



Studies and Reports

FOURTEENTH IN THE SERIES

INTERNATIONAL CO-OPERATIVE ALLIANCE, 11 UPPER GROSVENOR STREET, LONDON W1X 9PA

CO-OPERATIVES and THE STATE

A Report of the Discussions
held at
the Meeting of
the ICA Central Committee
11-13 September 1978
Copenhagen, Denmark

ICA Library
334.321 ICA-C
ICA 00257

CO-OPERATIVES and THE STATE

A Report of the Discussions
held at
the Meeting of
the ICA Central Committee
11-13 September 1978
Copenhagen, Denmark

Contents

	Page
Foreword by Dr. S. K. Saxena, Director, ICA	4
Part I—Summary of the Discussion	5
Speakers: J. Lacroix (France)	5
J. Kaminski (Poland)	6
R. B. Rajaguru (Reg. Director, S.E. Asia)	7
D. J. Nyanjom (Reg. Director, E. & C. Africa)	8
A. Smirnov (USSR)	9
H. W. Whitehead (UK)	10
L. Schujman (Argentina)	11
S. Sulemesov (Bulgaria)	11
B. S. Vishwanathan (India)	12
A. E. Rauter (Austria)	12
L. Malfettani (Italy)	12
I. Moga (Romania)	13
R. Ramaekers (Belgium)	13
I. Szabo (Hungary)	14
B. Biros (Czechoslovakia)	14
K. Oikawa (Japan)	15
A. Monin (Argentina)	15
K. Back (Sweden) (<i>given by H. Dahlberg</i>)	16
H. Fahrenkrog (GDR)	17
N. Thedin (Sweden)	18
R. Haugen (Norway)	19
U. Dragone (Italy)	19
Reply to the Debate:	
J. Kaminski	20
J. Lacroix	20
The President	21
Part II—Background Papers	
1. Jean Lacroix (France)	23
2. Jan Kaminski (Poland)	34
3. R. B. Rajaguru, ICA Regional Director for S.E. Asia	41
4. D. J. Nyanjom, ICA Director for E. & C. Africa	53
Part III—Additional Papers	
1. K. Back “The State and Co-operative Insurance”	59
2. H. Wick “Agricultural Co-operatives in a Western Democracy”	63
3. J. J. Musundi “Agricultural Co-operatives in Developing Countries”	65
4. G. K. Sharma “Development in India”	69
Part IV—Bibliography	73

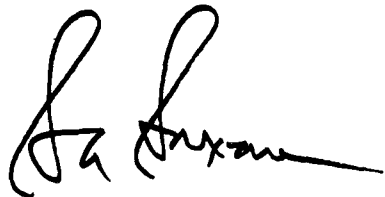
Foreword

The ICA "Studies & Reports" are an occasional series on subjects of general interest to Co-operators. They stem from our own research work, from the deliberations of seminars and conferences which we organise, or from discussions carried out by the Authorities of the Alliance. The present publication arose out of the discussion in our Central Committee meeting which was held in Copenhagen in 1978 at the kind and joint invitation of our member organisations in Denmark. It brings together varied points of view on the extremely relevant and topical subject of "Co-operatives and the State".

The publication opens with a summary record of the views presented by the principal speakers, and the contributions from the members of the Central Committee who intervened in the debate. The subject was introduced by Mr. Jean Lacroix (France), Mr. Jan Kaminski (Poland) and ICA's two Regional Directors for South-East Asia and East & Central Africa, Messrs. R. B. Rajaguru and Dan Nyanjom respectively. These four presentations reflect a wide range of experience covering the Western liberal democracies, the planned economy countries of Eastern Europe, and the developing countries, a classification which certainly covers a comprehensive range of situations even if it cannot be sustained in scientific terms.

We have added, in the second and third sections, complete texts of papers for those whose appetites might be whetted on reading the summary section and for researchers who require more details. I should add that the subject was also discussed in our Agriculture Committee, one of the nine Auxiliary Committees of the Alliance. Naturally their discussions related more specifically to the bearing the subject has on Agricultural Co-operation.

I would like to express ICA's deep appreciation to the authors of the various papers, Messrs. Lacroix, Kaminski, Rajaguru, Nyanjom, Back, Wick, Musundi and Sharma, for their contributions as well as to those who actively participated in the debate. My thanks also go to my colleagues, Mr. R. P. B. Davies, ICA's Deputy Director for an accurate summary of the discussions, to our Librarian Ms. A. Lamming, for her comprehensive bibliography, and to Dr. J. H. Ollman, our Chief of Press and Public Relations, and his assistant, Ms. M. Blindell, for preparing the material for publication.



S. K. SAXENA
Director, ICA

Part I — Summary of the Discussion

The following extracts from the verbatim report of the discussion which took place at the meeting of the Central Committee represent the summarised views of the speakers:

Mr. J. Lacroix (France): My paper was prepared on the basis of a questionnaire sent out to certain national members of the Alliance. It is not possible to translate the experience of one country to another, and the basis of discussion must essentially be national experience. One could not transpose such developments as the recent establishment of a Co-operative Bank in the USA with the establishment of a Co-operative Development Agency in the UK. My paper has therefore provided an account of what is happening in this sphere throughout the world. Such a survey could be useful, and the Secretariat should consider whether it is possible to continue this research and to keep it up to date.

There is great diversity, not only from country to country but also within countries, e.g., the relation between the state and agricultural co-operatives differs from the relationship with other co-operatives, and similarly the relationship between credit co-operatives and the state. The state intervenes in all countries in social and economic life, but this intervention must be based on sound information leading to understanding. Co-operation between the state and co-operatives must be developed through dialogue with the political authorities, private enterprise and the various sectors of public opinion. The means of collaboration vary from country to country. It is also important to bear in mind that there are few co-operative movements, certainly in the Western World, which are dominant economically in their sectors. Co-operatives must ensure that in sectoral negotiations they are not dominated by private enterprise so that the latter is given undue privileges. The advice available to governments is often given by people who are trained in economics but have little awareness of economic problems unless these are linked to private enterprise. Co-operatives must ensure that training in their colleges etc. includes co-operative ideology.

The State in Western countries is not really neutral. The neutrality of co-operatives is often referred to, but the State cannot be truly neutral because the State is not outside society but is an expression of society. It often makes a choice which differs little from the position of private capitalist enterprise. Co-operatives must challenge this attitude and ask the state to be neutral with regard to all organisations, and there is a case for co-operatives to be favoured, because they are fighting an unequal struggle in a private enterprise market. The state must not discriminate against co-operatives, which is what happens in many countries at present, particularly in aspects of financing and the obtaining of capital. If there is to be any effect on the economic and social environment in which co-operatives function, some political action is necessary, and the

dilemma occurs where corrective political action becomes too strong, for then the co-operative movement becomes subservient to the state.

It is necessary that all co-operators ensure that the democratic forces which they represent are truly expressed before society as a whole. There must be a close relationship between co-operatives and the members, and the co-operatives must stand apart from large institutions, whether capitalist or belonging to the civil service.

