies for technology, marketing, etc.
- * Co-operative organizations in trouble need support for long-term reconstructions, and temporary financial help to overcome a difficult situation.
- * Many have also stressed the need from an overall view (at local, regional and international levels) to pool financial resources in order to consciously use them for new development purposes, particularly in developing countries.

Some of the “new” approaches have challenged the traditional co-operative values. I will concentrate on these. Then, we can observe that activities during the 70’s, and especially the 80’s, have to quite an extent been carried out in a combination of changes to the basic forms and structures of co-operative organizations. I will say that this has belonged to the significant characteristics of the 80’s. One might ask whether this combination is necessary for an efficient capital formation: perhaps not. Such structural changes, however, have usually been represented as being the crucial for capital formation.

I look upon that as an important subject for discussion and I therefore distinguish between the following categories of “new” application:

- a) Those undertaken without changing the basic form and structure of the co-operative organization.
- b) Those undertaken in combination with a transformation of the co-operative society into various types of joint-stock companies.
- c) Those undertaken with the main aim of raising, pooling and channeling resources in order to actively encourage new lines of co-operative development.

It goes without saying that these changes make the issues of democracy, which I discussed in chapter IV, even more crucial.

2. Raising share capital

Turning to the first category, during recent decades we have observed many innovations, practised or planned, to increase share capital. Some of these might be considered as critical from a traditional value point of view.

2.1. Voluntary member shares and quasi shares

A common way to try to mobilize equity capital has been to encourage members to invest in various forms of “voluntary shares” as a supplement to the compulsory membership investments. These shares get a normal rate of interest, they usually have no voting rights but are, of course, redeemable. To some extent there might be special offers connected to such shares and there are even examples when co-operatives have introduced exceptions from the rule of “one member - one vote”.

There are also various examples of practices (B-shares, ownership securities, preference shares, sponsor shares, special certificates, etc.) designed to attract financial investments from more or less external sources of capital.

Among others, from employees, trade unions, pensions funds, public investors and closely-related co-operative organizations. The conditions usually resemble those above, though shares are sometimes more easily transferable.

I have no general picture of the efficiency of these innovations. In Sweden, however, practice demonstrates that these latter possibilities have not been much used. The problems seem to have been that the offer is not sufficiently attractive compared with other investments and that there is no market on which to buy and sell such shares.

2.2. Revisions of the limited rate of interest

As a consequence of the problems outlined above, the Co-operative Principle of limited rate of interest has been repeatedly questioned. In fact, it has been one of the most debated issues about co-operative formation during our history, and is coming to the forefront again.

“Many co-operative experiments have failed through want of capital, because the members thought it immoral to take interest, and yet they had not sufficient zeal to lend their money without interest. Others have had a moral objection to paying interest, and as money was not to be had without, of course these virtuous people did nothing - they were too moral to be useful.”

Holyoake, “The History of the Rochdale Pioneers”, 1874, p. 24

There are some moves to abandon this Principle totally, but the usual revisions in practice have maintained the “limited” character of the return on capital, but the limited degree has been moved upwards, toward some level above the official discount rate. This has been regarded as necessary to attract capital, both from members and from outside resources, and to guarantee at least a stable value in times of inflation. Furthermore it has come to be considered as “fair” that members of co-operatives will get a

rate of interest that is comparable with alternative investments of this kind. This is especially true if the co-operative is using supplementary sources for equity capital as referred to above. Why, then, should members' share capital get a lower interest rate than the shares of other financiers?

The main reasons for such opinions and revisions are, of course, the changes in environmental conditions. It is a pragmatic adoption in order to apply efficient methods for raising equity capital. It is impossible to tell if this also implies a changed attitude to the values of equity and equality - a fair distribution of benefits between capital and labour. An interesting question in this context would also be about the experiences of the balance between the interest rate as a cost of production and as an incitement for raising capital. I have not been able to enter deeper into such questions. The motives, however, when discussing and revising the Principle of limited interest seem to be mainly connected to the issues of how to raise capital. For the investing part of the co-operative sector it is probably more usual to take the standpoint that this Principle should be totally abandoned. The ICA Banking Committee expressed this clearly at the ICA Central Committee in Berlin last autumn (see my final recommendation in chapter VIII).

2.3. Nominal value or changing values?

Closely related to the above are the discussions, and to an increasing extent also the applications, about how to let (members') shares reflect the economic value of the society. The nominal value principle has always been looked upon as an "Achilles' heel" of co-operatives and as a serious "non-incentive" for members and others to invest in co-operatives. Two of the arguments for a change are:

- How is it possible to encourage members to invest more (or to attract capital from outside sources) if they do not get a chance to participate in the increased value (property) of the society as a consequence of their invested capital? (The "management" perspective).

- Why is it necessary to become so wealthy as a collective? Why should not the individual shares also get some benefits? (The “member” perspective).

Such issues start to make the relationship with traditional values a sensitive one. One can say that this reflects an increasing tendency to want the bread buttered on both sides. The “old” answer is clear-cut: the benefits of the co-operatives should, as much as possible, be reflected by the services to members, and to some extent by the part of the surplus paid back to the members in proportion to their use of the society. Capital should be considered as a means to obtain these results and should not get any special reward except a limited rate of interest, previously determined. This stand is easy to maintain from a consumer co-operative point of view, when the capital investments are relatively small. On the other hand, it is much more difficult from a producer co-operative point of view, especially in periods of success and when the values are increasing.

Gains (or losses) on individual shares have never belonged to the mainstream of traditional co-operative theory and practice. I do not know how widespread these tendencies have been during recent years. They seem to be increasing as more of the members are becoming “investing partners” and not so much interested in the services of the co-operatives. Perhaps this is most critical for agricultural co-operatives, as land is taken out of production and an increasing number of members are no longer active farmers, but still want to retain their membership. Nevertheless, these are signs of changing attitudes to (re-interpretations of) basic co-operative principles, and they move co-operative organizations closer to capital associations. The next logical step is to transform those into joint-stock companies.

2.4. Individualized capital

In connection with the above, the old question about the proper balance between collective and individual capital has resurfaced. In order to avoid too much non-allocated collective capital some co-operatives, for instance

agricultural co-operatives in the USA, have practised a special method: instead of ploughing back part of the surplus as non-allocated capital they issue new shares every year to the members (according to their use of the society), corresponding to part of the annual increase in collective savings. These shares have no voting rights, have a nominal value and cannot be redeemed until a specified time. In this way, the capital goes on to work in the co-operative, but the collective character is transformed into a more individual one.

“ . . . few American co-operatives rely on the accumulation of non allocated earnings, frequently called surplus, to capitalize their co-operatives. The reason is really very simple: members do not feel that they have a committed investment in their co-operative. Complacency by members often follows and results in loss of control. The co-operative’s management then views the capital and its use as discretionary. This often results in investment unrelated to member-use of the co-operative and thereby erodes the basic nature of the organization itself. In some cases, the co-operative evolves into just another business that happens to be partially owned by farmers. The orientation to the farmer as the primary beneficiary is lost.”

R. E. Torgerson, USDA (speech to Danish farming co-operatives 1989)

Such issues have recently been analyzed in an interesting way by Jacobsson/O’Leary (1990) in relation to the serious and challenging experiences of Irish dairy co-operatives (c.f. Nilsson 1991). To some extent these have been transformed into stock companies in various ways and have introduced their shares on the stock exchange markets. Since these co-operatives had traditionally ploughed back much capital from their surpluses and so built up “hidden” values, the members have achieved a rapidly-increasing value on their shares when introduced at stock exchange markets. They have suddenly become individually rich. Some members have sold their

shares, transforming their savings into money for consumption, and the ownership of the societies has been changed in unforeseen ways.

Issuing special shares might be a co-operative alternative to the transformation into a joint-stock company on the stock exchange market. Members can be said to have a return on their investments; not as raised share values, but as more shares according to the success of the society. This also might encourage the members to make larger investments and make the capital less “anonymous” in the eyes of the members. This might also help to strengthen the responsibility of management, since the members will control larger parts of the capital. On the other hand, this brings into focus the old question about the proper balance between individual and collective equity capital in order to obtain a stable co-operative performance. The central power of the society as a whole might become weaker through such methods, especially if there is a heterogeneous membership and conflicting interest between members. At the same time, however, such methods seem to “favour” larger members, since they have greater economic transactions with their societies and will consequently get more shares.

I do think that these are important issues which deserve further analysis, as such methods might offer some solutions to the problems of value-based shares.

For co-operative organizations in the Eastern European countries these issues of relations between individual and collective capital are crucial in their on-going process of transformation. The discussion, however, is carried out against quite another background of experiences, because the collective capital has been state-owned. In the new approaches, it can be observed that the pendulum has swung towards forms of individualized capital formation, as for instance could be heard by reports at the last Central Committee meeting in Berlin (October 1991). Such an emphasis on individual capital is quite understandable in these periods of reconstruction. But in the longer perspectives it is crucial to consider the proper balance between individual and collective capital, and especially the ways to guarantee that the co-operative will stay in the hands of its members.

2.5. Conclusion: Capital is becoming more than a “servant”

Turning to conclusions so far, one can say as a general judgement that these have mostly modified the interpretation of the traditional co-operative values and of the principles based on them. The basic structures are mostly maintained, but the place and role of capital have become more appreciated. It still has the role of servant, but a more distinguished and influential servant. Some aspects are especially problematic:

- * There might be increasing tendencies to draw interest away from the co-operative activity in itself and from the purpose of the co-operative in serving its members. This is further emphasized by practices that give individual capital a part of the increasing value of the society.
- * Restricting the growth of collective capital by turning more of the capital formation into individual capital is interesting for the future. There are some risks, however, with such applications. These need further analysis with reference to practical experiences before any conclusions are drawn.
- * It will be dangerous if it becomes too easy to substitute other sources of capital for member capital. In other words, the members' capital will no longer be so important, nor will active member participation in financing.

These conflicts do not seem to be insurmountable. It is a matter of how much these new applications are used, and in which part of the co-operative activities. It is a question of pragmatic balancing for wise and committed co-operators and managers. The demand for innovative applications for co-operative capital when looking to the future justifies some pragmatic reinterpretations of the traditional co-operative values.

All these new approaches, however, sum up in the crucial issues of how to make shares redeemable and transferable. This will sooner or later call for some kind of markets as alternatives to the usual stock exchange markets: some kind of a co-operative “market” for co-operative shares, nationally and internationally, in order to keep the transactions within “the co-operative family” or just to make the shares transferable and hence attractive for investments. I have not seen much of such applications, nor discussions about them, because we have never needed them. The Mondragon model seems to be of crucial interest in this context, where the bank has the strategic role as a “clearing house”, serving as an active link between those parts of the co-operative movement which have capital to invest and those which need investments.

If we go on with these kinds of applications, we will eventually need some kind of co-operative “market” solutions. Perhaps some international capital funds?

3. Co-operative joint-stock companies

The easiest way to “solve” many of the above issues, from a viewpoint of economic efficiency, seems to have been to apply the joint-stock company form of organization. Until now, this has mainly been used at the secondary and tertiary (union and federation) levels, but there are also an increasing number of examples at primary levels. The latter is especially true of the development during the 80’s.

There are many ways in which co-operative activities may be transformed to the joint-stock company model:

- 1) The stocks might be totally owned by the individual members themselves, or by primary societies at the secondary and tertiary levels.
- 2) The stocks might be partly owned by individual members, by primary societies, by co-operative unions together with other persons and/or organizations etc.

- 3) The stocks might be mostly or partly co-operatively owned, but introduced on the stock exchange market and so available to be sold or bought. The shares gain value and become transferable. Of course, only profitable parts of co-operative activities can use this way.

There are so many variants and mixtures between 1) - 3), I cannot go into details here. It should be noticed, however, that a transformation into stock companies might be carried out in many ways. There is not just “one way”, as the discussions often tend to imply.

3.1. Pragmatic approach

Methods 1) and 2) above are used quite often. The first is usual for applications of “co-operation between co-operatives” at the union level in order to organize common activities. For several decades it has been seen as an efficient way to handle these relations, often motivated by the prevailing tax system. The capital formation motive has been there, but not as the outstanding motive. The same is true for 2), even if the intention to facilitate capital formation has been more emphasized; this way has also been increasingly debated during the co-operative history and in later decades.

One can say that those models have been considered as just a pragmatic way to organize some types of co-operative activities, nothing more. In order to maintain co-operative characteristics the company by-laws have often been supplemented with special rules for voting, selecting the board of directors, redemption, selling stocks, etc. The characteristics of the stock company model have been “tuned down”.

During the 80's the capital formation motives seem to have increased in importance. Environmental change has made the joint-stock model more efficient. Model 2) has mostly been used to broaden ownership in order to bring new knowledge and capital in to co-operatives, especially at secondary and tertiary levels. This mixture of ownership has been regarded

with some suspicion by co-operators, since it seems to contain a conflict with the widely-agreed principle of unity (chapter II section 3). The seriousness of such conflicts, however, depends on what part of the co-operative activity this model is used for and on who the co-owners will be. Usually, there have been co-owners with interest in the long-term investment rather than in short-term speculations: mostly other co-operative organizations and insurance and pension funds (depending on the legislation), which have an understanding of co-operative aims. The co-operative organizations themselves have also been in the position to decide which co-owners they prefer.

The problematic aspects of the stock company will emerge when, and if, not only the form, but also the logic and the characteristics of the joint-stock company are transformed to co-operative activities and thinking. The 80's have been characterized by an enterprise culture in which joint-stock company principles have become dominant, popular and "in mode". So, it would be surprising if co-operative organizations had managed to remain totally outside such influences (see chapter VI section 3.3).

3.2 The critical step

The critical step in this respect is especially connected to model 3). The use of this model is quite a new experience for the 80's and taken by itself, without any reference to contexts, implies a break with most of the traditional basic co-operative values. The long-term danger, as has been expressed by many, is above all that such applications will gradually phase out member control and participation and start to introduce new interpretations of the values of equity, equality and mutual self-help. From a co-operative value point of view, in the long term, such transformations are like playing with fire.

It needs to be emphasized that, looked upon in isolation, these applications can never be seen as co-operative applications. The only co-operative

value in such applications goes back to the fact that they are made by co-operative organizations and more or less owned and managed by co-operatives and by co-operatively committed persons. It is an extreme expression of pragmatism, nothing more, but hopefully with the possibility of being transformed back to co-operative forms at some time in the future.

I have, however, seen and heard interesting explanations of motives which have changed my (in this respect) dogmatic mind. Such applications might be efficient in some parts of the co-operative activities where:

- 1) the needs of the members are peripheral and marginal,
- 2) the risk is considered too high to use members' savings,
- 3) the need for risk capital is large, and difficult to foresee and to raise in traditional ways,
- 4) the conditions of the environment (taxes, the stock exchange market, investors) favour these applications.

Against this background, the question is raised: should these activities be carried out by a co-operative organization at all? If the members' needs for these activities are highly doubtful the traditional answer would surely be "no".

3.3. A crossroads

This takes us to a crossroads for the future. Because it cannot be true that all activities which are not immediately and directly needed by the majority of existing members should be abandoned: or can it? In this case, the co-operative sector will have great difficulty in diversifying by expanding its activities to new areas.

Co-operative organizations must certainly maintain their basis in the traditional areas, those which reflect the needs of the existing members. But, on the other hand, it is not possible to simply “hand over” new parts of the future to other organizations. This has been done too much already during the past decades: co-operative organizations have mainly been outside the whole expansion of people’s motorization, for instance. Why not a “co-operative” Volkswagen, Mazda or Volvo? Co-operatives have also been outside the electronic revolution - and now we are seeing the high technology new service industry as a need of the people. Are co-operative organizations ready? So, with this kind of approach, the constructive question should be: who will take the responsibility for developing co-operative activities in these new areas? Are we going to wait for some new co-operative pioneers from outside the existing co-operative organizations? And what is the proper form necessary to make contributions in these areas of activities?

One solution might be co-operative development institutions to encourage innovations and the forms of organizations to carry these out, for instance in connection with co-operative development banks with the aim to pool resources and to actively channel them to interesting projects of this kind. We are, however, not there for the time being. Of course, there are some consulting bodies, but not coupled with this kind of capital for these kinds of investments; and probably not with the necessary “know-how” and “development spirit” either.

3.4. A long-term transformation?

In my interpretation of my discussions with committed co-operators the only possible short-term application within the prevailing institutional situation has been to use the stock company model, even introduced at the stock exchange market in order to get capital. This has been done only after careful discussions and consultation with the members. The alternative has been to do nothing. Well done, it might also be combined with visions for the longer term, in which those stock companies could be transformed back to “real co-operative organizations” again. Why not, to follow Knud

Ollgaard (introduction) among others, develop visions with forms of association, where the membership is built up as a combination of primary members, employees and co-operative investors (c.f. 4.2 below)? In other words, visions that make these applications temporary measures with a return to proper co-operative forms of development for the long-term future?

It is much too easy to escape to the temple of co-operative orthodoxy: in other words to do nothing. However, the contexts within which such applications are made are the crucial point. Looked upon as isolated phenomena, such applications are alien to co-operative values. But within the context of a good co-operative climate and a long-term strategy for co-operation? Not necessarily, in my opinion. But again: the more pragmatic the applications, the more important it becomes for co-operators to have a deep and a long-term faith in co-operative ideas! Otherwise such applications will soon move outside the sphere of co-operative values and stay there.