Mr. J. Kaminski (Poland): In Poland the state plays an increasing role in the economic and social life of the population, and this covers the legislation defining the role of co-operatives in the national economy. In a socialist economy, that role differs from other economies, for the links between co-operatives and the state are close. The aims of the co-operative movement coincide with the interests of a socialist state. The Polish Government favours the development of different forms of co-operative activity, and it has received from the state legal and economic benefits; e.g., economic aid, credit at low rates, additional funds for research into technology, etc. The state allows the co-operative institutions to participate in preparing draft laws, in economic planning, and in price control. There is a further level of influence in that leading co-operators are elected to the various government bodies at national and municipal levels. The co-operatives are independent with their own statutes.

The state directs the national economy through plans which determine the direction and extent of development, and the co-operatives have their part within these plans. The co-operatives are only one type of economic development, and there also exist other national undertakings. In fields where the co-operatives give a better service or have a greater output, the government will make it possible for them to expand, and the co-operatives can thus determine the growth of this particular sector. In Poland, the co-operatives have acquired a dominant position in various fields, particularly agricultural services, food, house-building, and small industrial enterprises. By the end of 1977, co-operatives had 13% of the manpower employed in socialist enterprises and accounted for 9% of the total output of the country. The turnover of co-operative stores was approximately 66% of the total turnover for the whole country.

Self-management by co-operatives in a planned economy is a vital part of the democratic process. It is always possible in a socialist economy for decisions at the centre to be modified by the initiative of co-operatives. There are also legal needs to be catered for, as such needs are not always included in the regional or central plans. There are economic and social needs, and co-operatives have an influence locally on the economic standard of living and the general quality of life in its cultural and social aspects.

Co-operatives within a planned economy are characterised by self-management; they benefit from legislation guaranteeing their independence; they have a valid place in the national economy whereby they play their part in the development of agriculture, housing, trade and services. Relationships between Co-operatives and the State can be further promoted by co-operative

representatives in parliament. The Supreme Co-operative Council in Poland is a body which is able to make representations to various Government bodies.

Mr. R. B. Rajaguru (*ICA Regional Director, South-East Asia*): It is important to remember the historical development of co-operatives in South-East Asia which were introduced by the colonial powers. The needs at that time were primarily for agricultural credit, with the aim of relieving people of the misery caused by their perpetual poverty. The co-operatives were therefore nurtured, developed and supervised by governments with the introduction of special legislation and special concessions to co-operatives, and the development of separate government departments with the task of helping the movement to develop. The intention of the government was for its role to lessen as co-operatives became strong enough to manage their own affairs. There is little evidence that this is happening, which may be because the governments are so committed that it is difficult for them to withdraw easily, or because the co-operative movements have not been able to develop sufficient strength and expertise for self-management.

After the shortages during the 1939-1945 war, various governments introduced rationing, and there arose the question of distribution. Many governments saw co-operatives as a suitable form of organisation for distribution, and from this time, co-operatives were seen as having a potential contribution to areas of economic activities other than food rationing. The tendency has been for governments to form co-operatives, e.g., in India, there is a two-year government programme to establish 5,000 multi-purpose co-operative societies. The Indian Government lays particular stress on co-operatives, and has brought them into governmental plans for economic development. This has entailed the government actively participating in the provision of share capital, so strengthening the financial bases and increasing the creditworthiness of co-operatives. Since 1950, the agricultural credit available through institutions and co-operatives has risen from 3% to 40%. Now, 40% of the agricultural crops are accounted for in the co-operative sector, and about 50% of sugar production. About 20% of the fertilizer requirements of the country are provided by the Indian Farmers' Fertilizer Co-operative. Such development has only been possible because the government has actively directed a co-operative development programme which has involved financial investment and managerial skill.

The role of the Registrar has changed in keeping with the legal provisions. Formerly, the law set out the regulations which had to be followed by co-operatives, and gave the Registrar powers to intervene if matters were being mismanaged, or there was malpractice. Now, with the increasing commitment of governments, legislation is becoming more restrictive and the Registrar is more commonly designated a Commissioner for Development, or Director-General for Development, or President of the Co-operative Department for Development. These developments mean increasing government intervention in the activities of co-operatives, and as people's movements develop, the role of the politician in a movement such as a co-operative one becomes stronger and that of the administrator weaker. In many countries, it is this political intervention that is resented, for it means that decisions are made on the basis

of political considerations, and often the people in charge have no co-operative background or commitment to co-operatives, but happen to be politically supported by the party in power. There are instances where boards of management have been nominated by the party in power. The result of this is for members to lose interest in co-operatives as they no longer can play a role in decision making and employees are disheartened as promotion to higher management is blocked, for senior posts are often filled by nomination from outside the movement. This is an area needing help by the ICA.

The Regional Office has studied legislation affecting co-operatives, and Mr. P. E. Weeraman, the previous Regional Director, wrote a study on "Indian Co-operative Laws vis-a-vis Co-operative Principles", showing the restrictiveness of legislation in India towards co-operative activities.

The Government of India in May 1978 circulated a letter outlining the provisions of co-operative legislation which were seen as unduly restrictive and which should be changed, such as compulsory amendments to byelaws by the Registrar; the power of government to nominate directors on the boards of management; the power of government nominees to veto resolutions; restrictions on terms of office and several other restrictions commonly in force. There is need for help to be given to co-operatives in certain specific areas:

- education;
- manpower development and career development for co-operative employees;
- the need to involve policy makers in constant dialogue with co-operators.

The Regional Office is attempting to meet these needs through appropriate activities, e.g., periodic top level conferences which bring together policy and decision makers from the government side with co-operators with a view to increasing the dialogue between the Co-operatives and the State.

Mr. D. J. Nyanjom (*ICA Regional Director, East and Central Africa*): In the countries in which the ICA's East African Regional Office has contacts, e.g., Botswana, Kenya, Lesotho, Mauritius, Swaziland, Tanzania, Uganda and Zambia, there is a continuing debate on the place of co-operatives and the state. They are generally recognised as tools for economic development, and therefore state intervention is justified to ensure an effective contribution. The appropriate structure for co-operatives is under constant review and in some cases, the co-operatives have become part of a state system of organisations if this is thought most suitable for the country's development programme. In the Region, government officials — Registrar or Commissioner — have power to supervise and control the economic activities of the co-operatives. The extent of state control varies from country to country, and there are instances of co-operative movements being disbanded overnight and reorganised by government decree, and in others, no co-operative can draw cheques or negotiable documents without the counter-signature of government nominees.

In some countries, various statutory boards have been set up and these may have a restrictive influence on co-operatives, e.g., agricultural commodity boards, with which agricultural co-operatives have to develop a close working relationship.

It is difficult for co-operatives to influence state policies, particularly if the movement is in a formative stage. Adverse press publicity has damaged the image of co-operatives among national leaders, and there is a need for co-operatives actively to counter that with positive publicity on the achievements of co-operatives. Most governments in the Region accept that co-operatives can be autonomous, but feel that if co-operatives are to continue, they must make an effective contribution to the country's national development plan. There is a danger that co-operative members and officials tend to leave everything for the state to manage, as individual initiative and the spirit of self-help become less strong. The main means of countering this is an effective training, education and publicity programme on Co-operatives and their possibilities, which will be beamed not only to the co-operatives, but also at the leadership and policy makers within the government.