So, there is a delicate balance between co-operative orthodoxy and pragmatic creativity - of course within an overall climate of co-operative consciousness.

3.5. A pragmatic strategy

From the above we can see that some co-operative practices are coming increasingly into conflict with traditional values: the members are taking less part in co-operative activities, their identity with the co-operative whole will weaken and the organization's autonomy is threatened. This is especially true for the use of the stock company model where stock has been introduced on the stock exchange markets. Here we approach the outskirts of co-operative values, and there is an apparent risk that the activities will move totally outside the control of the members. The activities will be looked upon only as capital investments, not as something of interest in itself. I agree with all those who have said that we must be very careful when taking this step.

However, it does seem that there is currently a need to get access to capital for expansion of co-operative activities, to gain expert knowledge and to enter into new and innovative projects, especially internationally. As I said in chapter IV, we must apply a diversified and pragmatic approach. It is not realistic to rely on member capital for all activities if the co-operative way is to have an overall impact in the future. The leading principle should be member democracy, participation and control in vital parts of the co-operative organization. These must be characterized by a high degree of identity and autonomy. In other words, those which are close to the members, and those which directly concern the needs of the members. In other parts of the organizations this leading principle can be modified; the interest of the members can be represented more indirectly and other financiers can be brought in.

Such a strategy might be the following:

- 1) The primary societies should be organized as member societies, where the members are the (main) owners of the capital. Mostly according to the “user” unity principle, but also according to various co-partnership views of the concept of membership.
- 2) At secondary and tertiary levels there might be various forms of organizations:
 - * The union should be owned by the member societies and organized in the society form.
 - * Common functions and activities closely related to the member interests should be owned by the members and organized either as a society or as a stock company with special by-laws. The choice depends on the environmental situation, for instance the tax system.
 - * Common functions and activities of special character and more

distant from the member interests might be organized as stock companies with ownership from other parts of the co-operative family, or partly also from outside, in order to attract long-term capital and “know how”.

- * Joint-stock company models with stock on the stock exchange markets might be used to a limited extent for activities of marginal or no interest for the direct needs of the existing members, which require relatively large and unplanned amounts of risk capital.

I understand that this strategy coincides with the co-operators’ views on practical applications. We must realize, however, that this is only a way to raise and administer capital more easily. It does not imply that members are not interested in these activities; that would be no less than a fatal mixture of basics and practical necessities. The members must be given all the opportunities possible to participate in these activities, by continuous information, etc. By members, I mean primary members: the basis of co-operative democracy. We always put forward the view that all co-operative activities are of interest to all members, and encourage that interest.

These strategies imply a delicate balance between pragmatism and co-operative values for the future, a touchstone of the overall co-operative leadership. Because we are starting to climb a tiger: the more the total organization is characterized by the stock company model, the stronger is the risk that the co-operative culture will gradually be influenced and characterized by the basic principles of such ways of organizing. The countervailing power will be, now as before: committed and conscious co-operators in management, membership and among leaders and employees.

4. Capital co-operation between co-operatives

It has long been observed that the co-operative way needs active means of capital formation in order to pool “idle” financial co-operative resources for use in co-operative development. And vice versa, there is a need for

ways of organizing co-operative capital formation to be able to receive capital from such sources. In other words, we need effective models for “co-operation among co-operatives” in the area of capital formation.

There are various examples of such models, and there is increasing interest in these; in Italy and France for instance, and in many of the Co-operative banks worldwide. The Credit Union Movement is growing in importance, and there are on-going plans within the European Common Market to establish closer financial co-operative networks. I have never, however, seen any survey of these development tendencies, especially during recent years.

On the other hand, I have the impression from co-operators, that (too) much of our potential financial resources is not co-ordinated enough and that (too) much is disappearing outside the co-operative sector, thus helping to support our competitors. I cannot estimate the amount of this, but I see it as a bad tendency in times when we need to economize with scarce co-operative resources and to make them effective in productive co-operative use!

Below, I will briefly draw your attention to two examples, still at the micro level, but interesting as heralds for the future.

4.1. Pooling resources for development

The Mondragon model is especially interesting in this context because of its capacity to use scarce co-operative savings wisely for development in the local community. The bank is serving as the multiplying link between savings and productive needs, as do all banks of course, but supplemented with an active and highly competent department for giving advice on the allocation of resources from an overall perspective and on management aspects. (There are examples in other parts of the world. See for instance Soulage 1989, Ravoet 1990).

We need similar solutions on a larger scale in the future, at local, national,

regional and international levels. Regarding the last-mentioned, we had some visions, and took early steps to build up an international co-operative financing system some decades ago. These have been repeated several times in reports, speeches, motions, resolutions etc. We had INGEBA (the co-operative world bank) and some others, but never succeeded to implement our vision at the global level. Today, we have a successful world credit union movement, the co-operative banks and the co-operative insurance companies. How about collaboration between these, for instance to develop some types of regional “co-operative development banks” working together with the ICA regional offices?

"That brings us to the second of the persistent dreams of co-operators it is the dream of co-operation among co-operatives. In this case, it is the dream of a worldwide network of co-operative banks. Of course, there are already networks of co-operative banks.... But the dream of an inclusive, worldwide network of co-operative banks remains elusive.."

R. Beasley in ICA Banking Journal, 1990

Such institutions are vital against the background of the needs of the Third World countries, and now also of the former USSR and Eastern Europe. Lacking this, we are too dependent on other banks and on the World Bank. I have not heard any complaints about their services, but still the co-operative sector is of marginal interest in these contexts. We need some “regional co-operative world banks” and a “co-operative world bank” to pool co-operative financial resources and to specialize in active co-operative development. This is a challenge for the thrift and credit co-operatives, the co-operative banks, the insurance and the housing co-operative parts of the world co-operative sector in particular. These are mostly on the “supply” side of these resources and might consequently be expected to be those in power for active initiatives for experiments and innovations.

A cry for the moon? Perhaps, but I prefer that to being a prisoner of the impossible.

4.2. Partners in ownership

Partner ownership has not been very popular in the mainstream of co-operative thinking and practice during most of this century. There have, of course, been examples of it, some of them successors of the co-operative ‘‘co-partnership’’ ideas, which were developed and practiced in the middle and end of the last century. Today, such applications with two or more parties as owners have become quite usual, as mentioned above. These are not based on explicit ideas of ‘‘co-partnership’’, they are more of a practical solution to the capital needs experienced. Many sources of capital might be combined in this way (see note 8) in chapter IV).

An interesting way to encourage new lines of co-operative development is the Canadian ‘‘Stakeholder model’’, developed by Co-operators and with its roots in the Canadian insurance co-operative movement. Of course, I cannot describe it in detail, but the main thought is that membership should be open to those for whom the activities are important, those who have a stake in the activities: usually the customers, the employees, the financiers and perhaps the suppliers of, for instance, raw material. These form a member association, contribute with capital and apply special rules for voting rights and distribution of benefits, etc, which are close to the common co-operative principles.

The particularly interesting aspect of this model is the conscious linking of financial resources with new co-operative development. A common problem for new co-operatives is raising the capital necessary for the initial stages of development. The main role of the financiers is initially taken by the insurance co-operatives (c.f. the Mondragon case) that, to start with, invest quite a large part of the owner capital of the co-operative. But, as the development has begun to be stable, the co-operative association will successively redeem some of that capital in order to get a balanced composition of the capital among the ‘‘stakeholders’’.

This model also gives the insurance co-operatives an opportunity to invest some of their resources to encourage co-operative development. Although this practice has only had a brief history, experiences to date are good.

- * *The Co-operators believe people have a right, and a responsibility, to influence the direction of their organization and share in its results according to co-operative principles and values.*
- * *The Co-operators have a fundamental respect for people, as individuals and collectivity.*
- * *The Co-operators are committed to delivery of excellent products and service.*
- * *The Co-operators value growth, expansion and dynamism.*
- * *The Co-operators acknowledge what is right and what is true as standards for our activities.*
- * *The Co-operators pursue open and honest communication.*
- * *The Co-operators believe in an organizational culture which promotes the spirit of teamwork and team approaches to management.*
- * *The Co-operators believe in a socially-responsible co-operative organization.*
- * *The Co-operators are an integral part of the co-operative sector and have an active presence in the business sector.*

The Co-operators' Core Values

4.2.1. No limits

The objections from the traditional value point of view will be about the deviation from the “unity” principle, i.e. that the user of the services should also be the member and the owner. In this context there are, of course, serious objections. These, however, depend to quite an extent to which activities these models are applied, and who the co-owners will be. Probably, this model has its best applications in contexts where there are some common overall aims and interests, for instance in developing a local community (as in Mondragon) or to make co-operative profits. Probably, this model also has its best applications in small- and medium-sized industries and in various forms of service production. It also offers a solution to the problems of new co-operatives in entering capital-intensive areas of activities.

The practical applications are few (as far as I know), but those which exist are successful. It is consequently important to study these experiences and to test them on a larger scale. They might be combined with, for instance, the “development banks” mentioned before. In fact, there are no limitations on the possibilities, only our imagination is the limit - and, of course, our will to put this into practice. We need more such “brave experiments”. The conditions for this will increase in the future, when the “human capital” gradually replaces “financial capital” in importance. In post-industrial societies especially, this will become a significant character of economic life as will the potential for such co-operative solutions. I also think that this is a model for co-operative community development at village levels.

4.3. Need for overall approaches

Most of the issues of capital formation have been oriented towards how to raise capital inside co-operative organizations. This is symptomatic of the traditional co-operative approach, because co-operatives have focused on member-raised capital and on capital as an agent of production. We have not used the same energy and creativity in considering proper ways of overall financial management at co-operative sector levels, for instance how to efficiently link together various sources of co-operative investment resources to various co-operative needs for development capital. My general impression is that we are lagging behind in these contexts. Perhaps I am unfair and, of course, I hope I am wrong. I hope there will be strong objections from the banking co-operatives and the insurance co-operatives in particular, saying that they are full of such ideas, ready for implementation. Because I do think that we must organize capital much better within the co-operative sector locally, nationally, and internationally.

There have long been dreams about this in the international perspective. We need some co-operative financial statesmen to transform these dreams into reality!

5. The main principle: member-based capital

In this chapter I have tried to balance the traditional co-operative view on values with a pragmatic view based on changes in co-operative reality. It would have been much easier to stick to the traditional values and consequently consider most of the new plans and applications as conflicting with, or as outside, the co-operative way. I cannot do this, because I do not think that these times of rapid and radical changes in the environments for capital formation can justify too orthodox a co-operative position.

In the co-operative context of economic democracy, the members are the basis. So, I totally agree with H. Nielsen, K. Ollgaard and J. H. Pederson (interview 1991) of the Danish Farmers' Co-operatives, who stress that we must not give way in these times of "the fashionable stock exchange market" to the temptation to abandon the member orientation in capital formation. We must first seriously examine the member-based way, before we consider any other. Let that wise statement represent the overall conclusion of this discussion about the crucial issues for future capital formation.

Recommendations

- 1) The ICA Principle about "restricted interest on capital" should be abandoned as a special Principle. The situation is changed in most contexts, and the need to compete for savings and capital has increased. It now only partially reflects an "essential principle". Instead, I will suggest that this Principle is included in the Principle about the distribution of surplus. Still, it is probably necessary to maintain the limited character of the interest rate, even if the limited degree might be moved upwards towards some level above the official discount rate (see chapter VIII).
- 2) The main aspect of capital formation (the "essential principle") for the future is the independence, autonomy and stability of the co-operative association necessary to provide services to the members

and to keep the society in the hands of the members for democracy and participation. I recommend a special Principle with this orientation (see chapter VIII).

- 3) It is necessary to more closely examine ways of developing bodies to pool finances in order to economize scarce resources, initiate new co-operative development projects and to combine supply and demand in more overall ways. The bodies for this might be “regional co-operative development banks” and ultimately a “co-operative world bank”.
- 4) The various tendencies to make member shares reflect the value of the co-operative society are deviations from traditional co-operative principles. The various methods, used or planned, ought to be studied more closely by the ICA.

Notes

This chapter is mostly theoretical in character. I look upon the co-operative theory and ideology behind it as common co-operative knowledge reflected in textbooks, articles and reports on capital formation. See also many of the references to chapter II above. For a recent survey of this, and for discussions about main methods of applications, problems, etc, I refer especially to Chukwu (1990, chapter 2), the Plunkett Foundation Yearbook of Co-operative Enterprise 1989 (part II) and 1990 (part I) and ILO (1988, chapter 12-14). Some of the contents are based on non-written material, such as interviews, lectures, conferences, etc.

VI. CO-OPERATIVE EFFECTIVENESS AND EFFICIENCY FOR THE FUTURE

Some concluding discussions

“Many visitors ask me what has enabled the Nada Kobe Co-op to grow into such a large thriving organization over this long period of time? In putting together an answer three underlying principles become clear: (1) Immutable Spirit (2) Progressive Management (3) Respect for Human Dignity. I have always tried to transform these into a responsibility as a co-operative leader,

- * to encourage the understanding of the philosophy of Co-operation*
- * to develop the basic character of Co-operation as associations of persons*
- * to engage persons in the co-operative movement, who have the capacity and the will to carry out the basic ideas into economically efficient applications in the contemporary society*
- * to combine the competence of elected laymen and of the professional skills of our board in decisions and in our daily activities.”*

I. Takamura, President of Nada Kobe and JCCU (interview, 1990)

The previous chapters have dealt with some main aspects of co-operative effectiveness: the basic values (chapter II); problems encountered in development during recent decades (chapter III); democracy, participation and mobilization (chapter IV); and capital formation and transformation of structures (chapter V). In this chapter these are discussed within the context of overall co-operative effectiveness before the conclusion (chapters VII and VIII): identification of the viable long-term value orientation and the proper principles for the future¹.

1. An overall tendency

The experiences of the past decades, especially the 80's, reflect a pattern of priorities behind the overall co-operative effectiveness. There are individual nuances, variations and exceptions; but overall, particularly for the co-operative organizations of the industrialized countries, experience seems to indicate the following²:

- * Overall co-operative effectiveness has usually been interpreted in a more restricted way in relation to the values. Many co-operative organizations have begun to identify themselves less as a movement and more as organizations, enterprises and companies.
- * The highest priority has usually been put on economic efficiency which has been interpreted in ways which have tended to move the co-operative organizations closer to capital associations. This has influenced the character of the whole organization and its culture.
- * Relatively less priority has usually been devoted to methods of co-operative democratic effectiveness and efficiency. Perhaps this has, to some extent, increasingly emphasized democracy as a means rather than as an end in co-operative contexts (a method for decision-making and participation, rather than a value in itself).
- * Relatively less priority has been given to communicating the co-operative message to society at large and to demonstrating the long-term purposes of the co-operative way.

1.1. Rational priorities for the future?

This gives rise to the crucial question: does this pattern of priorities also reflect "co-operative rationality" for the future? Is this how we should give priority to the intended values? Because, certainly, this will also create a corresponding pattern for the realized values.

I have the general impression of the past decades, especially the 80's, that these tendencies generally reflect pragmatic adaptation in a period of unusually difficult environmental changes. Perhaps, to some extent, these also reflect changing power relations between overall views on "economy, democracy and ideology" within the co-operative organizations as well as in society at large: the 80's was a very "economic" and "capital associative" decade, and it would be surprising if co-operative organizations had managed to avoid being influenced by this.

However, I hope that I am correct in my impression that there is an ongoing tendency to turn to broader and deeper outlooks on co-operative effectiveness expressed, among other things, by increasing concern about the basic co-operative values and principles. There are many examples of this worldwide, especially during the late 80's, when many organizations carried out campaigns, conferences and participatory processes among members to discuss and identify the values with a view to the future. This was also what the Stockholm ICA Congress (1988) aimed at with its unanimous recommendations.

2. Economy and democracy

Do these priorities of recent decades reflect increasing conflicts between economic and democratic effectiveness; perhaps some inherent and absolute conflicts which have now been brought to the surface? Opponents to economic democracy ask us: Why are you co-operators so economically stupid that you burden your economic efficiency by introducing an extra obstacle to your decision-making?

The traditional co-operative answers are clear - there are always short-term conflicts between "democracy" and "economic pragmatism" when it comes to the use of scarce resources in contemporary society. This is a commonplace experience and calls for short-term priorities. In the long run, however, co-operative democracy and economy must be combined. The challenge is to combine the efficient methods for economy and democracy at all levels of co-operative activity. And we can see that those

co-operative organizations which have succeeded in this challenge have also been economically successful. A viable co-operative is characterized by a combination of a strong economy, a living democracy and a relevance to the community at large. These are mutually interrelated and support each other³.

This has been said many times throughout co-operative history, which is not surprising, since such statements have always had the character of postulates in co-operative thinking and principles for practice. What do recent experiences tell us? Are these statements also true for recent decades?

When starting my preparatory work I had the intention to examine this in more detail by identifying the success criteria of the good examples from co-operative experience: by stating the “co-operative excellence” so to speak. This was more complicated than I expected, because there are few such evaluations, at least few are easily available. Nor is there much research on such aspects, because research seems to be oriented more to problems than to success. Anyway, some tentative conclusions may be drawn from the experiences expressed by co-operators and from research contributions.