The Regional Office is developing a dialogue between governments and movements through its standing committees and joint conferences, where co-operators and co-operative commissioners are brought together for the discussion of particular problems. The Research Unit of the Regional Office recently carried out a national survey into the relationship of Co-operatives and the State, and this will be published shortly.* In African countries generally, the tendency is for the Government to take over full control of the economic operations of co-operatives, from the original preparation of budgets through to the auditing of accounts. There are many examples where the State regulates the operating margins for agricultural co-operatives. There is a great danger that governments tend to see co-operatives as a panacea for economic ills, and therefore embark on a programme which includes the mass creation of co-operatives. Many of these will not be true co-operatives and will inevitably fail, as has happened in the crash programmes in some countries to develop co-operatives aimed to fit into the government's national food production programmes. Similarly, land reform programmes tend to use co-operatives as a solution, without sufficient preparation which will enable members to run co-operatives correctly and efficiently.

There is little likelihood that governments in this Region will allow co-operatives to develop towards greater autonomy until the co-operatives themselves are efficient units. This efficiency needs considerable backing in education and training at all levels, and this is something the ICA Regional Office must develop and strengthen.

Mr. A. Smirnov (USSR): The new Constitution of the Soviet Union, adopted in October 1977, gives the state authority to assist in the development of forms of co-operative ownership. The relationship between co-operatives and the state is built on the basis of a common interest in the economic and social position. The socialist state assists in the development of all economic activity and this includes co-operatives. The consumer co-operatives are aided financially, e.g., by trading discounts, concessions, cheap credit, etc. The co-operatives collaborate with the state authorities in working out the

*"The Organisation of External Supervision as an Integral Part of Promoting Co-operative Development" in *Co-operation as an Instrument for Rural Development*, edited by M. Konopnicki and G. Vandewalle, ICA, 1978.

economic plans and in fixing buying and retail prices. The organisation of co-operatives is based on their profitability, thus ensuring their autonomy.

Co-operative organisations and undertakings in the Soviet Union work on the principle of self-financing and possess economic independence in their operations. They have their own internal rules with the power to make their own contracts, recruit their own staff, possess their own accounts in the state bank, and can request loans. The consumer co-operatives are a link between the towns and the villages, and between the state and the collective farms, because they are involved in distributing food products. The consumer co-operative is one link in the central planning carried out by the state. Centrosoyus has to meet all its commitments from the profit it derives from its economic activities; its trade, restaurants, production, etc. This profit is not an end in itself; 35% is paid to the state, and the remainder is distributed according to the needs of the various co-operatives as investment, decisions being taken in the General Assembly of Members. Of the total remaining for distribution, 20% goes in dividends to members. Allocations are made for cultural and social activities. The state gives co-operatives tax concessions, e.g., in the fishing industry, no income tax is paid, and market gardening and certain other activities have special tax privileges. Newly formed co-operatives pay no tax for the first two years. The co-operatives also have the right under the Soviet Constitution, as a social organisation to take the initiative in asking for legislation. The consumer co-operative movement is one of the most important social and economic forces in the Soviet Union, playing an important role in the Soviet economy.

Mr. H. W. Whitehead (UK): Mr Lacroix's conclusion that the co-operatives will achieve nothing unless the Movement has economic dynamism and is able to assert its ideology needs the support of all co-operators. The UK Movement traditionally regards itself as independent of the state, and was founded in a period when government intervention in the national economy was minimal. The Movement has therefore grown up with a strong tradition of independence, voluntarism and self-help which are still maintained today. The UK Movement is pursuing measures aimed to develop the co-operative sector by assisting new co-operatives, especially in housing, agriculture, industry, credit, fishing and community development. There already exist government agencies to encourage agricultural and housing co-operatives, and a Co-operative Development Agency is now in the process of being formed.* This will have as its objective the promotion of co-operatives, more particularly Workers' Productive Co-operatives. The Government is therefore actively encouraging co-operative development. Members of the Board include one of the UK members of the Central Committee and a former Minister of Overseas Development. All political parties support the formation of this Agency.

It is necessary that co-operative members fully understand the Co-operative Principles and practices and have the ability to evaluate critically the context in which co-operatives operate. Education is therefore extremely important, and if the state is now interested in making concessions to co-

*The CDA commenced work on 1st September 1978.

operatives, there is the need to push for a greater co-operative presence in state educational systems. It is necessary to educate the public as a whole in the Principles of Co-operation, and to aim at a wider public than only co-operative membership. The ICA should consider the possibility of a study on the national experience in various countries in education in Co-operative Principles and development. It is clear that public awareness of co-operatives varies enormously from country to country.

Dr. L. Schujman (Argentina): Since March 1976, there has been a military government ruling in Argentina which has made political and economic changes. Legislation was introduced whereby financial operations could only take place through capitalist enterprises organised as stock companies. This meant that existing credit co-operatives had to become stock companies if they were to continue to exist. Efforts have been made to change this law, and as a result of a national and international campaign, the law was changed and credit co-operatives have been given the possibility to become co-operative banks. This ensures their survival and they can continue to perform all financial operations. The credit co-operatives have played a central part in the negotiations with the military government in trying to change the legislation. As a result, the credit co-operative movement is being reorganised, and the changeover to co-operative banks is in progress, supported by the Argentine Central Bank. Organisations such as Instituto Movilizador de Fondos Cooperativos, which is a federation of credit co-operatives, need expert technical advice which can be given to its own members to ensure that co-operative ideology permeates throughout co-operative activities.

Mr. S. Sulemesov (Bulgaria): Co-operative Societies are social and economic organisations, and have to operate within the framework of their own state, and the latter's attitude towards co-operatives is determined by the political party in power and its economic policy. In 1944, the successful Socialist Revolution in Bulgaria eliminated capitalist rule and created conditions for the comprehensive development of the Co-operative Movement. The attitude of the state is embodied in the Bulgarian Constitution, in Article 23 which states that "The State promotes the co-operatives and their unions and supports their activity". The state helps the co-operatives financially by granting cheap credit, and allowing newly established agricultural co-operatives to pay no taxes for the first three years. The financial help from the state has enabled co-operatives to own the greater part of their own funds, and the agricultural producers own 80% of their own capital investment funds, and the consumers' co-operative, 100%.

All arable land is farmed co-operatively, and agricultural co-operatives provide the whole of agricultural production. Consumers' co-operatives provide the only trade distribution in the villages and small towns. In the larger towns, they work in collaboration with the state enterprises. This achievement is only possible through partnership with the state, not with the state imposing its will on co-operatives. The agricultural producer co-operatives have been established on the basis of the preservation of the ownership of land. Co-operative farming has meant better utilisation of mechanisation, irrigation and

fertilizers, resulting in increased output and higher income to co-operators. The co-operatives are enabled through their representatives to take part in discussions of national economic plans. The President of the Central Co-operative Union participates regularly in the sessions of the Council of Ministers, and is able to present papers on problems affecting co-operatives. Co-operatives in Bulgaria strictly follow the principles of co-operative democracy and self-management, but they need the assistance and support of the state, and this they receive from the Bulgarian Government.