2.1. Some experiences

The consumer co-operative organizations seem to be those which have had the greatest problems in applying democracy effectively during recent decades. Fortunately, there are some comparative research contributions regarding this part of the world co-operative sector: one from the Vienna Co-operative Institute (Brazda/Schediw, 1989) and one from Saxena/Craig (1990). I draw my conclusions from the latter, which used the former study as a basis, supplemented with additional data and extensive interviews with co-operative leaders. One of the aims of the Saxena/Craig

study was to examine the thesis about supporting relations between economic and democratic effectiveness since the 1960's. Its findings are summed up in the table below:

Table 1. Consumer co-ops, market share & management style

Performance since 1960	Co-op systems*	Food market share	(A) Members put in significant capital	(B) Members involved in 70-80s to shape services
Failed	* Netherlands	-%	no	no
	Belgium	-%	no	no
	* France	-%	no	no
	Canada (Quebec)	-%	no	no
	(Ontario)	-%	yes	no
	USA(Berkeley)	-%	no	yes
	(Washington DC)	-%	no	no
Losing market share	* Germany(Ag)	7.0%	no	no
	* Great Britain	6.0%	no	no
	Canada			
	(Western prov.)	%	no	no
	* Finland	37.0%	no	yes
	* Austria	5.7%	no	yes
Market share stable/increasing	* Sweden	21.0%	yes	yes
	* Japan	1.4%	yes	yes
	Norway	25.0%	yes	n.a.
	Canada(Calgary)	35.0%	yes	yes
	(Atlantic)	%	yes	yes
	* Germany(Dortm.)	14.2%	yes	yes
	* Italy	2.7%	yes	yes
	Denmark	33.0%	yes	yes
	* Switz.(Coop)	12.0%	yes	yes
	(Migros)	%	yes	yes

I have borrowed this table from Annals of Public and Co-operative Economics (vol 61/1990). The figures indicate trends from 1960 to the mid- or late 80's and show that (in the words of the report) "The dichotomy between economic and ideological considerations is imaginary."

Similar conclusions are found in studies of individual consumer co-operative organizations, for instance in Sweden, and in detailed studies about the Finnish co-operative movement⁴. My experience of individual

co-operatives in Sweden shows the same picture, and during my preparatory work I was able to visit the successful Japanese co-operative movement, which also demonstrates a strong supporting evidence of this. Regarding the Dortmund consumer co-operative, one of the surviving successful co-operatives in Germany, the report says:

"To sum up: the principal factors responsible for the success of the Dortmund society are: (i) careful short and long-term planning taking into account the merging future trends in retail trade; (ii) carefully devised financial, educational and training policies; (iii) a programme for motivating, and ensuring the loyalty of members and, as a result of all these (iv) generation of surplus and the sharing of the results with members leading to the projection of a positive image of the society to the public."

Craig/Saxena, 1990

The same type of practical evidence can be found for producer co-operatives, even if their conflicts seem to be less serious. The members have a greater stake in their societies and they usually have no alternatives, especially not in the short-term. They must keep to their societies and make the best of them. Nevertheless, there is evidence, for instance, from worker co-operatives saying that those which demonstrate a high productivity are also those which have maintained a good democratic spirit and a consciousness of the co-operative whole (discussion with D. Jones, 1990). Experiences expressed about, and studies of, agricultural and other producer co-operatives tell the same story⁵.

2.1.1. Development effectiveness

With regard to co-operative development in the developing countries, the conclusions seem to be the same. The "new" approaches strongly emphasize the combination of economic and democratic efficiency in various ways. Take, for instance, the concept of AMSAC (Appropriate Management Systems for Agricultural Co-operation) of the FAO for human resource development, which from long-term experience has come

to the conclusion that an effective co-operative performance must be built upon five pillars (Münkner/FAO, 1991):

- * Participation by farmers and rural groups at village levels.
- * Professional management by persons who get training in both proficiency and co-operative understanding.
- * Integration by building up networks for all activities within supply, production and marketing.
- * Diversification of the activities in order to make the farmers less dependent on one single cash crop.
- * Training as the predominant tool to improve the competence of all persons participating in the co-operative process.

The famous Anand Co-operatives in India have similar experiences: a viable co-operative - in order to become financially strong, achieve efficiency and provide services responsible to farmers' needs - must be characterized by the following institutional properties (Singh, 1989):

- * Democratically elected boards.
- * By-laws which ensure a democratic process.
- * Management and ownership of assets by the co-operatives.
- * Autonomy in pricing, marketing and appointment of personnel.
- * Employment of professional managers by co-operatives.
- * Total control of the organization in the hands of the members.

As I have understood it, the recruitment of management is the crucial part of the Anand Co-operatives' strategy. Especially in the introductory stages, management has a key role to play in leading the co-operatives towards efficient economy and democracy.

"The basic philosophy of the Anand co-operatives is to combine India's greatest asset, the power of its people, with professional management in a vertically integrated co-operative structure that establishes a direct linkage between those who produce the milk and those who consume it, either as milk or milk products, eliminating all the middlemen".

Singh, 1989

Many more examples encountered in my preparatory work tell the same thing: direct observations, reports from the ILO, Committee for the Promotion and Advancement of Co-operatives (COPAC), individual research reports, etc. The old discussions within the ICA at the beginning of the assistance policy (especially the Congresses of 1960 and 1963), followed up by the ICA development programme from 1982 and later (survey of B. Thordarson to the 1988 Congress about the past 30 years) are confirmed by unequivocal experience: economy and democracy belong together in a viable co-operative development.

I will not overdo the search for practical evidence; this is not overwhelming "proof" in scientific terms, but it is sufficient to demonstrate the truth in what many co-operators have expected and believed. Impressions, witnesses and examples are enough to demonstrate that the old co-operative statement is still going strong.

2.2. Principal considerations

Such types of practical evidence always raise the question about causal relations: does a good economy create a good democracy, or vice versa? Should experiences be interpreted as a "recommendation" to first develop

a strong economy, because that induces a strong democracy? The answer is: there are no such simple one-way relations in this context; a strong economy and democracy are interrelated, particularly over longer periods. Although I use the consumer co-operative framework, the reasoning might equally well be transformed to other types of co-operative.

It is a basic and common observation that the special power of co-operatives has always been connected to its collective character; members have pooled their resources in order to do what they cannot do as individuals. That aspect can be expressed in economic terms: as long as the co-operative association can maintain this character, the co-operative will be able to keep its costs relatively low and to more effectively demonstrate the economic benefits to the individual members and to society at large. Because, as long as this is the situation, the co-operative organizations need less resources to “persuade” the users of the services and their transaction costs can be minimized. The “market” will, so to speak, be internal and will be more stable. It will also become characterized by relations of solidarity and of mutual confidence between the members and their society.

Co-operators are not the only ones who have detected these advantages. This is the main reason why private business are starting member clubs etc: to build up such “inner” markets. In a broader view, this goes a long way towards explaining the strength of the multinational enterprises; these have “internalized” the international market and partly moved it within their “own walls”. Moreover, this is the main motive behind all the current discussions about “business networks”, etc.⁵.

2.2.1. A weakening collective base

When this traditional character becomes weaker problems in economic effectiveness will emerge. This might happen when too low a priority is put on the methods of reproducing democracy and participation, and/or when the members are increasingly looked upon as ordinary customers.

The “internal” character of the co-operative market will become more “external” and the co-operative organizations have to use similar methods to other enterprises to sell their services, which involves a larger investment in marketing. It becomes more difficult for the members to detect the difference between being a member and being a customer. The advantage of low transaction costs will decrease as more resources have to be used to approach the market efficiently.

I have touched upon these theoretical aspects of this process of development since this is what has been going on especially in parts of the consumer co-operative sector, not only at the primary levels between individual members and their society, but also, and in some cases more often, at the federative levels between member societies and their common instruments, usually managed by the unions. The bonds between the union and its members seem to have become weaker, the usual “market idea” being applied to their relationship, the individual member societies have turned to private business for services, and facilities such as factories, warehouses etc. have had to compete for their co-operative business contacts. Transaction costs have increased, as have the costs of excess capacity. This has made the services of the jointly-owned facilities less favourable and increased the tendency to turn to private business.

The result is a vicious circle that has eventually ended up in the necessity to close down jointly-owned facilities and to look instead to private enterprise. This is perhaps profitable in the short-term, but what about independence and strength in the long-run? (These aspects will become crucial also in our efforts to build up international economic collaboration, see below).

Such tendencies, both at primary levels in relations with the members and at the secondary levels, reflect the lack of a long-term balance between efforts to reproduce the combined efficiency of democracy and of economy. Yes, there have been increasing difficulties in the environment, but we cannot totally hide behind these. The process is also self-made, and step-by-step it threatens economic efficiency since it erodes the basis for the “inner market”, one of the main powers of the co-operative way (see

chapter IV section 4). At the secondary levels this might also be looked upon as a result of attitudes which are “too much” influenced by the market-oriented philosophy of the 80’s.

The EKA Corporation is a conglomerate, owned and equally influenced by its members. The Corporation's aim is the improvement of people's welfare and quality of life by providing products and services to families and individual consumers.”

The EKA Corporation strives for high profitability, a sound financial structure and steady growth, in order to be able to improve the welfare and quality of life of people.

EKA Corporation, Program of Operation, 1989

There are, however, other interesting reactions to these kinds of issue during the 80’s. Among consumer co-operatives, the Finnish EKA has moved to the other extreme and brought the co-operative activities together within nationally-based organizations. This has certainly reduced transaction costs, and economically it seems to be a successful way. The crucial issues, however, are about the member participation in the longer perspectives⁶.

2.3. Investments in democracy are profitable

So, to conclude, economy and democracy belong together in a viable co-operative in long-term perspectives. Experiences and theoretical considerations support this, and we can, with confidence, rely on the old co-operative statement, based on long historical experience and reflected by the co-operative Principles: “Long-term investments in democracy are profitable investments!”

3. Issues concerning overall effectiveness

A main theme in the approaches to overall effectiveness throughout co-operative history has concerned the proper balance between “economy and democracy”, or perhaps between “economic pragmatism and ideology”. It might even be possible to identify some long-term dialectics between the more pragmatic and the more democratic and ideological views on the co-operative way. And perhaps the pendulum is in swing towards the latter again after the very pragmatic 80’s?

Anyway, my preparatory work has shown that there are many crucial issues in this context:

- * the balance between economy and ideology (democracy).
- * leadership for professionalism and for co-operative commitment.
- * the co-operative society and the joint-stock company.
- * the co-operative federation and the integrated organization.
- * economic internationalization and participatory democracy.
- * social responsibility and economic efficiency
- the visions and the effectiveness.

Since these are recurrent issues, I will make some comments upon them for our discussion of values.

3.1. Integrated economy and ideology

It is a common belief that “economy and ideology” should be combined in co-operative performance; economy and ideology should constitute a unity. Co-operation stands for a system to carry out economic activities in

a democratic way within a framework of co-operative values. Co-operators might have differing views on the interpretation and the relevance of the basic values, but basically agree on this “integrated” outlook. Members, employees and management should have economy and ideology integrated in their minds, as was the case in the beginning and still is the case in small co-operatives, and in the formation of new co-operatives.

3.1.1. Traditional approaches

As soon as the co-operative organizations have begun to grow larger it has become more complicated to carry out this ideal of integration in practice. There has been a continuous discussion about it, which has been influenced by two approaches to the basic co-operative character:

- 1) The more dialectic-oriented approach that goes back to the idea of a “dual character” of the co-operative organization: a social association of persons and the economic instruments of that association.
- 2) The more harmony-oriented approach that rejects the existence of such a dual character and stresses the unity character of the co-operative organization. The distinction between an association and its economic instruments is basically artificial.

To these we might add a third one:

- 3) The power-oriented approach that emphasizes the need to guarantee power to the members and their representatives. This approach might reflect the above, but not necessarily.

It is no use spending time and effort to argue about which approach is correct; this is metaphysics. What we can observe, however, are the experiences of organizational applications and these seem to have reflected the different approaches. Many co-operative organizations have chosen to organize the promotion of “member associative and ideological” issues in more or less independent bodies and the promotion of the “member

economic'' issues in other bodies, almost as in parallel organizations. The integration is supposed to be carried out in a variety of ways, basically by education in all its meanings, but also through a framework of committees etc. and by the overall governing bodies and assemblies. In this way, economy and ideology are supposed to "melt" together.

These applications resemble the usual way to organize national democracies; special bodies for polices and others for executive and administrative functions. In co-operative contexts the most well-known application is the British: The Co-operative Union (for education, auditing, meeting and congress arrangements, research, information, press, printing and publishing, and contacts with the community) and the various unions for economic functions. The practices are similar in other countries.

On the other hand, many other co-operative organizations have preferred to deal with such issues within the same bodies, in more integrated ways and with a general manager with overall responsibility (but answerable to the elected assemblies). There might be a more or less independent status for member associative functions, for instance as staff for the president or for an elected general secretary, but the main character of this way is the integrated organizational approach. This characterizes larger agricultural co-operative organizations and, to quite an extent, also Nordic consumer co-operative organizations, with the significant exception of the Finnish E-movement until the 80's (Ilmonen 1986). One might say that this model is closer to the organization of large private companies and enterprises.

3.1.2. Lessons for the future?

There are nuances and combinations; this is a simplification intended to draw attention to some basics. Both types of application, as said, aim at integrating ideology and economy into an effective co-operative whole, but use different ways. So, the natural follow-up questions are: what are the experiences of recent decades and for the future? Which application is the most effective in integrating economy and ideology as well as efficiently promoting economy and democracy? (In other words to reflect those essential values?)

There are no simple and clear-cut answers. Experiences from recent years, however, clearly indicate an overall trend towards a stronger integrated approach within both these applications. The division into separate bodies have tended to make some parts of the organizations “specialists” either in ideology or in economics and have even tended to create increasing tensions between such bodies, perhaps also widening the division between their views on co-operative issues. The actual development has demonstrated that the so-called “ideological parts” have gradually lost their independent status. During the 80’s these have become reduced, and more integrated with the economic functions. This is obvious in, for instance, some of the large consumer co-operative organizations: the famous Co-operative Union in the UK, the big KK in Finland and the sector for education and information in Swedish KF have become no more than the remnants of what they were in earlier periods.

This was partly due to lack of resources (priorities), but also to outspoken ambitions to update the ideals: “Co-operative ideology should be reflected by economic practice, and economy and ideology should be integrated in the minds of the members, the employees and the management”. We are back to the question: do these experiences reflect the rational way for the future? Will the integrated whole be better reproduced in this way? Or is this perhaps more a reflection of an on-going shift in the balance of the basic power, by which the democratic and ideological aspects are brought under the “control” of the economic aspects?

3.1.3. A combination

The answers to these questions must be left to the future, since it is too early to make overall predictions; the conditions are different, the experiences are new and it takes time to observe the effects. Anyway, there are some risks connected with this very integrated organizational approach. The overall ambition of integrating economy and ideology is crucial, especially when it comes to the application of democratic and ideological aspects in concrete economic activities; the ideological and democratic aspects must

be there all the time, influencing daily decisions. Co-operative organizations cannot use two languages in their communications with members and the community at large: one for ideology and one for economic practice. That would be disastrous for the credibility of the co-operative way.

On the other hand, it is also true that a living democracy and ideology, especially in these large co-operative structures, must be encouraged and reproduced, which requires proper resources and a proper degree of independence for such tasks. The innovative reproduction of ideology and democracy - expressed in terms of co-operative economy - needs conscious attention and competence. It also needs independence in order to make critical evaluations of existing practice and of the alternatives to it. Otherwise, the risk is that such reproduction will be drawn into the heavy day-to-day economic problems and subordinated, as currently seems to be the case, to the "economic realistic" points of view. However, what is "economic realism"?

"There is no contradiction between ideological revitalization and the aim of economic efficiency. On the contrary, an understanding of co-operative ideology is the same as an understanding of how best to utilize the opportunities for joint action! Therefore, we must start to give equal weight to good co-operative thinking and good economic thinking.

In order to carry this out we must strive to upgrade the (member) organizational functions of the co-operatives again. These have been given less priority during recent years. I do believe that this is a disastrously wrong strategy. We are barking up the wrong tree if we do not give the organization the opportunities to develop its understanding. We may use statutes and rules to create a basis for formal power, but we do not create the basis for organizational changes and adaptations in this way."

O. Waere, Director of Norwegian Farmers' Co-operatives (from LandbruksSamvirke 1991, translation)

In the long-run the constructive tensions between ideas and reality belong to the main characteristics of a living co-operative organization. The conditions for such long-term reproduction must be built into and organizationally “guaranteed” in the larger co-operatives. Such tasks might be carried out by bodies headed by elected leaders and representatives. This is not to argue for the extreme dual approach; the main character of the organizational framework should be integrated. But we must avoid the risk that a too one-dimensional integrated approach will kill the healthy “dialectics” between ideology and economic pragmatism in the longer term.

3.2. Senior co-operative management

The above makes crucial the issues of co-operative leaders and senior management, because they have a basic responsibility for establishing a proper balance between economy and ideology, be it in a more integrated or in a more dual-organizational structure. This is all the more crucial against the background of recent decades: the management, especially the employed management, is the power.

All co-operators agree on the view that employed leaders in top positions should be both professional and co-operatively committed. My old Swedish friend (Eronn, 1982) with co-operative experience dating back to the 1940's always said and wrote that the crucial task of the elected representatives has been, and will be, to appoint top managers with a professional skill and a co-operative heart. In earlier times and until the 1970's co-operative organizations mostly recruited leaders from inside the movement, from those with a long education in co-operative practice and ideology. Many co-operative organizations had, and still have, extensive training programmes for internal top management recruitment. Today, more of the top management is employed directly from other enterprises and institutions, and has a university background. The crucial issue is of course, what kind of impact this changed recruitment policy has on overall co-operative performance.

There is not much systematized knowledge and experience about such issues and this is not the place to speculate; I have heard and seen both very good and very bad judgements and experiences. However, what are the alternatives? There has obviously been, and will be, a lack of leaders and senior management in many organizations, mainly because of an on-going change in generations. Will it be more efficient to make a professional manager out of a co-operator, or a co-operator out of a professional manager?

We do not know. Perhaps there is some truth in what one leader said in my interviews: ‘‘If we pay enough, we will get professional managers who will also learn about the co-operative way’’. Yes, perhaps we cannot shut our eyes to the fact that co-operative commitment might be expensive at the top levels. Anyway, the basic question demands our attention: are special characteristics connected to a co-operative leadership? Or is it the same as in other types of organization? In other words, is there a ‘‘professional skill’’ in leadership that is universal and applicable to all kinds of organization? If so, we need not bother very much about these issues. I would only partly agree because in co-operative organizations this skill has to be applied to quite another structure, to quite other goals and values, to quite other needs to listen and argue with many people and to quite another organizational culture. At the end of the day, this is to say that a co-operative leadership has special characteristics.

3.2.1. A wider view

The issue of co-operative leadership also has broader and long-term perspectives and implications. It is about co-operative identity, status and reputation within society, and consequently about how we are preparing it for the recruitment of co-operative leaders, elected as well as professional. Among other things, this turns our attention to the school system, from basic levels up to university levels. Here, we can make the general observation that co-operative theories and economics are not usually taught; students learn mostly about private business organizations, about their problems and their logic. This is a negative precondition for co-

operative recruitment, because such an education does not predispose young people to a conscious and committed interest in the co-operative career. So, it is important for the long-term outlook to use our resources to improve the situation. Co-operative organizations cannot ignore this important source of potential leaders and top management.

*“Question: What characterizes a good co-operative leader for the future?
What are the most important management values for the future?”*

Answer: Vision, integrity and banking expertise, coupled with empathy, understanding and philosophical belief in a co-operative economic system.

Question: What are the most important tasks for the co-operative banking sector for the future?

*Answer: (i) To so organize themselves in order that they increase their propensity to survive,
(ii) To be able to understand the need to differentiate and actually achieve differentiation in the marketplace, and
(iii) To consolidate and group together on an national and regional basis.”*

Terry Thomas, President of the ICA Central Banking Committee (interview)

There are interesting efforts among co-operative organizations to learn from in these promotional efforts. I mentioned earlier the Japanese experiences of university co-operatives, which have been an important “preparatory school” for many co-operative leaders. In many co-operative organizations there are also special offers and arrangements for young graduates to join co-operative training programmes after their first degree in order to get used to co-operative ideas, culture and practice. There is a need to look more closely at such measures in order to exchange experiences and to improve the long-term conditions for recruitment.

3.2.2. Crucial tasks

We are faced with these crucial tasks for the future:

- * To apply efficient programmes of leadership education and training for persons inside the co-operative organizations. This “source” of leadership cannot be exhausted and is still the most important for most co-operative organizations.
- * To carefully select the senior management from outside with reference to their capacity to adapt to the special co-operative demands and to arrange proper training programmes for these leaders.
- * To develop international management training for a more internationalized world (see below). Why not an international “co-operative business school”?
- * To become involved in the school system from basic to university levels in order to introduce knowledge and education about co-operative theory and economy.

Good co-operative leaders and top management with high levels of professional competence and co-operative commitment have a key role in ensuring future co-operative effectiveness. Bad co-operative leaders, on the other hand, can cause much harm to the co-operative way.

3.3. Co-operative society versus the joint-stock company

The transformation of co-operative societies into joint-stock companies is principally motivated by a search for economic efficiency in a changing environment. What are the implications for overall effectiveness and for co-operative values other than the economic? It depends (chapter V), among other things, on what kind of joint-stock company is used and to which part of the co-operative organization it is applied. It also depends on

the ideological strength of the members, employees and management and on the general ideological culture of the co-operative organization.

Let us consider the extreme, and compare the co-operative society with the joint-stock company introduced on the stock exchange market. Without going into details we can observe some differences in basic principles between the two forms of organization. The society is established for purposes other than those of the joint-stock company and has other ways to define its activities and to exercise control⁷:

- 1) The purpose of the co-operative society is basically to serve the needs of its members. The purpose of the joint-stock company is basically to achieve a return on invested capital and, in extreme cases, to maximise that return.

The purpose is more complex in co-operative societies, especially when the long-term goals and basic values are also brought into consideration. The purpose of the joint-stock company is more one-dimensional and the result is consequently more easy to measure in quantitative terms.

- 2) The members of the co-operative society have one vote each and are expected to actively participate in the decision-making in order to decide upon activities to meet their needs. The members define the purpose by their participation, and control the achievement of it, in a “dialogue” with the society.

The stock holders in a joint-stock company have votes in proportion to their stocks and are not expected to actively participate in the decisions about activities, etc. They are expected to be interested in an efficient management in order to guarantee a good return on their capital investment.

Transformation to a joint-stock company might gradually start a process, which in the longer run changes the organizational culture of the co-operative society, the attitudes of the management and the members. The definition of the members’ needs tends to become oriented towards a “business relationship” or a “market relationship” and the purpose tends

to lose its complexity and becomes more one-dimensional and more oriented towards economic terms. The members will be looked upon less as participants in the co-operative work, as active persons who need education, arenas to meet and to discuss their needs, etc. They will be seen more as receivers of information from co-operative headquarters about the business.

The approach to overall co-operative effectiveness will be oriented towards more quantitative and economic perspectives, while the qualitative aspects and non-economic values will land up in the background. This will gradually influence the use of resources, and so the more basic aspects of the co-operative way. The logic of the co-operative society will be substituted more by the logic of the joint-stock company.

3.3.1. The organizational culture

A co-operative nightmare, or is it? Yes, of course, but I have chosen to demonstrate the extremes. The usual practice to date has been to use such transformations in those parts of the organization which are far from the immediate interests of the members. It is also usual, as said in chapter V, to introduce special by-laws for the stock company form in order to maintain the co-operative character.

The most problematic aspect, however, is the prospect that such a process of change might start before a formal transformation to a joint-stock company has taken place. Such tendencies may already have been introduced by the criteria of effectiveness and efficiency, imported from capital associations. These might be introduced by education which is relevant for private business but not for co-operatives, and by the recruitment of managers without co-operative knowledge. During the 80's, with its increasing orientation towards the capital-associative way of thinking, such tendencies have been knocking more eagerly at the co-operative door. So, to some extent the increased transformation to joint-stock companies might be seen more as a consequence of an already changing culture of organization than as a cause of it.

These are highly delicate issues for the co-operative way, because it is difficult to find concrete evidence of them. It is always a matter of “soft data”, as we have discussed within the ICA Research Working Party. Because these trends exist mostly in the minds of the individuals involved, it is a question of mentality. We have to prevent it by continued efforts of the kind discussed earlier: education and training for members, employees and management; encouragement of participation; careful leader recruitment and promotion of the co-operative ideas and principles in society at large (through legislation, education and the moulding of public opinion).

3.3.3. Risk of “ineffective hybrids”

The transformation to stock companies, etc. gives raise to another kind of risk in these contexts; the tendency to create an ineffective hybrid between the co-operative and capital associative forms of association. The risk is that we are destroying the advantages of the co-operative form and borrowing some characteristics from the stock company form, and thus are creating an ineffective and inefficient mixture. It has neither the absolute advantages of the co-operative society, nor the absolute advantages of the joint-stock company.

At this stage of the process of transformation these delicate issues can only be pointed out. There is an urgent need to examine those more closely for the future.

3.4. Federative or unitary approaches?

Closely linked to the above is the issue of the federative form of organization as an effective form for the future. Many co-operative organizations, in fact most, are still established according to the federative idea. And some types of co-operative organization, especially the worker co-operatives, are still just beginning to build up some kinds of federative network. We are also facing the need for more collaborative structures internationally (see below). So, experiences are of crucial importance.

We can then observe that the federative structures have become increasingly problematic during recent decades. Many organizations, especially consumer and agricultural co-operatives, will certainly need to reform their federations during the coming decade; among other things by reducing the number of societies and by establishing a more clear-cut distribution of responsibilities between the primary and secondary levels. History has demonstrated that these stages need to be passed through when activities expand and the advantages of large scaling, and distribution and specialization of work inside the federation become more important. All the established co-operative organizations in industrialized economies have gone through this process especially during the 1950's and the 1960's, and it is certainly a normal process of adaptation for all federations, sooner or later.

During the late 70's and the 80's in particular we have experienced a new tendency in this process of federative change: several organizations have introduced more national and integrated bodies within their federative systems, and many have built up regional societies as an intermediate level between the primary and the union level. Some co-operative organizations have totally abandoned their federative models and transformed these into national integrated organizations, national societies or even national companies. The motivation for this is improved economic efficiency and the changes are, without doubt, signs of the fact that the traditional federative structures have become more difficult to manage efficiently in the changing environment.

3.4.1. Too complicated a model?

This gives rise to some crucial issues for the future, especially for those organizations which are still established according to the traditional federative idea with many primary societies: do such experiences demonstrate that federative structures are too complicated in the modern environment? And consequently, do these changes demonstrate the rational way for the future?

It is too early to draw conclusions, since we are in the middle of these transformations and the long-term effects cannot yet be seen. But, it seems as if the experiences have more clearly demonstrated the weaknesses of the mature federative structures. The drastic example is the French consumer co-operative movement, which collapsed mainly because of problems in the relationship between the society and the union level. But we need not go to such extremes; more generally, there seem to be increasing difficulties encountered in making efficient overall decisions and in implementing them, and the difficulties seem to have become worse in these periods of economic instability. It seems as if smoothly-functioning federations, at least in the mature stages, with many joint bodies at the union level, are much dependent on a stable economy and opportunities for future expansion. When such conditions are missing, and when the environment calls for radical restrictions and renewals as more societies land up in economic difficulties, the problems increase, as do the demands for more integrated approaches.

This is a long story with many nuances. The odds, however, have been against the federative model during recent decades, at least in highly industrialized environments and for the more established federative structures. This is even more true when the ties between the societies and the union tend to become weaker, among other things because of increasing tensions between strong and weak societies, stronger demands for local market adaptations in the more market-oriented climate and of tendencies to place more emphasis on the economic aspects of the relationship.

The strength of the federative model has traditionally been in its combination of local autonomy with the advantages offered by specialization and large-scaling at the union level. What about the emerging alternatives, the more integrated and unitary-oriented models, in this respect? Are these pointing out the solutions? Yes, they definitely seem to maintain and develop the latter aspects of the federative model, which of course also belong to the motives for the transformation. On the other hand, they seem to have a detrimental effect on the conditions for an effective democracy. In principle, it should be possible to reproduce such conditions within integrated structures by introducing local districts and by decentralizing

those decisions which are vital from the member's point of view. Such methods still seem more like challenges for the future than practical experiences.

It is obvious that these integrative changes of the federative structures reflect increased priorities for economic efficiency, partly as a way of assisting member societies in trouble, partly as a long-term adaptation to the international economy. Those co-operative organizations within the European Common Market are particularly likely to face harder economic competition in the years to come, and surely need to be prepared. The democratic aspects, however, are still lagging behind and are waiting for solutions. Perhaps that will be the next step. Anyway, we will surely need to return to these issues during the 90's, since they are crucial for the future. We also need to carefully systematize the experiences for the benefit of many organizations which, for the time being, are in earlier stages of the process⁸.

It can be noted, perhaps for the time being mostly as a peculiarity in the history of co-operative development, that the Swedish government has been preparing legislation to classify parts of the collaboration within federative structures as undue restrictions of competition. This has not yet been confirmed by Parliament, but the proposal (especially in an old co-operative country like Sweden) is a bad sign of how far a combination of poor co-operative knowledge and an increased trend toward a "market philosophy" can lead.

3.5. Co-operative internationalization

It seems as if the world co-operative sector has lost ground in the internationalization of its economic structures in comparison with the capital-associative way. There have long been good examples, but the overall impression is that there are relatively

- * few co-operative multinationals.
- * few international economic relations between various types of co-operative.
- * few international financial co-operative relations.

This is all the more challenging since the world, at least the industrialized part of it, is rapidly moving into a stage of development which is more characterized by the “international economy”. Why is the co-operative way leaving it mainly to private business to “bring the international markets inside their walls”, to express it in terms of the popular transaction cost theory? Are there some obstacles in the very constitution of co-operative organizations which prevent the application of such methods? Or, is it simply an expression of some embedded and implicit policy that co-operative organization should keep to the local and the domestic?

It will be interesting to follow development within the European Common Market, which has obviously given rise to new initiatives for co-operative economic collaboration as well as to new conditions. Never before in co-operative history have the institutional conditions for collaboration across national borders been so good, at least as it seems from the prospects discussed: in principle, no restrictions on markets for goods, capital and labour and no legislative restrictions. It is no less than a basic challenge to the co-operative will for international economic collaboration; in fact, not only for the will, but also for the need to survive and to develop. It will be a hard time, and not the glorious time for the co-operative future about which I hear statements now and then.

Nevertheless, what is happening in the Common Market will surely make it more important to consciously approach these issues in broader perspectives. And we must not forget that the international co-operative perspective is global, and that the European Common Market is just a part of this.

3.5.1. Basic problems

To return to the crucial issue: Why are we, as it definitely seems, lagging behind? Discussion and experience have suggested some possible explanations:

- The orientation of co-operative activities is basically local and domestic in character. This is where the members and their needs are to be found. This is usually referred to as the significant spatial dimension of the co-operative organization, belonging to its basic “stationary” characteristics. The co-operative idea is about internationalism in the minds of committed co-operators, but the economic practices are by nature mainly local and domestic.
- The co-operative representatives and leaders have not traditionally been able to speak languages other than their own. This is changing, but it takes time. The organizational culture is traditionally local and the incentives to actively identify the international economic applications are weak. Perhaps co-operative leaders also lack competence and interest in it to some extent, because they are recruited on other merits. This might be interpreted in terms of local conservatism in these new situations: healthy in many ways, but problematic for innovative international perspectives.
- There is a traditional policy among co-operative organizations that co-operative activities in one country should not compete with those in other countries. At least not within the same territory. So, an internationalization of co-operative activities has to be prepared by agreement between the parties concerned; it is not just a question of expanding the market by export and by internationalized production and marketing.
- It is more complicated to build up co-operative multinational organizations, because there must be a democratic agreement by all the co-operative organizations involved. It is easier for private business; their international activities are mainly built up through

the market and by capital-oriented means, by which the economically strongest “dictate” the conditions. Co-operative organizations search for the basis of economic internationalization by democratic negotiations. The economically stronger parties have no special rights in those contexts. This is stable in the long-run, but it is also slow.

These are quite heavy restrictions on economic internationalization, especially in established structures, since there are always conflicts involved between local, regional and global interests and aspects of effectiveness. These conflicts will, so to speak, be “run over” by the capital-associative process, but will be subject to lively debate within the co-operative democratic way. There are no easy solutions. Co-operative organizations must certainly continue to be locally strong, and based on the needs of the members and where they live. And the co-operative way cannot use the power of the economically strong in prescribing the conditions for international economic relations.

This poses a challenging dilemma, both principally and institutionally, in the co-operative way for the future: we cannot shut our eyes to that. The world is becoming more international in economic terms, and this calls for more conscious distribution of work within the world co-operative sector. And it definitely seems as though local, and even national, viability will become more dependent on the viability of international economic collaboration. In other words, the delicate balance of earlier periods between the local and national levels for overall effectiveness has increasingly become supplemented by another level: the international.

3.5.2. International perspectives

Co-operative organizations are faced with the urgent necessity to include international levels in their considerations about the priorities for the overall effectiveness. There will be an increasing need to use resources to identify and build up international networks, etc. in order to take advantage

of the possibilities of distribution of co-operative work, reduced transaction costs and supporting structures for international finance, education and training. The tasks of the ICA should be considered in the light of this and the resources allocated for these tasks.

There is a need for new forms of application and new forms of co-operative association. This is especially important in the contexts of updating old structures and attracting new investments. Probably, there is a need to temporarily diverge from the traditional co-operative approach and to accept that the stronger co-operative organizations can be permitted to take more of the initiatives during a period of transition, and gradually transform the applications into a more co-operative form as the development progresses. We need "co-operative statesmen" who can express the international co-operative message in the same way as was done during the difficult restructuring processes of the national federative organizations. The future demands that we think in federative international perspectives.