Mr. B. S. Vishwanathan (India): Theoretically, most countries can be divided from the economic point of view into those with a completely free economy, those with a mixed economy, and those with a centrally planned economy, although the dividing line between the first two is not very distinct. In many developing countries where a mixed economy operates, central planning has been adopted as one of the main mechanisms for socio-economic changes. Many countries have seen co-operatives as a main agency of development, for it not only provides an institutional framework through which the government can approach people, but it can mobilise its members and ensure their participation in development plans. In developing countries, the involvement of government in co-operatives is inevitable. Problems arise when the state, in the name of protecting financial resources which it has invested in co-operatives, starts to control and influence adversely the democratic management of co-operatives, and this it does through the enactment of restrictive legislation, whereby initiative and leadership are stultified.*

Dr. A. E. Rauter (Austria): It is clear that co-operatives in all parts of the world have expanded and the state has collaborated in this expansion. However, the principle of non-interference in co-operative affairs should be maintained. Co-operatives should increase their co-operative solidarity on this matter. Whilst developing possibilities of increased support to co-operatives by the state, the co-operatives must remain as autonomous as possible. Co-operative democracy is closely linked to the practice of democracy in the country as a whole. This democracy means the control and participation by members. The aim of the co-operative is to be carried out within the modern framework of national economies using modern management techniques.

Dr. L. Malfettani (Italy): This subject has been studied before and it is right that it should feature periodically on the ICA's Agenda in order to see how matters develop. In 1959, a technical conference called by ILO and FAO discussed the functions of the state, and of co-operative organisations. Following the 22nd Congress of the ICA in Bournemouth (UK) in 1963, a Principles Commission was set up whose report was received by the Congress

*At the end of his intervention, Mr Vishwanathan proposed a motion to the Central Committee that a detailed study should be carried out by the ICA on the relationship between the state and co-operative movements.

The motion was disallowed by the President, as it had not been submitted in accordance with the Standing Orders, and in planning the debate it was not foreseen that a motion would be put before the committee.

in Vienna in 1966. This contained the Commission's conclusions concerning the state and co-operative autonomy. In 1966, there was an ILO Conference in Geneva concerning economic and social progress in developing countries, and included in the recommendations was one urging governments to call on co-operatives to help establish a balance in national economies. In 1972, the ICA World Conference on the Role of Agricultural Co-operatives in Economic and Social Development was held. It is clear from the reports of these meetings that in many parts of the world co-operative development will be very slow without the support of governments. The state can help to mobilise human, financial and national resources, and the definition of its attitude is extremely important, for it should provide active support without control. At the end of the 1939–1945 war in Italy, when the co-operative movement was being restructured, the Government passed legislation recognising co-operatives as non-profit organisations. There was government help for the development of government training colleges to help co-operatives achieve their aim and inevitably a certain amount of control was necessary. The co-operative organisations, as national associations, were subject to government decree, giving them their legal existence, and defining their responsibility to the state. This had met the needs of the movement at the time, and it had not been felt that freedom and independence of co-operatives had been compromised.

Mr. I. Moga (Romania): In Romania, co-operatives are an economic and social movement which make an important contribution to the national economy, for they are helping in the building of socialism by raising the standards of those living in cities and villages. Agricultural co-operatives, workers' productive co-operatives, consumers' co-operatives and credit co-operatives together are an important sector of the Romanian economy, and the volume of activity has increased tenfold between 1950 and 1977. Their economic activities are integrated into the state's long-term plans as well as the shorter plans for one and five years. The state favours the co-operatives by providing aid for the purchase of agricultural machinery and raw materials, as well as credit at favourable rates of interest. The state also helps by the provision of specialists and technicians and there is a recruitment policy by the co-operatives of graduates from technical schools.

Mr. R. Ramaekers (Belgium): The Belgian co-operative movement is very closely linked to the political life of the country, and this is true for both the Christian and Socialist co-operative movements. Many co-operators have to be given leave of absence on becoming ministers of the country. If co-operative enterprises are prosperous, then politicians criticise because they find the success of co-operatives irritating, and if the co-operatives are passing through a difficult phase, they are also criticised, so it seems that the co-operatives will be reproached whether they succeed or they fail. Co-operatives are based on economic and financial activities, and when co-operatives remind themselves and the public that they are part of a movement, and a movement which criticises the paternalism of the state which tends to transform the individual person into a mere spectator rather than a participant, this makes people

uneasy. It is necessary for co-operatives to have more credibility, but this is difficult if co-operators themselves are divided.

It is an important feature in Belgian society that there are Socialist and Christian co-operatives. Each of these sectors has its own clinics, hospitals, shops, schools and administration, which divides the country. Co-operators must try to provide a bridge over these two separate parts. A beginning has been made by the establishment of an inter-co-operative committee, which has been trying to co-ordinate their policies. In addition, there is need to increase the solidarity between the different co-operative sectors, as well as strengthening each sector. In the consumer movement, it is aimed to unite all consumers, and draw attention to the fact that the consumer co-operatives are associations managing their own enterprises in a democratic way in the interests of the members and of society as a whole. This is a means of fulfilling a certain concept of society. The consumer co-operatives act through an active women's movement and with the trades unions, collaborating in common action with their consumer associations. This is designed to show the Belgian public that co-operatives are a way in which the consumer can have an influence on economic decisions which affect him.

Mr. Lacroix has referred to the cultural environment and co-operatives have to play a part in the education process, particularly in the field of adult education. Participation in education and cultural activities, however, poses a problem, for these activities have to be financed out of the profits of the co-operative enterprises. These aspects can be a burden to the co-operatives, and might mean that the activities have to be restricted, and in this case the co-operatives may become strong but not truly co-operative, with little distinction between them and other large enterprises in society.

Mr. I. Szabo (Hungary): Mr Kaminski has shown from the experience in Poland that in a socialist state the co-operatives work in close collaboration with the state. In Hungary, co-operatives have the support of the state, for they help to raise the standard of living of all citizens. Co-operatives are regarded as an integral part of the national economic system, and although the state favours co-operatives, it respects their independence. The co-operatives embrace a third of the working population in membership, and account for 90% of the industrial production of the country, 30% of the total volume of consumer trade and 75% of agricultural production.

Mr. B. Biros (Czechoslovakia): The Czech and Slovak co-operative movements, in common with many others, came into existence as an expression of working people's attempts to defend themselves against capitalist exploitation. After the liberation of Czechoslovakia in 1945, the organisation of the state was based on socialist principles. This means that the interests and aims of the state support and coincide with those of co-operatives as socio-economic organisations. Co-operatives increasingly have become an important part of the country's economic and social life, and the state has an interest in guaranteeing the prosperity of the Co-operative Movement. Both long- and short-term plans of co-operatives are based on the state plans for the national economy. The co-operative movement is also an integral part of the political

system of the state. Nationally owned enterprises are predominant in the national economy and the co-operative enterprises collaborate with these in order to support their development. Co-operatives are able to develop through members' initiatives, thus furthering an efficient collective economy and actively participating in influencing the policies of the state.

Mr. K. Oikawa (Japan): The principle of independence of co-operatives must be strictly followed, but it must be realised that in developing countries co-operative movements are promoted and strengthened under the guidance of the governments. In these countries it is important that the development of agriculture and fisheries should be encouraged. It is probable that there is government guidance in the management and day-to-day activities of co-operatives, and this must be regarded always as a transitional measure until the co-operatives are strong enough to take their own independence. The aim should not be to convert co-operatives into government-sponsored organisations. This government intervention poses problems when organisations from developing countries apply for membership of the ICA, and the ICA should bear this in mind when considering membership applications.