In the long-run, however, this crucial task can never be successfully dealt with by senior management and co-operative businessmen. Nor can such matters be seen solely from economic perspectives. We are back to the values of democracy, participation and mobilization. The members must be a part of this development, locally and nationally: the international perspective must become a living part of the day-to-day co-operative work and of the basic identity. Otherwise international practice will just strengthen the tendencies to alienate the members from their co-operative organizations. And the process will end up in totally management-dominated organizations, similar to other organizations. This is the basic challenge in these international perspectives: similar in character to that faced by national economies. Perhaps we are approaching a future in which the "national state" will become an increasingly old-fashioned background concept? The tendencies are there, but for the time being such forecasts are mostly speculative.

This opens up a range of methods necessary for encouragement and reproduction, as mentioned in chapter IV. It also raises the question of the ways in which members from various parts of the world are given the

opportunity to meet: a concrete task for the co-operative travel agencies, for instance. Contacts between co-operative organizations throughout the world cannot be an exclusive matter for top management, elected or employed. Contact between ordinary members is what we understand by Co-operation as an international movement among people. This is also the base of successful long-term co-operative economic internationalization.

3.6. Social responsibility and effectiveness

Few co-operative concepts are as confused as that of social responsibility, frequently because it is too often referred to within the restricted short-term framework of economic efficiency in a competitive market economy. "It is not possible for co-operative organizations to take (much) more social responsibility than their competitors", is a saying that can be heard now and then. It is true within that framework, but still, and looked upon in a broader context, it is much too modest a statement. Co-operative organizations are, in fact, taking on social responsibilities all the time, certainly far more than the capital associations.

"When a co-operative institution arrives at a complex level of organization because it has been successful as a business, there comes a time when it is no longer viewed solely in respect of the specific needs of its members but in relation to the nature of the role it has come to play within the urban or rural community by its scale and scope, its impact on economic life at local, regional, national or international level. It is challenged in its daily activities by problems beyond the strict limits of co-operative principles as adapted to the small local co-operative."

Yvon Daneau, ICA Congress in Hamburg, 1984

Let us make the concept clear. Social responsibility is basically built into the co-operative way. That is why co-operative organizations were and are

started: groups of people wanted to participate in the shaping of their living conditions and to influence the social and economic conditions for society at large. This is social responsibility. It is also the way in which co-operative organizations are established as people-based, democratic organizations formed to promote the needs of their members, with a fair distribution of benefits and with an open membership (as far as possible). Social responsibility is a basic constituent in co-operative contexts; in the motives, purposes, relationships between members and their societies, and in the relations between the societies and the community at large. Co-operatives are not charity organizations, but are, indeed, organizations consciously designed to give the people a voice in the shaping of their living conditions.

We must never forget these basics when we approach the issue of social responsibility. To express the situation as some kind of inherent conflict between economy and social responsibility in the co-operative system belongs to the same false view as that which sees a conflict between economy and democracy (above).

3.6.1. Policies

These basic aspects of the co-operative constitution are usually also reflected in co-operative policies in many ways:

- * Good quality, low cost services to the members, but also giving consideration to environmental protection, health, security, etc. Services are also made available (especially in various types of consumer, insurance and credit co-operatives) to non-members and to potential members by the “open membership” approach. This might also be carried out to influence the whole market performance, in other words to use member-oriented activities to serve the community at large.

- * Parts of the annual surplus and current income are often used to support educational, social and cultural activities within the community. This is a usual practice for many co-operative organizations, for instance among successful workers co-operatives, in order to avoid the temptation of too much “group egoism”.
- * Orientation of co-operative activities to the needs of the lower and middle classes of the population: as consumers, farmers, fishermen, workers and savers. Co-operation also uses resources to promote co-operative development for relatively weak and disabled groups of the population (e.g. various types of “social co-operative”) and many co-operative organizations in the richer parts of the world are carrying out bilateral (organization to organization) and multilateral (through the ICA, for instance) support to co-operatives in developing countries. Such measures are increasingly carried out in collaboration with state agencies for developmental assistance.

These are common examples of co-operative policies for social responsibility and do more than just promote the needs of existing members. Of course this is, as are all issues of policy, basically a decision by the members on how to use the resources; so, the extent and frequency of such methods will consequently vary from time to time and from context to context. It is not an automatic consequence of the co-operative way. On the other hand, public opinion has become used to such policies. It is generally expected that co-operatives should show more social responsibility than other organizations. This is part of their identity and it gives the co-operative way a good reputation. Consequently, it will not be popular if the co-operatives deviate from that identity. The co-operatives are expected to express social responsibility in their relations with the community at large.

“Continuing the ideals and beliefs of co-operative pioneers, credit unions seek to bring about human and social development. Their vision of social justice extends both to the individual members and to the community in which they work and reside. The credit union ideal is to extend service to all who need and can use it. Every person is either a member or a potential member and appropriately part of the credit union sphere of interest and concern. Decisions should be taken with full regard for the interest of the broader community within which the credit union and its members reside.”

From Philosophy and Uniqueness, 1988

This might create some problems for co-operative economic efficiency in times when there is a need to economize with co-operative resources, as in the 80's. Probably sayings such as the one above reflect the fact that co-operative managers want to explain that there are obvious limits to co-operative policies for social responsibility.

3.6.2. The basis for successful policies

Policies for social responsibility are, as said, a matter for the co-operative society itself to decide about. It cannot be accepted that, for instance, governments interfere in internal affairs and prescribe such policies. This would sooner or later weaken the more basic aspects of co-operative social responsibility, the democratic and mutual self-help character, so damaging the capacity for long-term contributions in this respect.

There are plenty of examples, from the history and present times, of successful collaboration with governments, locally and centrally, for various social and cultural tasks. The success of such contributions, however, is due to the fact that the governments have respected the co-operative need for autonomy. Policies for social responsibility can only be carried out by co-operatives which have long-term economic viability, based on the principles of members' mutual self-help.

3.6.3. The poorest of the poor

This brings us finally to the crucial issue about co-operative responsibility for the poorest parts of the population. As we all know, there are differing views on this, both inside and outside the co-operative organizations. But, as committed co-operators, we can hardly escape from the fact that the co-operative way is expected to contribute, and it would be a very bad for the co-operative future if such contributions were looked upon as impossible to carry out. On the other hand, there is a need to carefully state the realistic preconditions, otherwise there will always be grounds for disappointment in and discrediting opinions of the co-operative way.

This is a delicate issue, much discussed in co-operative contexts and by development agencies. I hesitate to make any judgements because such issues are complex and it is necessary to have long practical experience in order to get the relevant insights. After much reading about the experiences and discussions, however, I dare to express some opinions to at least provoke discussions. I do think that the main co-operative contributions must be applied in a step-by-step way in approaching the very poor. The first co-operative steps must be taken within contexts where the preconditions are fairly good. And then, when these co-operatives have reached a viable stage, they should open up to and orient their activities for the poorest part of the population and promote the proper co-operative applications.

Yes, this view has been commonly held since the beginning of the co-operative way. So, this is an easy standpoint to adopt. However, what are the experiences to date? Has this strategy had the effects anticipated? As I understand it, there has been a mixture of good and bad experiences. So, we need more direct approaches, and as I understand it there are viable examples of this in rural and urban parts of developing countries, as well in slum areas in big cities within rich countries. The experiences seem to demonstrate that such applications need to be carried out carefully by intensive methods to support, to encourage and to mobilize the mutual self-help character and to demonstrate the benefits and progress (see IV section 4). My practical knowledge, however, restricts me from examining these crucial issues in more detail.

3.6.4. Basics and policies

To sum up, social responsibility is basically connected to the constitution of the co-operative organization and should be reflected by an effective reproduction of democracy, participation and mobilization. Such reproduction encourages the basic values of social responsibility and is also the basis for policies of social responsibility in connection with normal activities to promote the needs of the members and with the use of the surpluses and the incomes. So, when we search for integration between “economy, ideology and democracy”, this also implies social responsibility. And the co-operative ability and will to carry out such policies is “proved” by numerous experiences. Finally, it follows by logic and by example that effective co-operative contributions for these values presuppose viable co-operative organizations, democratically and economically.

So, when we are discussing conflicting values, as is quite usual, we must carefully consider the special nature of such conflicts and not see them as conflicts of principle within the co-operative way.

3.7. Visions and effectiveness

Living visions of the future orientation are crucial for co-operative organizations, since these are based on ideas and wills: not on capital and rate of capital returns. It also belongs to the characteristics of the successful movements of people: those which manage to reproduce the relevant visions in contemporary society are those which are able to maintain their basic vigour. By the way, most of the management literature from the 80’s clearly states that conscious visions belong to the success criteria of enterprise.

Co-operative organizations are in a better position in this context, since there is a rich history of ideas, theories and utopias to draw inspiration from. Utopia belongs to the co-operative reality. Yes, the optimistic spirit to strive for the ideal community is as important as ever, and will be in the future. The tendencies during the 80’s in parts of the world co-operative

sector to tune down the visionary aspects of the co-operative project are therefore alarming, though well understood in this period of serious economic difficulties and acute short-term problems. Such a climate has encouraged heavy footwork rather than visions. On the other hand, think of the climate in which the pioneers had to work! Nevertheless, the future orientation demands visions both for the identity of the co-operative movement and for an effective democracy, participation and economy.

"Let us suppose that we were asked for one all-purpose bit of advice for management, one truth that we were able to distill from the excellent companies' research. We might be tempted to reply, 'Figure out your value system. Decide what your company stands for. What does your enterprise do that gives everyone the most pride? Put yourself out ten or twenty years in the future: what would you look back on with greatest satisfaction?' We are struck by the explicit attention they (the excellent companies) pay to values, and by the way in which their leaders have created exciting environments through personal attention, persistence, and direct intervention - far down the line."

T. Peters and R. Waterman in Search of Excellence, p. 279

But cannot visions be dangerous for co-operative effectiveness? I have encountered fears about that during my preparatory work, expressed in statements such as co-operative organizations cannot just make nebulous promises about the future; we are not political parties or general promotional organizations. We are expected to take the responsibility for putting our visions into practice! Otherwise, there will be resultant disappointments, increasing lack of confidence and a bad press for the co-operative way. We must live as we learn. The visions cannot be allowed to be too far from reality; they must be concrete and in touch with the practical possibilities!

3.7.1. Individual and collective visions

These are serious considerations and might serve as a good opportunity to open up a long discussion about the proper place of ideas, values, visions, programmes and plans in co-operative organizations. To make the story short, however, I will simply state that a co-operative view should be characterized by an ambition:

- 1) to provide the broadest possible base for individual members (and potential members) to define the co-operative way in bold visions for the future, and
- 2) to transform these into accepted programmes and plans for co-operative activities.

We must not confuse the view on the place of visions in co-operative organizations by failing to distinguish clearly between the needs of “individual” visions and the need to transform these into more “collective” visions. The existence of individual visions, almost as personal “ideals of life”, is a sign of the strength of the co-operative organization and of the ideas behind. These can never be dangerous for the co-operative way. On the contrary: the alarming situation occurs if these visions tend to be few, or even to disappear. Then, we can speak about basic ideological problems, or even crises.

The aforementioned fears are mostly connected to collective visions for the co-operative organizations and to the consequences of prospects which are too bold and utopian in such contexts. Certainly, these collective visions must be closer to reality and oriented more towards programmes and plans so that they can be put into practice in a responsible way.

3.7.2. Participatory transformation

The crucial issues are about how to encourage individual visions, and how to transform these into overall visions for the co-operative organization.

This brings us back to the previous discussions about democracy, participation and mobilization, because, in a viable co-operative, the members must participate in developing the collective visions. Individual visionary views must be discussed and balanced within a whole, and the members must know that they are part of that whole. In other words, the process of the transformation from (1) to (2) is crucial. In the participatory process the members get insight into the conditions for the overall visions and about the restrictions imposed by reality and by the resources available. There are many good examples of such participatory transformation processes from earlier periods, as well as in recent times. I have seen it, among other things, when organizations have prepared their views on the basic values. Probably, as far as I can judge, organizations with such practices also belong to the successful organizations.

“Question: What is most important for the management of (consumer) co-operatives?”

Answer: Economic efficiency should be demonstrated in terms of member benefits. Members should be encouraged to participate and to become involved. The recruitment of members must be consciously considered. A clear-cut distribution of responsibility and work should be carried out between local and central levels of the co-operative organization, and confidence established between the parts of the organization. It is crucial to achieve a quick implementation of decisions and a uniform performance in the marketplace when competing against large enterprises. The issue of finance requires the most serious attention, and members should be encouraged to participate. Crucial attention should always be paid to the possibilities for diversification and international collaboration.”

Reimer Volkens, General Manager of Co-op Dortmund (from an interview, 1991)

The dangers and the problems start to appear if the members play no part in the process of creating relevant collective visions and programmes, for instance when these are mostly worked out by ideological departments or by management. Then, the members feel that they have no parts in those “collective” visions, and do not feel themselves responsible for their creation or implementation.

Conclusion: the way for the future cannot be to tone down co-operative visions in order to suit them to the restrictions of reality. The challenge should instead be to combine (1) and (2): to reproduce a culture of co-operative organizations, within which it is considered a positive value to encourage and to discuss individual visions and to search for the proper participatory means to transform these into collective plans and programmes for the co-operative whole. This is the only way to maintain co-operative vitality and member-responsibility.

4. Criteria for a viable co-operative way

The proceeding part of this chapter has, perhaps, raised more questions than it answers. This belongs to the nature of the actual situation; we are in a period of transition, and there are no set answers. But, to distinguish the issues in themselves is an important exercise for the future. As success criteria in implementing the essential aspects of the basic values I would propose the following:

- 1) There should be a balance in the allocation of resources to develop a combination of methods for economic, democratic and promotional efficiency. The criteria for estimating efficiency should be appropriate to each of these, as should the conditions for implementing them.
- 2) Economy, ideology and democracy should be integrated as far as possible in the organization of co-operative activities. To some extent there should be independent organizational solutions to develop and encourage innovative aspects in the application of the values behind economy, ideology and democracy and their integration.

- 3) The co-operative society form of organization should be used in those parts of the organization which are vital from the members' point of view. If the joint-stock company form needs to be used in such areas there must be by-laws designed to maintain the co-operative character.
- 4) The recruitment of co-operative leaders and top managers should be carried out with the utmost care. Professional competence should necessarily be combined with a commitment to co-operative ideas and values. This is especially crucial in parts of the co-operative organizations considered vital from a member's point of view and calls for proper co-operative training programmes for management.
- 5) The international aspects of co-operative activities should be present in all planning and strategies for the future. The distribution of work between local and national levels should increasingly be considered in the international context, especially in connection with renewals and new investment.
- 6) The value of social responsibility should be recognized as belonging to the basic constitution of co-operative organizations. It should be natural to carry out policies which demonstrate these basics in connection with the ordinary activities of the co-operative organizations, as well as in the use of surpluses and/or incomes.
- 7) We should take the appropriate steps to continuously reproduce and encourage visions about the co-operative future among members and to transform these individual visions into overall plans and programmes for the co-operative whole.
- 8) Resources should be used to spread the co-operative message to society at large. This will influence the conditions in which legislation affecting co-operatives is formed. We should also prepare for the long-term recruitment of co-operative members, employees and management by promoting education in co-operative economy and theory at all levels of the educational system.

These are not new, peculiar or sensational criteria for viable co-operative applications in order to carry out the essentials of basic ideas and values. We have long known about these from experiences and practice. Nevertheless, they have to be stated again for the future.

4.1. Basis for evaluation

Such applications, in order to become efficient, call for periodic evaluations in terms of the goals and, as far as possible, the values and ideas behind these. Members should be given the possibility to evaluate progress in order to become involved in the process of development and to control their organizations. This implies that the economic accounts usually issued should be supplemented by indicators about, among other things:

- * Member participation in decision-making, financing, education and information activities.
- * Member participation in the use of the economic services of the organization.
- * Benefits available to members.
- * Social responsibility taken by co-operative organizations.
- * Progress in international collaboration.
- * Views and opinions of co-operative organizations about society at large.
- * Penetration of co-operative activities within society as a whole, for instance membership in relation to relevant part of the population and market shares.
- * Plans and prospects for the future.

Such accounts might be connected to programmes and plans for co-operative organizations. I have not studied the actual practice very closely, but a glance at annual reports tells me that this kind of accounting seems to be surprisingly unusual. One of the best I have seen is from the Swiss Migros⁹.

At the more global levels, especially at the ICA level and in global long-term perspectives, the description of results should concentrate on the effectiveness of the co-operative project to transfer its values to society at large. This might be carried out by using indicators for the penetration of the co-operative project in the following aspects in particular.

- * Membership in relation to relevant parts of the population (demographic penetration)
- * Coverage of economic needs of the population (economic penetration)
- * Impact on the social and culture climate (social penetration).

The first two are relatively easy to estimate. ICA statistics show a satisfactory, if still not good, picture of demographic penetration. Economic penetration should be quite easy to demonstrate in quantitative figures, but the statistics needed to get a satisfactory picture are not easily available. Social penetration is more difficult to quantify, but it should be possible to at least get some broad indicators about it. By continuously describing the results of the co-operative world project in such a way, we could more clearly identify the various types of unknown areas on the co-operative map, related to geographical parts of the world and to economic areas of people's needs.

Of course, we know quite a lot about it, but such a “penetration” account, say every 4 years, would surely be a good basis for setting global goals, for analyses of the co-operative impact in various contexts, and as a point of departure for systematic considerations of the reasons why co-operative projects seem to experience greater or fewer difficulties in various parts of the world. I have seen some approaches in this direction; there is a need to develop these and to improve ICA statistics so as to “evaluate” the overall level of co-operative effectiveness.

Recommendation

Transformations to joint-stock companies and changing federative structures should be more closely examined. Such transformations are quite new, but are increasing and will probably belong to the crucial issues of the 90's and the beginning of the next century. The experiences should be systematized to draw conclusions about the advantages and the risks.

Notes

- 1) The concepts of effectiveness and efficiency may be confusing. I will not enter into a discussion about them in this context. I simply understand by efficiency the capacity to achieve an objective with a minimum of resources, or as much as possible of an objective using a given amount of resources. By effectiveness, I understand how much an objective has been achieved, and how much the objectives of the relevant priority have been achieved. See Simon chapter IX (1965) and Blümle (1985).
- 2) This is much based on previous chapters, especially III and IV. The basis for the industrialized countries and for consumer and agricultural co-operatives is fairly well documented by research.
- 3) The essence of this can be found in many contexts. I have constructed it myself in this context.
- 4) Pestoff chapter 3 (1991); Ilmonen (1986); Schediwy/Brazda (1989).
- 5) I have used the transaction cost theory as a general approach. See e.g. Nilsson (1991).
- 6) Ilmonen, (1986).
- 7) E.g. Jonnergård (1991), Nilsson (1991) and Briscoe chapter 2 (1982).
- 8) In Nordic countries there is a growing amount of research about federative organizations. I have based much of my reasoning on Svensson 1990/91.
- 9) See Pestoff, chapter 10 (1991).

VII. VALUES FOR THE FUTURE

Recommendations for the main orientation

" . . . But this is not to say that people working through co-operatives cannot help to make the future, for indeed this is the central purpose of the co-operative movement: to help make a different and a better kind of world. The history of the future has not been written, and co-operators must be determined to have a hand in writing it. In short, co-operators can be active participants in the planning, and indeed creators, of the future, if they only have a mind and a will for it."

A. Laidlaw, 1980

Our co-operative starting points for the future include successful lines of development as well as problematic experiences and failures. Taken as a whole, the situation does not offer a solid basis to carry out those very grand visions of co-operative penetration from the first half of this century, such as the "Co-operative Commonwealth" and the "Co-operative Economy". We need visions, but we should stay closer to the conception of the "Co-operative sector". Nor is that a very modest ambition, especially when it is considered in its deeper approach to co-operative perspectives.

The 90's is best used as a decade for consolidation, not only in an economic sense, but also democratically and ideologically. Much footwork must be done in order to restore and increase confidence in the co-operative way. Then, we might produce great common visions for the next century, because the co-operative possibilities are, as usual, innumerable. Yes, one may say that the co-operative way has just started to gain ground when examined in global perspectives.

1. Background value orientations

The co-operative way is faced with an abundance of crucial tasks for the next decades. That becomes evident if we try and reconcile basic co-operative values and ideas with the trends and tendencies of the 70's and the 80's (see chapter III) into the future:

- * Increasing division between rich and poor countries.
- * Increasing destruction of natural resources.
- * Increasing rates of unemployment, not only in developing countries, but also in the industrialized part of the world.
- * Increasing tension between local and central interests.
- * Increasing internationalization of national economies; by regional affiliations, transnational enterprises and trade.
- * Increasing globalization of living conditions.
- * Emerging post-industrial societies with new kinds of need.

The co-operative way cannot be expected to make more than marginal contributions in these areas. It is nevertheless as important as ever for the world co-operative sector to identify for itself some essential global prospects for the very long-term orientation of activities and use of resources. This is a modest expectation, especially within the ICA, the international co-operative organization. In such contexts I always can hear the wise statement of A. Laidlaw ringing in my ears: “. . . if they only have a mind and a will for it.”

Yes, certainly, the mind and the will.

One thing is certain in this context, the essential contributions must be carried out by co-operative organizations which are “co-operative” in character. Co-operative organizations might transform themselves into capital-oriented associations and make similar contributions, but that is not what the future expects from co-operatives, because such contributions can be better carried out by capital associations. The future expects “co-operative” contributions from co-operative organizations. That is a truism, but needs to be repeated.

The unanimous resolution of the Stockholm Congress demonstrates a will to search for the basics of the future co-operative way. I have similarly interpreted the will of all co-operators who are worried about the weakening identity of co-operative organizations and emphasize the need for “true” co-operatives, be it in industrialized or developing countries. In my preparatory discussions I have often encountered these attitudes, expressing a strong will to keep and to develop the basic character of the co-operative way for the future.

1.1. Moscow, Hamburg and Stockholm

The ICA Congresses of recent decades have furnished us with points of departure for the identification of essential global values. In Moscow we established the well-known priorities (as identified by Laidlaw), which are as valid today as they were 10 years ago. The future needs co-operative organizations which can be identified as:

- * Co-operatives for feeding a hungry world.
- * Co-operatives for productive labour.
- * Co-operatives for the conservationist society.
- * Co-operatives for building community networks.

Behind these overall recommendations of orientation there are a range of essential basic co-operative values. In his background report A. Laidlaw stressed the “pluralist” co-operative strategy in approaching these global roles for Co-operation; and of course it is true that the world co-operative sector must use all its types of co-operative association to approach the various future needs effectively. This is even more true today, and for the future, than 10 years ago.

The 1984 ICA Congress in Hamburg emphasized the above by identifying the major policy areas for a future programme of action (based on the Trunow and Daneau reports):

- * Struggle for peace
- * Assistance to co-operatives in the less developed countries
- * Improvement of production and distribution of food, raw materials and energy
- * Protection of the environment.

The Stockholm Congress, 1988 (based on L. Marcus’ report), finally recommended that the co-operative way should stand for and develop the values of:

- * Democracy
- * Participation
- * Honesty
- * Caring (for others).

I have found the same unanimous acceptance during my preparatory work, and I take it as a sign of the statesmanship of Lars Marcus that he can identify and express values of universal agreement: “consensus values”.

Somebody once said that the world co-operative sector identified its main areas for the future in Moscow, its main perspectives in Hamburg and its “soul” in Stockholm. Now, in Tokyo, it is time to put these together and to start to form them into some basic instrumental guidelines for the future.

2. Future Prospects

In my preparatory work I identified the traditional basic values, examined them in the light of experiences, discussed some crucial aspects of those experiences in more detail, got numerous reactions from co-operators about the crucial values for the future, studied programmes of action, reviewed local identifications of basic values and discussed with co-operators in consultations, seminars and conferences. There are obvious signs of changing values during recent decades: reinterpretation and changing priorities in the practices and the applications (chapters III, IV, V and VI). In particular, the emphasis on values of economic effectiveness and efficiency has increased, which has influenced other values. This is quite natural in these times; it would be both alarming and surprising if it did not occur.

One may expect these experiences also to have influenced the values intended for the future. They probably have in some parts of the Co-operative Movement. I do not, however, have any strong impressions of that. Instead, I have the impression that co-operators want to uphold most of the traditional values in their essence, when it comes to identifying the long-term future value guidelines. I have seen and heard some differences in priorities between the separate values, but this is usual at all times. The conception of the value basis as a whole, however, seems to be fairly similar and quite traditional.

Of course, I have not made complete investigations because I do not believe in such methods in these contexts. And this consensus might be interpreted in various ways. Until further notice, I take it as a sign that the traditional values have an eternal meaning for committed co-operators when it comes to the basic intentions and purposes of the co-operative

way. The past decades have made the realization of these values problematic, but this has not made committed co-operators ready to give them up, or to radically change their views on them.

2.1. Essential consensus values

Some values are notably recurrent, and I look upon them as essential consensus values. Not surprisingly, here we find the basic ideas of:

- * Equality (democracy) and equity
- * Voluntary and mutual self-help
- * Human emancipation in economic and social terms.

These have always been basic to the concept of Co-operation and will undoubtedly continue to constitute this basis in the minds of co-operators. The equity values have been reinterpreted and weakened in their old meaning in connection with the applications of capital formation, and this is also reflected in the intended values for the future. I will return to this in chapter VIII when discussing the revision of the ICA Principles. In some parts of the world co-operative sector, i.e. the old organizations of the industrialized countries, emancipation values do not seem to be evident in practice; on the other hand, in global perspectives these values are obvious and relevant.

The basic ethics are less discussed and occur less frequently in lists of values, etc. I understand, however, that L. Marcus has managed to arouse interest in them among co-operators by stressing “honesty” and “caring”. I have experienced a high consensus about these, especially among Japanese co-operators. This is not surprising, since these ethics have belonged to the basics of many of the pioneering co-operative models. I have preferred to interpret them as belonging to the “co-operative spirit”

and to the basic “organizational culture” for the future. I also have the impression that “a democratic mind” definitely belongs to these, as the optimistic and faithful attitude. I have expressed the latter as “constructiveness”. There is, without doubt, a basic belief among committed co-operators that the co-operative way, in spite of unusually big problems, will triumph in the long run. It is a basic belief in the human abilities to change the situation for the better. Co-operators are not determinists, but believe in the humanistic approach that, step by step, we can improve our conditions.

There are also, of course, lots of basic fundamental policy concepts, which have been carried forward. These might be looked upon as consequences of the basic ideals and ethics. Among the most common we can observe: “serving the weaker part of the population”, “contributions to eliminate poverty”, “struggle for peace”, “protection of the environment”, “responsibility for the community”, “political independence”, “creation of employment”, “economic democracy” and “internationalism”. These are all common expressions of the values and I will refer to some of them later.

Turning to the basic instrumental values, principles and characteristics - on how to build up the co-operative organization - the views are quite similar. There are the usual principles and characteristics:

- * Association of persons
- * Efficient member promotion
- * Democratic management and member participation
- * Autonomy and independence
- * Identity and unity
- * Education

- * Fair distribution of benefits
- * Co-operation, nationally and internationally.

Such concepts as “member ownership” and “economic efficiency” are often mentioned. It also seems that “autonomy” receives more emphasis than before; in earlier times this principle was always mentioned as a “well-understood” precondition for democracy. Today, it is more often mentioned as such, probably because of the experiences in many countries.

2.2. Prospective values

It is not meaningful to try to identify priorities among the essential values in overall global perspectives. That is a matter for individual organizations to carry out in their various contexts of development. In global perspectives we had better express these as some essential prospects for the future, which reflect the essence of the co-operative way. These might be considered as constituting the “value profile” of the world co-operative movement, as “basic global values” for the coming decades and beyond.

So, using my impressions of the experiences of past decades, likely future tasks, the many expressions of essential values by co-operative organizations, ICA Congresses, Central Committees and special committees, and committed co-operators, I have tried to identify some overall prospects as especially relevant for the future. I have also tried to make these (i) action-oriented and (ii) possible to evaluate. It should be possible to form them into action programmes and to estimate progress in the implementation.

My research has brought me to the conclusion that during the next decades co-operative organizations should consider themselves as organizations for:

- * Economic activities for meeting needs
- * Participatory democracy
- * Human resource mobilization (development)
- * Social responsibility
- * National and international co-operation.

As a whole, these reflect the essence of the co-operative way, both in its community contexts and in its organizational characteristics. They might be summed up as an overall expression of “Co-operation for Economic Democracy”, or perhaps “Co-operation for a Humanistic and Democratic Economy”. However, the work of creating global co-operative slogans remains.

The individual co-operative organizations in various stages of development might be looked upon as “instruments” to realize these overall prospects. The selection of the correct applications to carry this out is, of course, a matter for the individual co-operatives. On the other hand, since the above values might also be implemented by organizations other than co-operatives, there must be some universality in the co-operative instrumental values and principles in order to differentiate between the co-operative way and other methods of organization. I will return to this in the final chapter about the ICA Co-operative Principles.

3. Economy for needs

The basic aim of Co-operation to serve the needs of the members, and in figurative sense the people, includes two basic questions: (i) to which needs should co-operative activities be oriented. (ii) how should co-operative activities be organized to define and to satisfy these needs?

3.1. Needs of the majority

The answer to the first question should be, as it always has been, in the context of ICA: the needs of the common people as farmers, workers, wage earners, consumers, producers, fishermen, savers, borrowers, etc. In other words, the needs of the large groups of people, of the majority. The co-operative way has also always had an orientation to the weaker and the poorer part of the population. This must be true also for the future in the national and regional, as well as the global contexts.

Traditionally, the co-operative way has not been a concern for the wealthy, although, of course, they have used it and are welcome to do so in the future. This will probably become more frequent in those parts of the world which are entering the post-industrial era.

3.2. Efficient economy

Turning to the second question, it goes without saying that Co-operation is about efficient economic ways. Sometimes the slogan “co-operatives for service, not for profit” is looked upon as some kind of excuse for economic inefficiency. Nothing could be more wrong. The co-operative economic system is built upon people’s scarce savings, often those of relatively poor people, and this gives the co-operative way a special responsibility to economize with those resources. At the same time, however, co-operative organizations must carefully consider the implications of “economic efficiency” and use methods consistent with co-operative values.

Co-operatives should use efficient ways to identify the essential needs; to some extent the market might be the proper indicator, to some extent it must be supplemented with methods by which co-operative members participate more directly. The latter is especially true when it comes to the overall use of co-operative resources and to the delicate, and more abstract, aspect of the quality of services.

3.3. The poor part of the world

In global perspectives the main orientation toward the relatively poor part of the world is irrefutable; here are the fundamental needs for co-operative contributions. But it would be a mistake to draw the conclusion that co-operative activities in the relatively rich world have lost their relevance for the future. Each part of the world has its own needs of co-operative contributions; and co-operative organizations must carry out their activities effectively in all environments and use this role to demonstrate the merits of the co-operative way. In the long-run, successful co-operative organizations in various parts of the world will support each other wholeheartedly and the established co-operatives have a crucial role to play in the stability of the worldwide co-operative sector.

This, however, must not stand in the way of the main priority: the next century must be the century when the Third World countries will also enjoy the benefits of a strong co-operative movement!

3.4. Environmental protection

Another main orientation of co-operative activities from a local as well as a global perspective should be connected to various aspects of environmental protection. Co-operative organizations have been at the forefront in these areas: in production, distribution and the moulding of public opinion. We can also, in recent decades, notice new and interesting lines of development in the form of new co-operatives which specialize in, for instance, organic cultivation, health food, etc.

These are crucial perspectives for the future. Co-operative organizations, nationally and internationally, need to play a proactive role and, as these problems are becoming more global in character, this requires international approaches. The next century needs the contributions of co-operative organizations as a people-based “international countervailing power” for economizing with the natural resources of the world and hence protecting the fundamental needs of coming generations! There is no doubt that the world co-operative sector has unique potentials.

4. Participatory democracy

Co-operators and co-operative organizations have always considered democracy as fundamental to the co-operative way. This has implied that co-operative organizations have made no distinctions between political and economic spheres, but have believed in the possibility for people to effectively manage economic activities in democratic ways. This should characterize the co-operative prospects also for the future, where democracy should increasingly have the character of participatory democracy.

In some parts of the world this process of democratization of economic life is on its way, in some countries it has just started and in other countries the reality is still far from what might be considered as democracy. The need for co-operative pioneering contributions is as large as ever.

4.1. School of democracy

Co-operative organizations have been looked upon as a “school of democracy”, or even a “school of solidarity”, during large parts of their history. Co-operative organizations became, especially for the working classes, a preparation for responsible positions in society at large. To parts of the world Co-operative Movement, those working in modern welfare societies, these contributions are mostly a “proud memory” today, as the democratic system has become accepted and the public educational system has become open to all. For other parts of the Co-operative Movement, on the other hand, the importance of this task is as relevant now as ever. The co-operative way should be an opportunity for people to practise democratic responsibility for their living conditions and for the community at large.

4.2. Economic democracy

It would be too hasty, however, to jump to the conclusion, that the values of democracy have been totally taken care of by the modern welfare

societies: our aim has always been participatory economic democracy, which requires conscious efforts to continually reproduce the conditions. Failing this, these aims will be nothing but illusions.

The road towards economic democracy is just at the beginning. Co-operation has got the ideas, the forms, the ownership - in the hands of the organization and the many committed people. For the future there is a need to create the proper conditions for co-operative members to realize these ideas and to fill their outlines with democratic contents. Co-operatives should be in the forefront when it comes to demonstrating to the world around that democratic participation in economic activities is the challenging long-term way to improve living conditions.

4.3. Employees, women, young people

Co-operatively committed employees have always been crucial to co-operative success stories. Employees must consequently be given a proper place in co-operative participatory democracy. Among other things, co-operatives should find methods corresponding to profit-sharing in private business, by trying more co-partnership models, within which employees become owners and the members together with the user-members.