Mr. A. Monin (Argentina): It is possible for the state to take up a position of neutrality towards the Co-operative Movement, which implies a certain respect for it; or it can support the co-operatives because it considers them worthy of state support; or more rarely, it can be hostile, which may be open or veiled, and in many countries, there are legislative measures showing the government's dislike for the Co-operative Movement. Should co-operatives themselves accept the help of the state, or reject it, and rely on their own strength? Most co-operators seem to agree with the necessity of the support of the state on condition that this does not mean an interference with the Co-operative Movement.

In the Argentine Republic, the Government maintains that the separation between co-operatives and the state does not mean that opposing aims exist. The Government respects the qualities of liberty and democracy which are characterised by the co-operatives. The President of Argentina stated on the occasion of the visit of the President of the ICA, that co-operation was a form of solidarity which contributed to a better understanding between people. It might be that the time is ripe for the ICA, universally representing co-operatives, to claim from Governments the general adoption of an overall policy which would set out the principles of a relationship between the state and co-operatives, which could be embodied in legislation. The 5th Continental General Assembly of the Organisation of the Co-operatives of America in November 1977 suggested the guidelines for such demands as follows:

1. In all future legislation on constitutional reform which is being sanctioned in each country, concrete rules should be included for the protection and futhering of the co-operative system, which legalise and institutionalise the fundamental principles of co-operative doctrine, at the same time preventing any obstacle, restriction or aggression which may affect the Co-operative Movement.
2. The Co-operative Movement should participate permanently in the

organisations for planning and economic/social decisions of each country, as well as in the structure of all development plans by means of democratically appointed representatives.

3. The teaching of Co-operation should be introduced at all levels compulsorily and in co-ordination with the work which the co-operative institutions carry out in this respect.
4. The auxiliary legislation should acknowledge the specific nature of the co-operative entity, that is, its character as a service undertaking by definition opposed to any kind of profit, and grant co-operatives the consequential treatment in accordance with their nature.

In Argentina, there has been an attempt to pass legislation which would have deprived the co-operative credit societies of many of their functions. Objections were made to this legislation both within the co-operative movement in the country and outside at the international level*. Support was drawn from the proceedings of the 4th International Conference on Co-operative Thrift and Credit held in Brazil in April 1977, as well as from the 5th Continental General Assembly of OCA for the need to acknowledge the importance of the functions carried out by credit co-operatives. There are still limitations placed on the functioning of credit co-operatives e.g., a credit co-operative acting as a bank must have a capital of US\$5,375,000 working in Buenos Aires, and US\$3,225,000 if it is operating in the interior of the country. There is need for continuing vigilance concerning projected legislation affecting co-operatives, and it is clear that international solidarity has helped to modify certain aspects of legislation in Argentina.

Mr. H. Dahlberg, speaking on behalf of **Mr. Klas Back (Sweden)**: The Co-operative Insurance Movement is concerned with co-operative and state relations, particularly when the nationalisation of insurance is under consideration. At the Insurance Conference in Warsaw in 1972, the advantages and disadvantages of co-operative insurance and nationalised insurance was one of the main themes for discussion, and in 1974, the matter was reviewed in the light of developments in the countries of member organisations. In Sweden, the debate continues. The Swedish Consumer Co-operative Movement has never been negative, and an early pioneer, Albin Johansson, said that if the state or community can run an enterprise for the better benefit of consumers than can the co-operative movement, then it should run that enterprise.

Folksam, the co-operative insurance society of Sweden, has actively encouraged the expansion of a social security system, and is the only insurance company to have taken a positive attitude towards a national supplementary pension scheme. The attitude of the state to the co-operative movement in Sweden has been generally friendly, particularly during the rule of the social democrats. The co-operative movement is seen not as an alternative economic system, but as a balancing factor in a mixed economy. This is the counter argument to the nationalisation of insurance — that it is not necessary because there exists an active, competing and efficient co-operative insurance

*See page 11

company. With a change of Government in Sweden, the state attitude remains the same, and the co-operative societies are seen as having to compete on equal conditions with private companies and with no special treatment. For example, the proposals for new anti-trust legislation treat co-operatives in the same way as private companies in the control of mergers, and this will affect mergers between two co-operative societies. If the legislation is passed, it might mean that it is not possible for two co-operative societies to collaborate in creating a more rational method through joint productive purchasing etc. This type of collaboration would clearly create savings for the consumer, as the profit motive is not the main reason for the merger. It is therefore necessary to ensure that legislation does not put the co-operative movement at a disadvantage compared with private companies.

The Government's consumer policy takes no regard of the way in which consumers have organised themselves into co-operatives to influence production and distribution. It is necessary for the co-operative movement to take a stand on the question of government control or takeover of private insurance, and state that the decisive factors in organising and controlling an insurance company must be based on consumer interests. If government operation of insurance services provides the best method of giving services to the consumer, then the co-operative movement must be prepared to support such operations.

The Insurance Development Bureau of the International Co-operative Insurance Federation prepared for UNCTAD some fundamental arguments on the issue of the nationalisation of insurance, and in many cases, the arguments for the nationalisation of insurance coincide with the social and economic objectives of co-operatives. In many countries, co-operative insurance is an effective alternative, or in some cases, a complement to state insurance in order to accomplish these objectives. There are examples in some countries where the establishment of co-operative insurance is under consideration which would compete with nationalised insurance.

It is essential for co-operatives to remain sensitive to the needs of individuals, and yet maintain economically successful operations. Government intervention will tend to increase unless co-operatives can overcome some of the grievances motivating such intervention. Hence the need for responsiveness to members' needs and this requires ability to adapt quickly to improvements and developments in social security systems. Collaboration with other groups can be helpful in achieving such responsiveness, and Folksam collaborates closely with the Swedish Trade Union Movement. During the 1970s, many agreements on collective insurance coverages for wage-earners have been worked out between employers and trade unions. The Trade Union Movement sees such collaboration as a way of obtaining increased influence over insurance capital and the possibility for greater democratic control than might be the case in a nationalised enterprise. There is need to emphasise the co-operative movement's special character, so that the state does not regard it as an ordinary type of enterprise.

Dr. H. Fahrenkrog (*German Democratic Republic*): The role of co-operatives in society and their autonomy is influenced by their relation to the state. In the

early days of the Co-operative Movement, the state tried to control co-operatives, who fought against such intervention, although in some cases, co-operatives wished to have direct state intervention in order to try to achieve a socialist society. The state now influences more and more economic decisions, and the intervention of the state can be either beneficial or detrimental to the development of co-operatives. In the German Democratic Republic since 1949, the turnover of consumer co-operatives has risen from 12% to the total turnover of 34%. In 1949, DM28,000 were distributed to members, and in 1977, over DM350 million were distributed. The state helps the co-operatives by making available land for building, and grants favourable terms for credit. The country's legislation enables co-operatives to work in full harmony with the state, and they are able to influence the planning and implementation of important legislation. From the experience of the GDR, it is clear that there is a strong connection between the introduction of a socialist state and the increased potential of consumer co-operatives.