A particularly urgent issue in this context is that of women's participation. Women traditionally participate as much as men, perhaps more, in grassroot co-operative activities. But, as we know too well, this is not reflected in co-operative management and leadership. Women should be looked upon as the most essential "hidden resources" for the future co-operative way. These resources should be unleashed.

The same is true of young people. Older co-operative organizations have something to learn from the new co-operatives in how to encourage young people to participate. One aspect is obvious: the older established co-operative organizations should, and must, allow young people to be pioneers; to try, to fail and to succeed. To invite young people only into well-prepared structures, and to tell them that nothing is possible except

the status quo will only keep committed young people outside the more established co-operative world.

5. Mobilization of human resources

The power of co-operative ideas to engage and to mobilize people has history as the evident witness. Co-operative organizations have appeared as that part of the society within which people have got voices, individually and collectively, to influence their conditions and those of the community at large.

5.1. Social and economic emancipation

In most parts of the world the traditional purpose of co-operative mobilization is as relevant as ever: to raise people to human dignity by the mutual self-help character of co-operative organizations. This belongs to the basic challenges for the co-operatives of the next decades. The emancipatory character of the co-operative way is crucial for the future, and the tasks are numerous.

5.2. Humanistic economy

In some parts of the existing co-operative organizations, the urgent motives for such mobilization have weakened because of basic changes in co-operative environments. People have better conditions, at least in basic material aspects.

This is not to say that the emancipatory mission has been completed. The essence of the great visions of humanistic economy is still there; there are also needs within the more modern societies to continually refine democratic decision-making, to encourage responsibility and to carefully consider those aspects of life which can not be handled by the market or by

bureaucrats and management. In this way Co-operation might be looked upon as an overall “pedagogic project” of generations to demonstrate the potential of human mobilization and responsibility. No other form of organization has the equivalent qualities.

6. Social responsibility

All the basic co-operative values are permeated by responsibility for the community as a whole in the perspectives of social and economic justice (equity). The motives behind the very formation of co-operatives, now as before, have been to contribute to a better society at large. Co-operatives are, by their basic constitutions, organizations for this: people take the economy in their own hands, take care of each other and search for ways to embrace wider parts of the community.

6.1. Co-ops as economic organizations

In the future this basic constitution of co-operative organizations should be reflected in the main areas of co-operative policy as it has been in the past. As economic organizations, co-operatives should be in the forefront when it comes to producing and distributing goods and services of high quality at low costs, including such important quality aspects as those of environmental protection, health and security. Co-operative organizations should identify themselves as a part of the market which people can always trust to offer good, open and honest alternatives.

Co-operative organizations should always be ready to take more social responsibility for economic justice than the marketplace currently demands. Co-operatives must always try to be one step ahead. Certainly, there are limits for co-operatives, especially in highly competitive modern market economies, to do “more than others”. However, co-operatives can never allow themselves to become passive prisoners of the markets and/or exploiters of the markets for the maximum egoistic benefits to the existing members. This would be only a “half-hearted” expression of the co-

operative way. Co-operative organizations should always be ready to act as “correctives”, “supplements” and “alternatives”, when the markets fail to satisfy the essential needs of the people.

6.2. Co-ops as social organizations

It should not be thought, however, that co-operative organizations have their only justifications as correctives of “market failures”. Co-operative social responsibility implies more, co-operatives are basically correctives of “society’s failures”. As a consequence of that, co-operatives should develop their democratic and social character in order to demonstrate the co-operative way in practice, and should provide the necessary conditions to encourage the wider use of co-operative methods in society at large.

For the future, as before, the world needs co-operators and co-operative organizations which are able to look outside and above themselves in order to search for wider co-operative contributions.

7. National and international co-operation

The outlook for the future speaks about even more internationalized methods of economizing. It has been clearly demonstrated that efficient ways to approach more of the needs of mankind - and to protect mankind from the obvious overall dangers - will gain even more international and global dimensions. Co-operative organizations used to be in the forefront of internationalization, but are starting to lag behind. These are alarming tendencies and the world co-operative sector must improve its readiness to contribute in these contexts.

7.1. Bridging conflicts between producers and consumers

In this the co-operative organizations cannot let historical hostilities and different material interests prevent their collaborative and co-operative

ambitions, nationally and internationally. There are conflicts, undoubtedly, producer and consumer co-operative organizations serve opposite material interests. As producers, the members want to get good payment for their investment and work and, as consumers, the members want to buy goods and services as inexpensively as possible. These basic interests can never be combined in complete harmony. We should, however, improve our ambitions to identify common perspectives from a co-operative (value) point of view and the many opportunities to develop mutual supporting methods in spite of those conflicting material needs.

Probably, these collaborating prospects are most important within the developing parts of the world, as the co-operative sector will diversify into more consumer-oriented co-operative organizations alongside the producer and credit-oriented co-operative organizations. Then, the opportunity is to apply collaborating perspectives and structures, before the new economy has been established. The same is true of the Eastern European countries when it comes to establishing the co-operative way for food production and distribution in the years to come. New forms of collaborative structures will need to be developed - perhaps the multi-purpose co-operative solutions?

7.2. The European Community

Hopefully also, the immediate challenging prospects for co-operation among co-operatives within the Common Market might encourage some new models and examples. The Common Market opens up new perspectives for co-operation across national borders, as more of the barriers disappear. At the same time, pressure has increased for constructive solutions in order to stand up against the big enterprises. The on-going increasing activities are interesting among the European co-operatives, which might come closer to each other in various forms of collaboration, perhaps within a sector approach according to the "économie sociale". Perhaps some "dreams" of joint ventures in co-operative production, distribution and financing can become reality and produce good prototypes for other parts of the world.

7.3. International countervailing power

The challenge for “co-operation between co-operatives” is ideological, intellectual and material. In order to strengthen the co-operative value prospects, the world co-operative sector must use the possibilities of international co-operation. In earlier periods we talked about co-operative organizations as “countervailing powers” in national contexts. Such national countervailing powers need more of an international basis to be effective in the future. Perhaps co-operative organizations might become the international countervailing powers of the people. This presupposes co-operators, and above all co-operative leaders, who are able to look away from their old and current ideological and material conflicts in order to identify themselves with common global perspectives.

There is a need for international co-operative statesmen! There is nothing more depressing today than to listen to co-operative leaders who refer to “realism” when speaking in favour of the egoism of the material interests of groups of co-operative members and rejecting the common overall perspectives.

7.4. A co-operative sector in Co-operation

The world co-operative sector of between 500 and 700 million people must become more than a statistical concept. It must become an expression of what Co-operation basically stands for: co-operation between co-operators for mutual support, and co-operatives for common prospects of a better world. In these prospects co-operative organizations also need, more than ever, to collaborate with other democratic people’s movements to pool the common ambitions and give the common people a voice in the shaping of the world.

8. Conclusions and recommendations

What are the basic values for the future? Is there a need to change and/or to revise the traditional basic values?

This is the basic issue for the Tokyo Congress, and this report requires me to make some recommendations as a basis for discussion. I have approached this from various perspectives. Finally, I have chosen to identify five main perspective values for the overall application of the basic values for the future. I have concluded that the traditional values are still relevant for the future although some of them might be more emphasized than others.

In the global perspectives I have recommended that co-operative organizations should identify themselves as a part of society aiming to contribute to bettering people's conditions by efficient applications of:

- * Economic activities for meeting needs
- * Participatory democracy
- * Human resource mobilization
- * Social responsibility
- * National and international co-operation.

I call these "basic global values". As demonstrated by the experiences of recent decades these are relevant for all parts of the world's co-operative sector, as well as for the common global perspectives. As a whole these should give the world co-operative movement a way to improve its overall identity and to establish an overall global profile. This identity might be made more clear in terms of long-term policy programmes and by successive evaluations.

It goes without saying that these values must be carried out by co-operators and by co-operative organizations characterized by a co-operative spirit; there must continually be a commitment to search for the proper applications of the values behind them. They must be carried out within a management philosophy that is ready to encourage such ethics as honesty, caring and democratic attitude, social responsibility and constructiveness.

“The world seeks for a new social order where human beings will be able to enjoy a safer, more peaceful and happier life. Co-operatives, with around 700 million members accounting for over 10 percent of the world population, have a great potential for contributing to the realization of a new world order. It is high time that we co-operators joined our hands together and carried out our Co-operative Movement by identifying co-operative values and their identities. In this sense, there has not been so important a time as today. And, in this regard, the 30th ICA Congress scheduled for October 1992 in Tokyo will prove to be of great significance.”

Jirozaemon Saito, Chairman of the ICA Fisheries Committee

VIII. VALUES AND PRINCIPLES

Recommendations for the revision of the ICA Co-operative Principles

"The settlement of the Principles as co-operative characteristics or as imperatives for co-operative action has, after all, no other signification than to protect and to maintain the values, which are embedded in the idea of Co-operation, and the realization of which is the task of the Co-operative Movement."

Hasselmann, 1968

The co-operative prospects must be carried out by organizations which are co-operative in their basic character. This requires a current rededication to co-operative commitment and understanding among members, employees and leaders, especially among managers and administrators in the established co-operative organizations. This also requires encouragement of the search for good co-operative applications. These are the crucial preconditions for a viable co-operative way.

Basic assistance might be given by good co-operative principles, which turns our attention to the ICA Co-operative Principles. These are intended to be the universal guidelines for viable co-operative organizations and for transforming the co-operative essence into practice. These might be looked upon as the bridge between co-operative ideals and co-operative reality. As said, however, these are only a means of assistance. The formulation of Principles can never become a substitute for the commitment to, and the understanding of, the essence of the co-operative way.

1. The ICA Co-operative Principles

The ICA's ambition to establish some Co-operative Principles for the world co-operative movement took the rules of the Rochdale society as its point of departure. Work started in 1919, and the issue was discussed at the Congresses of the 1920's. In Vienna, 1931, a special committee was appointed and its recommendations were finally accepted as Principles in 1937.

One might say that this was a significant step in unifying the values of the Co-operative Movement. Many co-operative organizations had long used similar principles, but as late as the beginning of the 1920's there still seemed to be obvious differences in the way of approaching the values. The decision of 1937 gave the members of the ICA a common platform to examine their values and a channel to implement them in practice. The Principles can be looked upon as catalysts to harmonise values within the world co-operative movement and to give them a universal character.

The Congress in Bournemouth, 1963, appointed a Commission to revise the Principles. Its proposal to the Congress in Vienna suggested some reformulation of the Principles, but left their basic structure and substance intact. Some Principles were abolished (political neutrality and cash trade), and a new one was added concerning collaboration between co-operatives. Smaller revisions were made in 1969, otherwise the existing Principles are still the same as those accepted in 1966. (See Appendix A to this chapter).

1.1. Several applications

The general and usual aim of the Principles is to be basic recommendations to member organizations and to potential co-operative organizations about how to develop viable co-operative practices. Member organizations have also used the Principles as a base for their statutes and programmes of action, although sometimes with small revisions according to local conditions. In addition, the Principles have been used for other aims, and considered useful in other contexts:

- * As criteria for the identification of true co-operative organizations and applications, for instance by the ICA when deciding which organizations are eligible for membership of the ICA
- * As authoritative information to governments, state bodies and national and international organizations about the basics of co-operative organizing
- * As a base for legislation, statutes and by-laws in many countries
- * As symbols of Co-operation, both in the minds of co-operators and in the promotion of Co-operation in the community at large.

These are all important applications of the Principles, especially for the ICA in its crucial task of promoting and defending the co-operative way. Indeed, the ICA needs an up-to-date concept of Principles as reflecting its essence, and a full review of the Principles should pay attention to these applications. In this context, however, I keep to the main aim of the Principles - to serve as basic guidelines for co-operative practice - because this might be seen as superior to other aims.

1.2. Critical perspectives

We are faced with the issue, are the Principles efficient as guidelines for future co-operative practice? It has been about 25 years since the Principles were revised; 25 years of radical changes in both the co-operative structure and the environment in which they operate. We have discussed different aspects of such changes in the previous chapters and are ready for some conclusions and general recommendations before the final revision of the Principles after the Tokyo Congress.

As mentioned in chapter II, the existing Principles reflect most of the essential aspects of the basic values. There are some weaknesses, but that depends to quite an extent on what we really mean by Principles. The existing Principles have been particularly criticized from three perspectives.

- 1) The Principles are not up to date as guidelines for contemporary society because they have been overtaken by changes in the environment and in co-operative practices. Practice has already more or less created “new principles”, and perhaps the Principles might even be seen as obstacles to economic efficiency and effectiveness.
- 2) The Principles are too much oriented towards co-operative rules for practice and too little oriented towards co-operative essential values. The Principles tend to encourage an attitude, which Laidlaw expressed in his report, to “raise current practice to the level of principle instead of identifying the principle itself” (1980, p33).
- 3) The Principles are not universal enough. They are too marked by the consumer co-operative and the European contexts and origins, and are not fully applicable to other types of co-operative and to co-operative development in other cultures.

These are critical assessments, and reflect various expectations and claims on the Principles. The first type of critic, perhaps most usual in the highly industrialized countries, expects Principles that can be good guidelines for the practice within contemporary societies. The second looks for more general and eternal Principles, which might serve as guidelines about the basic essence of the co-operative way. And the third is quite close to both the first and the second, but asks for a universal character in all contexts of application.

Are these demands and expectations possible to combine in one set of Principles?

I will discuss these criticisms at some length in order to reach some preliminary recommendations. As I see it, these imply two degrees of ambitions, when revising the Principles: One calls for some revisions and additions, but not necessarily for more radical changes to the traditional character and structure of the existing Principles. Another calls for total changes of the traditional character and structure.

2. Experiences from recent decades

Let me discuss the first type of criticism a little more by referring to the experiences of recent decades. We can then notice that there are some problematic tendencies and critical experiences from co-operative practice in relation to the existing Principles. I have discussed most of those in the previous chapters; here I will just recapitulate on the most important.

2.1. Membership and association

- The special form of co-operative organizing, the member society form, has been increasingly substituted by the joint-stock company form, especially at secondary and tertiary levels of co-operative organization. The basic characteristics and values of “association of persons” have tended to become mixed with the co-operatively alien values and characteristics of “association of capital” (see the discussions in chapters IV, V and VI).
- Co-operative practice now involves more transactions with non-members, most obvious in consumer co-operatives. Perhaps it has even become difficult in some consumer co-operatives to distinguish between members and customers. The application of the “unity” and “identity” principle seems to have become weaker and so, also, has the character of the member service oriented organization (see chapters IV and VI).
- Open membership is, as usual, difficult to apply in types of co-operative other than consumer co-operatives. This opens up the risk of giving undue preference to group interests to the detriment of the community as a whole.

2.2. Democratic management

- The participatory aspects of democracy have weakened in many co-operative organizations, and the democratic applications have become more formalistic. The basic values of equality and democracy have declined (chapter IV).
- The federative model for relations between member organizations has increasingly been abandoned and/or partly substituted by nationally integrated models. The local influences on the co-operative as a whole may have diminished (see chapter VI section 3.4).
- In some parts of the co-operative world co-operative organizations have obvious difficulties in achieving a proper degree of independence in their relations to governments, political parties and state authorities. The principle of autonomy is threatened, as is the viability of co-operatives as economically efficient and democratically mutual self-help organizations (chapter III section 3).
- Women seldom participate at higher levels of the co-operative democratic management and are often ignored if the membership is household-based. The same is also true of younger people. The participation of employees is not covered at all by the ICA Principle of democratic management. The quality and the coverage of the co-operative concept of democracy is challenged by practice (especially chapter IV).

2.3. The role of capital and the rate of interest

- New methods for raising capital have been introduced, which tend to substitute member share capital by outside share capital, especially at the secondary levels. There are trends towards weakening applications of the “unity” and “equity” principle, the member control principle and the basic values oriented interest (chapters IV, V and VI).

- The restricted or previously fixed rate of interest on share capital has generally been abandoned. This has been considered necessary, because the rate of inflation and the discount rates have moved to higher levels, in order to maintain the value of the share capital and to attract new share capital from members and from external sources. Although the rate of interest has been limited, higher levels have been accepted in more recent years. The traditional “equity” value has been questioned by practice, as has “capital as the servant” (chapter V).
- To some extent co-operative organizations have introduced models to let share capital reflect the increased value of the co-operative society. In some cases, co-operative societies have even been transformed into joint-stock companies and the shares (stocks) have been introduced on the stock exchange markets. To some extent these models have challenged the traditional view on the place of capital in co-operative organizations, and consequently the traditional values of equity and equality (chapters V and VI).

2.4. Distribution of surplus

- Many consumer co-operatives have not been able to distribute any patronage funds since the 70's. Instead, the use of various kinds of rebates, marketing methods and special member offers have become more usual. Member control of the surplus has become less important.
- To some extent co-operative organizations have started to distribute some of the surplus in relation to share capital, see above. This is a new, and probably increasing, trend.

2.5. Education

- I have no overall data on the application of this principle. To some extent, however, it seems as if the resources for ideological education of members, the general public and potential members have diminished or stagnated in many organizations. A sign of this is the fact that some parts of the established organizations dealing with education and information have been subject to cutbacks. There are fewer research-oriented departments, and there are fewer books and magazines about co-operative issues. These tendencies threaten the basis for co-operative commitment and for the promotion of the co-operative message in the community at large (see the discussion in chapter VI section 3.1).