Mr. N. Thedin (Sweden): The first co-operative development programme of aid to developing countries was supported by the popular movements in Sweden and not by the state. This stemmed from the experiences in Sweden as it emerged from an under-developed class society into a modern welfare state in which the decisive contribution has been made by people's movements such as co-operatives, trade unions, the political labour movement, the temperance movement, the free religious movement. In the 1950s, aid was organised on the basis of passing Swedish experience on to developing countries. The most important contribution was the way in which the ground was prepared for massive state contributions to development aid. In the 1960s, the Swedish Parliament established the technical assistance agency (SIDA) with the aim of giving at least one per cent of the Gross National Product for development work. In 1979, the sum to be given will be over one billion pounds sterling, of which one third will go to United Nations Agencies, and two-thirds for bilateral assistance, including non-governmental organisations. The state has recognised the importance of people's movements, especially organised through non-governmental organisations, which assist in promoting similar organisations or strengthening such organisations in developing countries. Government legislation has specifically mentioned co-operatives and trade unions.

The Swedish Co-operative Movement started its work in developing countries independently of the state, and received no aid for this purpose. However, gradually the state technical assistance agency recognised that co-operatives were well equipped to assist the co-operative movements in developing countries and a formal agreement regarding collaboration was worked out. The Swedish Co-operative Centre acts as a consultant of SIDA on projects concerning co-operatives. At present it recruits experts for development programmes administered or financed by SIDA. The SCC is also an executive agency which itself administers co-operative development projects in collaboration with organisations in developing countries. In such projects, the SCC gives 20% of the costs, and SIDA covers 80%. There are examples where SCC administers projects financed 100% by SIDA. There are

other cases where SCC administers projects with no aid from SIDA. In Sweden, it is recognised that state control and state assistance are necessary to help co-operative movements in developing countries. However, it must also be recognised that the aim is the development of a free, independent, democratic co-operative movement. However, there is no state control over the SCC or the co-operative movement, and the government is not represented on the board of SCC, although the SCC is represented on the board of SIDA. This pattern has been of value both to the state and to the co-operative movement, and it is hoped that such a pattern could develop in some other countries, for it is logical that a state agency should seek the assistance of the co-operative movement to help developing countries in trying to solve their social and economic problems.

Mr. R. Haugen (Norway): The questions discussed regarding the influence and control of the state in aspects of industry, agriculture, consumer affairs, trade, banking, insurance etc., are so important that all co-operative organisations should follow up this discussion. It is highly desirable that there should be a statement on this matter from the Central Committee of the ICA. The central co-operative organisations in countries represented in the ICA should carry out a broad discussion on the subject of co-operatives and the state and the matter should again be raised at the Meeting of the Central Committee in 1979 in Manchester, at which there could be agreement on the principal guidelines for the ideological and practical work of the various co-operative sectors.

Mr. U. Dragone (Italy): The state will inevitably expand its influence with regard to co-operatives and this means threats to the movement's liberty and expression of action. It is essential to ensure a sound democratic structure with direct democratic participation with control over the economic social and cultural aspects of the organisation. The statement by Mr. Lacroix that the state should be concerned when co-operatives are weak is a correct viewpoint. In Italy, the co-operatives try to compete on an equal basis with other enterprises, but have to overcome the difficulties of competing with private and public enterprise. In a mixed economy such as Italy, the co-operatives and the state should complement each other's activities. There is a need for the local and regional level of co-operatives to be strengthened and it should be possible to consider joint planning by the state and co-operatives in order to increase the standard of living for the people. Co-operatives need to be better organised in the future with efficient programmes of work. At the international level, the ICA must unite co-operators throughout the world to play their part in ensuring a united Co-operative Movement with a strengthening of Co-operative Principles. There is now a move towards a European Parliament which we will support with proposals aimed to unify the different social, cultural and economic realities of different countries. This may be utopian, but on many occasions co-operators have shown that they can change utopia into reality.

Reply to the Debate

Mr. J. Kaminski: The contributions in this debate show that this subject is an essential one in the development of co-operatives, and will be of increasing importance in the future. Differing opinions have been put forward, as co-operatives operate throughout the world in different economic and social systems. The debate has shown it is necessary to strengthen the links between the state and co-operatives, for these should be advantageous to the large number of people who make up the membership of co-operatives and to the public in general. The stronger the co-operative movement becomes in a country, the more complicated the problem is of its relationship to the state.

Mr J. Lacroix: The problem of the relationship between the state and co-operatives will never be solved *in toto*, and the many view points show varying shades of emphasis on what the relationship between the state and co-operatives should be. There is agreement on certain points:

- The changing nature of the problem: information is required on the changes in this relationship in the various countries, and possibly the ICA Headquarters could keep a record of such changes.
- The independence of co-operatives from the state should be maintained, even though co-operatives have to depend on the state. The interference in co-operatives should be minimal.
- There must be the possibility of a continuing dialogue between co-operatives and the state; in some cases, as in Belgium, this could help to develop institutionalised links.
- The need to advocate the role of the co-operatives in helping the population in general: if the state wishes to be democratic, it must allow co-operatives to be administered in a democratic way and to play an effective role in society.
- The encouragement of some governments for the promotion of co-operatives in developing countries should be applied logically so that there is similar support for co-operatives in their own countries.
- The co-operatives must maintain credibility with their own members, so that it is clear why the co-operatives support certain measures of the state and why others must be opposed. Attempts must be made to ensure that aid is given without co-operatives being subject to complete control.
- The supra-national aspects of co-operatives is increasingly important as international bodies increase, e.g., the UN Agencies, the EEC, and other regional groupings. International solidarity within the ICA must be maintained.
- Finally, as to autonomy, are co-operatives within or against the state? In this area, as in many others, co-operatives must see that the state has a total function and role to play. It must organise, and for this role it is essential that co-operatives participate, because it is this that will determine the conditions under which co-operatives take part in the economy.

The President: The important relationship of Co-operatives and the State will always be in the forefront of problems facing co-operatives and especially in developing countries, there is need for close attention to this matter. The ICA's Regional Offices maintain a continuing interest in this subject. The many contributors to the debate have put forward useful points, and the thanks of the ICA are due to the main speakers introducing the reports and to the standard of discussion. It is necessary that the ICA should have up-to-date information on the co-operative/state relationship, and if this were possible the matter could be reviewed at every Congress in order to learn from the experiences in various countries.

Compiled by
R. P. B. DAVIES
, Deputy Director, ICA

Part II — Background Papers

Jean Lacroix

Fédération nationale des Coopératives de Consommateurs
(France)

As a force for coercion and organization, the State is one of the least avoidable features of our age. Far from “withering” away or being replaced by some “free association” of producers or consumers, it seems rather to be playing an increasingly important role in the economy and in society at large.

In spite of sporadic attempts to establish international bodies with regulatory powers, and in spite of the developing role of multinational firms as a result of growth in trade, the State remains sovereign within its frontiers and wields a monopoly of legal coercion, as a result of which it continues to be the decisive factor in the lives of families and in business activities. One merely has to point to the growing numbers of civil servants and to the size of State expenditure, not to mention the constant outpouring of laws and regulations, to demonstrate the point.

This growth of State intervention has given rise to a very wide range of studies, from analysis of the nature of the State to examinations of the role of power, from history to political research, from legal research to organization theory, sociology, economics and political theory.