2.6. Co-operation between co-operatives

- International economic collaboration seems to have begun to lag behind the collaboration between private organizations. Co-operation between various types of co-operative is still underdeveloped. The federative model is changing in character (see above). These tendencies reflect difficulties in applying the principle of mutual assistance between co-operatives.

3. Implications for the Principles

The above tendencies are well documented from recent decades, with some exceptions; but of course I cannot estimate how widely these are spread out. There are no such evaluations from overall perspectives. Probably, these tendencies overestimate the problematic aspects when the world co-operative sector is considered in its entirety. The normal situation is probably that the practice of primary co-operative organizations is quite close to the Principles. On the other hand, the problems seem to be

more obvious at secondary levels, and some of the tendencies have been indisputably common: decreasing or weakening member participation, the changed view on interest on capital and the problematic autonomy in relation to governments.

These tendencies raise lots of questions for the revision of the Principles. Are these reflecting some permanent and increasing trends of deviation from the Principles in co-operative applications? Or are these, rather, reflecting more temporary adaptations to special problematic changes in the environment during recent decades, perhaps wider interpretations of the essence behind the Principles? Do these tendencies reflect weaknesses of the Principles, for instance that the Principles are not giving guidance, or are giving bad guidance, in relevant aspects of co-operative development, especially in the modern societies? Or finally, do these tendencies reflect a weakening understanding of the essence of the Principles and/or a weakening will to actively search for the proper applications?

In other words, do these tendencies reflect:

- * Inadequate Principles in relation to the demands of the changing environment?
- * New and wider interpretations of the Principles?
- * Unusual difficulties in applying the Principles, which call for compromises?
- * A weakened status of the Principles and a weakening understanding of the essence behind them?

I have heard and seen all these kinds of explanations during my preparatory work, and I leave the readers to consider them in their own context. I do think, as discussed earlier in the report, that the extreme economic difficulties of recent decades have made it necessary to use more far-

reaching pragmatic views on the co-operative applications, and that many of these consequences are temporary reflections of such pragmatic applications. However, I hand over the issues for closer examination in connection with the final review of the Principles.

The tendencies experienced also make crucial the whole issue about the character of the ICA Principles, as reflected by the second type of criticism, and partly also the third, which I referred to above: to what extent should the Principles concentrate on identifying the Principles in themselves and to what extent should they concentrate on identifying the more basic operative rules for practice? In the latter case it might be an idea to “raise some long-term trends in practice to the level of Principles” (see Laidlaw). I return to that issue below. In my opinion, however, it is quite clear that efficient Principles which act as a “bridge” between ideals and reality must have good foundations on both sides. Otherwise there will be no bridge.

3.1. Obvious needs for revision

There are some obvious needs for revision of the existing Principles, which might be carried out without changes to their existing structure and character.

3.1.1. Interest on investment and the place of capital

Experience has clearly shown the need for a revision of the third Principle about limited rate of interest. This Principle puts forward the advice that “share capital should only receive a strictly limited rate of interest, if any”. It has become evident during recent decades that this Principle has put undue restrictions on co-operative capital formation and economic efficiency in an environment with higher levels of inflation and discount rates and with increasing need of investments (see chapter V). This was anticipated by the ICA Commission of 1963. I agree with it, and can observe that these problems have increased over the past 25 years.

Contemporary conditions in the countries of advanced economic development demand some more elastic system of interest limitation. If the movement is to be more than a mere camp-follower of the more progressive private sector and blaze new trails and lead the entire economic system, the whole question of capital availability has to be studied in a much more dynamic manner than was possible in earlier days. This does not imply any departure from principle hitherto accepted, only their application in a more flexible manner."

The ICA Commission on Co-operative Principles, 1966

There is a need for flexibility in considering the level of interest on share capital, which, in fact, is already the practice in many co-operative organizations. But should we abandon the Principle totally? I know, for instance, that the Banking Committee has taken that standpoint. I must say that I am not ready to make such drastic conclusions from the experiences, because the situation differs between various types of co-operative. I think that it is wise to keep some limitations on the interest rate but, as said, applied in more flexible ways. It might be limited at some level above the official discount rate, or similar, because a totally free rate of interest runs the risk of opening the door to very capital-associated solutions to capital formation.

The essential Principle should instead put its main emphasis on the role of capital in the co-operative system, and in this context also state something about a more flexible rate of interest. My recommendation is that the third Principle should be substituted by a new one, saying, in a preliminary formulation:

- * Co-operative organizations should carry out methods for raising and managing share capital formation which, as much as possible, rely on contributions from members. Supplementary share capital might be raised in forms which are consistent with the promotion of member interests, member democracy and a proper degree of independence. The interest on share capital should be flexible, but limited to some level above the official discount rate.

If we do not put any limits on interest the temptation is very strong to let the value of the society as a whole be reflected in rising interest on share capital. And thus we deviate from essential aspects of the co-operative way. If we want to distribute the benefits there are co-operatively-better methods (see chapter V section 2.4). This change of the third Principle implies that the fourth Principle about the distribution of surplus should be supplemented with a special addition d) about the payment to share capital.

3.1.2. The self-reliant character

The difficulties in achieving a proper degree of autonomy have caused problems for co-operative development during the recent decades, especially in developing countries. The self-reliant character has always been considered as a well-understood background value for democracy, but has not been stated explicitly by the ICA Co-operative Principles. Of course, it can never be a question of a total autonomy, since that is impossible and not even wanted. There must be some support from the State, for instance, especially in the earlier stages of co-operative development in developing countries. The question is about the degree of autonomy sufficient to develop the inherent possibilities of the co-operative way.

I do think that a statement about autonomy might help, especially in contacts with governments and local authorities. Such a Principle might be expressed as the following preliminary formulation:

- * Co-operative organizations need a proper degree of autonomy in their internal affairs in order to develop effectively, and should consequently search for the appropriate independence in their relations to governments, state authorities and political parties.

In this way it should also be possible to pay due attention to the old Principle about “political neutrality”. In my preparatory work I have observed that there is a common demand for the introduction of that

Principle again, but formulated as political independence. Perhaps this Principle can be combined with the one about capital formation, since both stress the essence of independence and autonomy.

3.3. Democratic management

The experienced problems of democracy are deep-rooted and cannot be approached by reformulations of the Principles. One main type of problem, however, was clearly anticipated by the ICA Commission of 1963, the change of the co-operative structures at secondary levels of organization, and the resultant difficulties in developing a democratic management. The Commission left the problems to the future with the very general and open statement in the Report on Co-operative Principles, "In other than primary societies the administration should be conducted on a democratic basis in a suitable form".

The Commission was quite right in its forecast; the most difficult problems from a democratic point of view have emerged in connection with those applications. These are constituted by a combination of new methods for capital formation, transformation of the society form to joint-stock companies, and integrated structures within federalistic models. Which applications are "tolerable" from an essential and co-operative principle point of view? I have discussed such issues at some length in chapters IV, V and VI and formulated some preliminary judgements. I cannot do more, since we are in the middle of the process, and the systematic analyses of the experiences are lagging behind. In the future there is a need to clarify this Principle in order to give a better indication of the appropriate applications (see recommendation 1 in chapter VI). I am not ready to undertake such a task for the time being.

There is, however, one weakness of the existing Principles which should be handled immediately - the participation of employees. That aspect of democracy is not dealt with in the existing Principles. Since this will become more important in the future democratic perspectives, the second Principle ought to include a statement, saying that:

- * Co-operative organizations should take steps to include employees in the democratic management.

I have discussed these issues at some length in chapter IV.

3.4. Modest revisions

I look upon those revisions as quite well-based and as quite easy to introduce without changing the traditional character and structure of the existing Principles. There are, as seen, many more problems in relation to the Principles but, frankly, I do not think that one or the other formulation of the Principles can be of much help. What counts are the deeper aspects of the co-operative way, such as the commitment to, and the understanding of, the co-operative essentials and the will to search seriously for appropriate applications. When these preconditions are there, even very simple Principles will be enough.

Nevertheless, I will take one more step in the discussion of recommendations before the revision of the Principles.

4. Value-oriented and rule-oriented Principles

In the Rochdale society we can already observe both the more value-oriented and more rule-oriented character of the Principles. The first paragraph of its statutes included some deep and far-reaching statements of the co-operative way, as well as some very concrete rules for current work (Appendix 1 in chapter II). The latter became the point of departure for the ICA Commission from 1931 and, in fact, the Principles of 1937 were not much more than simple revisions of those Rochdale rules.

The Commission of 1963 built on that tradition and considered the Principles “as those practices which are essential, that are absolutely indispensable, to the achievement of the Co-operative Movement’s purpose” (p 160). To some extent this is a problematic statement. Is it possible, that principles can be practices? Are not principles the guidelines for practice?

This might be playing with words, but has been debated throughout the history of Co-operative Principles. Anyway, Principles which will aim to achieve the Movement's purpose must:

- (i) Be efficient as guidelines in the contemporary society,
- (ii) Properly reflect the co-operative values and purposes, i.e. the essence of Co-operation.

These two demands on the Principles might be difficult to combine in times of rapid environmental change, as we have clearly experienced in recent decades. In order to become efficient in the first aspect (i), the Principles have to be revised quite often, otherwise they will run the risk of becoming "old-fashioned". On the other hand, such Principles also risk losing their universality and becoming too marked by contemporary practice. However, Principles which are very much formulated in terms of values, almost as declarations, risk becoming too far removed from reality.

The balance between (i) and (ii) has been much discussed in co-operative contexts since at least the 1920's. One line of discussion strongly emphasizes that the Principles should have the character of (i), i.e. as "essential rules for practice". The understanding of the underlying values should be encouraged through various forms of education. The other line of discussion believes that the essential and eternal character already present in the formulation of the Principles should be demonstrated more clearly, and the more practice-oriented aspects should be outlined in supplementary functional and operational rules. This is what many co-operative organizations have already been doing, for instance in programmes of action with general preambles about the essence of Co-operation and with rules, statutes and by-laws for the more practice-oriented guidelines.

The existing Principles reflect a combination of (i) and (ii) above. The first set of Principles from 1937 were strongly characterized by (i), but the revision in 1966 brought them closer to (ii). They became more universal and closer to the values. So what is the standpoint for the revisions of the Principles for the future? More "rules" again, or more "values", as was the tendency in the last revision?

4.1. Two kinds of Principles

I have come to the conclusion that we should take a further step in the direction taken by the 1966 Commission and bring the Principles explicitly closer to the values. This, however, presupposes a supplement with rules or essential practices. This supplement should also be given the status of Principles.

My standpoint is based on the following experiences:

- * During recent decades the world co-operative sector has become more pluralistic than ever, both regarding types of co-operative and contexts of development. It is no longer as consumer dominated as before, nor as European-dominated. This pluralistic pattern seems set to become even more emphasized in the future, as more new co-operatives are established - and established in new areas of activity.
- * The changes in the co-operative environment have become more rapid, although more in some contexts than others. The implications are different for different types of co-operative. So, the need for revisions of rule-oriented Principles varies and there will be problems if such Principles are not revised often enough.
- * The problems with the Principles and their relations to practice seem to be connected partly to too few essential interpretations. Of course, some changes of the Principles cannot solve such problems, but might at least contribute towards more essential interpretations.
- * For the future, it is more important to have Principles which do not close the door to new lines of co-operative development that are co-operative in essence. Principles should be universal enough to embrace as much as possible of world co-operative development and practice. It would be a failure in the global perspectives, if restrictive Principles were to give us "several co-operative worlds". On the other hand, it must be possible to distinguish between true and false co-operatives.

Such considerations have made me ready to take the standpoint in favour of the more general and essential orientation in the formulation of the Principles. During my preparatory work, however, I have met objections to such an approach. The fear that such Principles will weaken the co-operative identity has been especially emphasized; this school of thought believes that such Principles run the risk of destroying the practicability. It has been argued that the special merits of the Principles have been their simple and straightforward rule character. Everybody could put these into practice, and it is not even necessary to understand the value backgrounds; because in applying the Principles the values will also be induced.

I agree on that to some extent. On the other hand, I have the impression that the practicability of the Principles can be paid due attention to by special rule-oriented supplements, as, in fact, is the usual practice. And I doubt that the Principles in themselves really have the importance for practical applications that these arguments seem to indicate. There is always a need to explain and supplement the Principles by practical rules in a concrete situation. That is my experience in dealing with and giving advice to new co-operatives. The Principles are there in the background, but will soon be transformed into practical rules. So, I do not consider these objections as obstacles to a revision according to more essential-oriented formulations of the principles. Instead, I think that the demand for universality in this more pluralistic situation must take precedence, while selectivity can be applied to more practical principles.

4.3. Basic Principles and Basic Practices (Rules)

To conclude, at the ICA level the Co-operative Principles must be kept at a relatively high level of universality (and perhaps abstraction) when stating the essence of Co-operation. The Principles must be universal enough to embrace all essentially true co-operative organizations, but at the same time selective enough to identify the co-operative way and to serve as basic guidelines for practice. The Principles must be both close to the essence of Co-operation and workable for the promotion and defence of the true co-operative way in practice.

For the ICA it is crucial to develop such a concept of Principles. I do not think that it is possible to combine these two basic demands in the same Principles; the situation for co-operative practice is too pluralistic and too full of nuances. Instead, I do think that the ICA in its further revision needs to develop two kinds of Principles:

- 1) **Basic Co-operative Principles:** these should aim to clearly express the universal essence of Co-operation by formulations close to the essential basic values (ideas, ethics and principles), which I have identified in chapter II, and identified the essence of in chapter VII section 2.2). These should be considered as more long-term in character.
- 2) **Basic Co-operative Practices (Rules):** these Principles should express the basic practices and rules for practice which are appropriate and co-operatively acceptable in the contemporary society. These should be consistent with the Basic Co-operative Principles, but should specify the essence more concretely and selectively. These are probably best worked out in order to suit the various branches of the co-operative sector.

In this preliminary context, it is useless to discuss the formulations of Principles according to 1) and 2), because this is quite a formidable task requiring special skills. In addition, some of the existing Principles need only be reformulated.

This is as far as I can go in this report. I am not ready to formulate the sentences from the above values which should constitute those Basic Co-operative Principles.

4.4. Improved criteria for true co-operative applications

This is not a unique recommendation. Many co-operative organizations are already approaching the co-operative values and principles in this way in their programmes of action etc. A good illustration can be seen in the report from the Credit Union Uniqueness Committee.

It might be easier to approach the delicate issues of co-operatively acceptable and unacceptable practices at the ICA level. For the time being this is confused, which is a problem for the ICA. But if the various co-operative branches, for instance through the ICA specialized organizations, take the responsibility of carefully working out the Basic Co-operative Practices (appropriate and essential co-operative practices and rules) in their respective sectors, the situation will be improved. This needs recurrent analyses of experiences in relation to the Basic Co-operative Principles. These Principles will always be supplemented with branch-based definitions of the true co-operative applications and consequently give the ICA, and the world co-operative sector, a more differentiated and realistic concept to authoritatively distinguish between good and bad lines of co-operative development. This will be necessary in the future so as to defend, and to promote, the co-operative identity.

5. Recommendations for revision of the Principles

I have discussed the background experiences for the revisions of the Principles with regard to two levels of ambition in those revisions.

The least ambitious aim should be to keep the main structure and character of the existing Principles and to make just a few changes where absolutely necessary. My recommendations are:

- * The Principle of limited interest on capital should be considered and formulated in a more flexible way.
- * The methods of capital formation should be explicitly introduced as a Principle.
- * The Principle about democracy should be supplemented by a statement about the employees' participation in co-operative democratic administration.

- * The need for a proper degree of independence should be emphasized by a new Principle.

I have also discussed the need to more closely examine the democratic problems in connection to the co-operative organizational experiences at secondary level in order to be able to make some supplementary statements to the Principle of democracy.

Turning to the higher ambition for the revision of the Principles I recommend:

- That the existing Principles should be divided into two types of Principles, Basic Co-operative Principles and Basic Co-operative Practices.
- That the Basic Co-operative Principles should be formulated so as to more explicitly express the universal essence of Co-operation.
- That the Basic Co-operative Practices should be based on the various co-operative branches and should concretely express the essence in terms of practices and rules for practice.

I have identified the essential value basis for the Basic Co-operative Principles but have not, in this report, made recommendations about the formulations of the sentences, which should constitute the Basic Co-operative Principles. This needs some more time, and is the task for a specialized group to discuss in more detail.

Appendix A:

The ICA Co-operative Principles

1. Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, racial or religious discriminations, to all persons who can make use of its services and are willing to accept the responsibilities of membership.
2. Co-operative societies are democratic organizations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies, the administration should be conducted on a democratic basis in a suitable form.
3. Share capital should only receive a strictly limited rate of interest, if any.
4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others.

This may be done by decision of the members as follows:

- a) By provision for development of the business of the Co-operative;
- b) By provision of common services; or
- c) By distribution among the members in proportion to their transaction with the society.

5. All co-operative societies should make provisions for the education of their members, officers, and employees and of the general public, in principles and techniques of Co-operation, both economic and democratic.
6. In order to best serve the interests of their members and their communities, all co-operative organizations should actively co-operate in every practical way with other co-operatives at local, national and international levels.

(From 1966)

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