The present paper does not propose to occupy these more abstract levels of investigation. It will confine itself, rather, to the observation that the problem of relations between expanding statism⁽¹⁾ and self-developing co-operative movements cannot be evaded.

I shall not, however, be seeking to draw up a list of all the different situations encountered in this field, which would have required a vast, lengthy and intricate investigation: however interesting such an inquiry may have been, it would only really have been significant if placed in the historical context of each country and co-operative institution⁽²⁾. While a questionnaire was indeed circulated to a number of co-operative officials, to whom thanks are due here⁽³⁾, this was more with a view to pinpointing a few “typical cases” than to outlining a typology of existing relations between State and co-operatives in the West.

My aim here is merely to suggest a number of discussion points with a view to identifying major themes and to provide stimuli to further research and

⁽¹⁾I fully recognize that certain countries are showing signs — which remain to be confirmed — of a desire for “disengagement” of the State, following on a long period of development in the opposite direction.

⁽²⁾The survey undertaken on the occasion of the XVIIIth Congress of the I.C.A. held in Copenhagen in 1951 did seek to do this, but in fact it covered little more than consumer co-operatives in the West.

⁽³⁾Our Swedish and Austrian colleagues in particular.

action, bearing in mind that I am here dealing solely with *market economy industrialised countries*, and insofar as is possible I shall eschew all digressions of a philosophical nature.

The Role of the State

Even in so-called 'liberal' States, economic and social intervention by the government has long ceased to bear any relation to the type of government action that characterised the age of 'liberalism'.

The State has extended the scope of its activity beyond the mere organizing of the general conditions required for the workings of the market, either in response to circumstances or else as a consequence of political programmes specifically stipulating such extensions.

Experience has shown that, as a rule, once such extension has occurred, it tends to remain in force even when circumstances have changed or other political groups have assumed power, so that we may approximate a rough guess that statism has continued to expand over the past few decades.

It has done so in answer to a number of familiar imperatives and aspirations listed briefly below:

- short-term measures (fiscal, monetary, regulatory, etc.) designed to cushion rapid fluctuations in the economy which are increasingly resented by public opinion and which create increasingly insurmountable problems for business;
- structural measures (nationalization, subsidies, grants, regulations) designed to shift the spread of output, economic power, wealth, income, jobs, etc.;
- cultural action — though less perceptible because longer-term and sometimes more ambiguous in its impact, this nevertheless contributes to a "standardization" of behaviour;
- welfare measures designed to provide people, regardless of their connection with the production process, with basic income and health care, not to mention measures aimed at influencing the demographic situation and the size of the working population.

These major fields of action not merely add to, but actually affect, the more traditional fields of government intervention in the organization and regulation of the market, themselves becoming increasingly complicated owing to greater interdependence between the different economic factors, diversification of output, techniques, processes, attempts to undermine or distort the market (illicit agreements, speculation, etc.), and the appearance of new constraints (or what are increasingly felt to be such) such as attempts to influence social relations, town and country planning, the organization of work and leisure, environmental protection, consumerism, organization of economic 'transitions', safeguarding of national interests, etc.

Generally speaking, business and social groups must increasingly have

dealings with the State — often described as the “Welfare State.” This happens supposedly in the general interest, but in fact merely represents the momentary balance of the various political, economic and social forces; for the State is not an “arbitrator” external to society, and its patterns of intervention cannot be neutral regarding businesses, social classes or households.

Patterns of State Intervention

We are in the habit of associating the State with the Law; and it is true that a law voted by parliament after discussion within and between political parties — themselves controlled by a public opinion fully informed through the various information media — would appear to be binding on all in the general interest.

But the reality is often somewhat different. The extensive parliamentary work is but a drop in the ocean compared to the mass of government decisions and public authority interventions.

The complexity, mentioned above, of the problems that have to be dealt with is generally such as to preclude their exhaustive regulation by Act of Parliament, hence the proliferation of appeals, decrees, bye-laws, supplementary decisions, etc. which, whatever the constitutional safeguards designed to ensure their conformity with the intentions of the legislators, still inflect, modify, delay and sometimes even distort or nullify the original Act, and in any case withdraw a substantial portion of its application from consideration by the people’s representatives.

In addition, bills laid before Parliament can rarely escape the influence of the senior civil servants who will have to apply them, hence the decisive role played by the civil service in determining types and patterns of State intervention.

The degree of autonomy of the civil service vis-a-vis the Government and political party or parties in power varies greatly from one country to another, depending partly on historical traditions and partly on the political situation, but it is bound to exist, inasmuch as legislation and regulations call for detailed drafting which often involves several ministries and State bodies simultaneously.

Another aspect of the executive’s independence of Parliament concerns the State’s own activities in the economic field as supplier, as provider of services or as customer. Whether in the form of national or local authorities, public utilities, nationalized corporations or para-public bodies even the so-called public co-operatives; its position in the market is rarely marginal and in certain sectors (energy, transport, arms, etc.) it tends to be dominant, even monopolistic. Even when supposedly operating within the same legal framework as private enterprise, quite clearly a ministry or public corporation cannot entirely be compared to an independent company, even though the connection between its forms of activity and Parliamentary or governmental decisions or policies may not always be clear.

Finally, in countries implementing economic action or development programmes, parliamentary control is clearly limited to policy priorities, to the exclusion of the practical details involved in their application (and sometimes

even to the exclusion of the necessary information, which is given or withheld at governmental or administrative convenience).

In such circumstances, the role of the bureaucracy is often decisive and it may even evade governmental control entirely where the latter is exercised by shifting, heterogeneous coalitions with vague strategies. Even so, political continuity is no guarantee of governmental authority, and cross-fertilization between political and administrative personnel, so far as recruitment and careers are concerned, may finally produce what one French prime minister has referred to as "*un dirigisme sans direction*" ("management without control").

It should hardly be necessary to point out that this situation is aggravated in countries with a tradition of centralised government and statute law often accompanied by the practice of "administrative secrecy", which in theory is intended to protect the administration from private or other pressure groups, but which in reality lays it open to every kind of behind-the-scenes lobbying.

In fact the limitations of State intervention in the form of injunctions drawn up in "cabinet secrecy" soon become apparent, and bureaucracies inevitably end up provoking violent hostility, to a greater or lesser degree.

In complex, shifting situations, bureaucratic intervention often proves to be inappropriate, inefficient, expensive, and sometimes even disjointed and self-contradictory; each ministry or department is liable to have its own 'departmental view' of objectives and the means to their achievement in a sector concerning which it has only partial information and for which, in the final analysis, it is only indirectly responsible (or may actually have no responsibility whatever, in view of the status of public servants and the diffuse way in which governmental or parliamentary responsibility operates).

However valid a remedy decentralization may be, this does nothing to alter the overall picture since it merely entails a more precise appreciation of local factors, flowing from closer proximity to people and events, and from a better opportunity of forming an overall view of the consequences of decisions.

More significant would appear to be the solutions being sought both in greater consultation and in the transfer of power to non-State bodies.

Where the administration is unable to make decisions alone and in secret, it is obliged to institute dialogue with its various clients (businesses, different social categories and groups), and it may then happen that this fortuitous consultation is presented as a fundamental principle aimed at achieving "participative" decisions when in fact the State's coercive power is concealed by apparent unanimity.

This 'concerted' policy brings many different pressures into play, and it seems probable that the successive pressures of different groups acting upon governments faced with electoral compromises has largely contributed to the inflationary process.

Its implementation comes up against the inequality of the forces currently in play, the difficulty of obtaining objective information on the precise facts at issue, the confusion of interests, not to mention the permeability of the barriers between the civil service and the management of private enterprise, to the point where it is sometimes hard to tell who is giving orders to whom,

reminding one of the famous expression, "what's good for General Motors is good for the U.S.A."

While consultation⁽⁴⁾ is designed to adjust State intervention to the realities of everyday life and to spread part of the burden of responsibility on to the shoulders of the man in the street, the transfer of power to non-State bodies transfers this responsibility in its entirety, with the State retaining reserve powers of control or assistance. At worst, this merely produces change of bureaucracy; but at best it could mean the ebb of state interference, provided that the bodies concerned (generally social organisations of one kind or another, or mixed) are genuinely democratic in their working and maintain a continued concern for users' needs. The difficulty in this case lies in a correct assessment of the cost of the public service thus provided and of the restrictions that this imposes on the organization's ability to freely determine its policy; where the political consensus is fragile, moreover, it runs the additional risk of 'takeover' or 'schism' as a result of this delegation of State power.

To conclude this brief survey of patterns of State intervention, international monetary and trade agreements, and still more so treaties such as the Treaty of Rome, introduce an additional level which further enlarges the field of consultation, combining sectional interests with national interests and accumulating (rather than transferring) the weight of national and international bureaucracy.

Finally, mention should be made on the one hand of the activities of privately-owned multinational corporations⁽⁵⁾ which enjoy a broad margin of freedom to develop autonomous policies of their own independently of governments, and on the other of specialist inter-governmental bodies (international organizations, monetary funds, etc.), whose interventions are more or less obligatory on member governments.

Governmental Attitudes Towards Co-operatives

Governmental attitudes towards co-operatives vary greatly from country to country and from time to time, and a wide range of situations exists from indifference to tutelage (benign or hostile); it may even happen that a single State will at one and the same time have different attitudes towards different types of co-operative institution.

In the first place it should be noted that in all the democratic countries Co-operation has received legal recognition in the form of legislation based essentially on the Rochdale Principles, which defines and protects the formation and operation of co-operatives. Conversely fascist States do not generally tolerate the existence of a Co-operative Movement, and where democracy has been suppressed co-operative institutions are likely to have suffered the same fate.

⁽⁴⁾This may occur through a wide variety of channels, from the full-scale Parliamentary Commission via the whole jungle of specialist bodies thronging the administration, to a simple interview with a suitable civil servant.

⁽⁵⁾This topic was discussed by the I.C.A. at its 25th (Warsaw) Congress in 1972.

In many countries, co-operative legislation provides for some form of registration procedure. Generally speaking this consists of a simple legal formality recording the existence of the institution, but in some cases it involves administrative proceedings which may on occasion serve as a means of governmental control.

However, the existence of co-operative legislation does not necessarily obviate two dangers: the first, that of a definition so wide as to permit pseudo-co-operatives to pass themselves off as real ones, with consequent risk of confusion and deterioration of the movement's reputation; the second, that of a regulatory code so narrowly specialized (sector by sector) that it impedes the operation of co-operatives and discourages the formation of new ones.

Apart from legal recognition of co-operatives, governments may adopt attitudes ranging between two extremes—regarding them as a “deviant phenomenon”⁽⁶⁾; or as a positive force for economic and social change.

In the first case, official indifference or neutrality — usually accompanied by a liberal approach to interventionism (“may the best man win”) — in fact acts as a brake on the development of the co-operative movement in that the entire gamut of criteria — legal, financial, social, macro- and micro-economic and prevalent patterns of behaviour — are consciously or otherwise determined by the traditions and needs of capitalist enterprise. Co-operatives consequently have great difficulty in functioning effectively in accordance with their principles, and are unlikely to be judged objectively on their economic and social performance. It may even happen that in the name of tax equality, tax schedules are established in such a way as seriously to hamper co-operative growth, not to mention the particular problems posed by questions of company liability and exercise of power, which are fundamentally different for co-operatives from those in private firms, and which consequently require different legislative provisions.

Genuine neutrality would mean that the legislators and the government recognized the specific nature of co-operatives and adapted existing legislation accordingly, but this is neither easy nor speedy, owing to the proliferation of legislation and red-tape.

In the second case, governments which opt either for a “readjustment of the market” in favour of those categories that are most disadvantaged by the market forces and the activities of capitalist enterprise (farmers, small traders, consumers, small savers, etc.), or alternatively for the systematic development of non-capitalist firms, prefer to encourage and assist those co-operatives which they regard as fulfilling some necessary function: acting as counter-balance, serving as a factor for integration into the modern economy⁽⁷⁾ or, in the sphere of social solidarity, experimenting with new types of work relations, leisure or lifestyles, etc., — all tasks which might otherwise fall upon the State and require additional expenditure. Various methods of financial aid, direct or indirect, periodic or regular, may then be established, sometimes accompanied by protective regulations (authorisation to tender for public contracts, tax

⁽⁶⁾According to the expression employed by Prof. Desforges in his speech delivered at the C.I.R.I.E.C. Congress, Athens (1978).

⁽⁷⁾Or the nation, in certain historical circumstances.

concessions, special legal provisions for allocation of surpluses or the collection of savings, etc.); the State may even play a direct role through the formation of mixed or para-public bodies (Co-op+State+Outside party) or the setting up of some sort of co-operative development agency to act as a link between co-operatives and the government.

This kind of policy calls for broad consultation⁽⁸⁾, without which the government may be accused of discrimination; it calls for a precise evaluation of the services which co-operatives render to the community, without which they will either run into difficulties and be crushed by the dominant market, or else have to be artificially supported, in which case they are liable to lose their significance and ultimately become dependent on public 'largesse'. This also implies that the State has made the choice of whether to assist co-operative enterprises or co-operators, which is not the same thing and which may produce very different economic and social effects.

On a wider view, the policy of encouraging co-operatives raises the problem of decision-making autonomy and freedom of action, and co-operatives may legitimately fear the onset of a process in which they gradually fall under the government's sway and, directly or indirectly, become tools of government policy⁽⁹⁾ contrary to the Co-operative Movement's vocation of autonomy and self-determination. Such a process may also have political repercussions in countries governed by alternating parties.

Whether the State's attitude be neutral or one of encouragement, relations between co-operatives and the State are determined on the one hand by the party or parties in power, and by the strength of the Co-operative Movement on the other.

It is no denial of the principle of co-operative independence to state that social democratic parties on principle support the development of various forms of co-operative management, and that, particularly in the case of farming and small business, many parties support the idea of aid to co-operatives, while workers production co-operatives (and sometimes also consumer co-operatives) receive encouragement both from those who want to 'humanize' capitalism as well as from those who want to destroy it.

If the party or parties concerned are in power for any length of time, consultation with co-operatives will tend to develop at a high level, by-passing institutional channels: co-operative leaders have been known to accept high positions in the State while, conversely, co-operatives may find themselves taking in politicians who have fallen from power. Moreover, politicians rarely refuse the platform offered to them on a co-operative occasion.

However, such situations are unlikely to occur in countries where the co-operative movement is weak and scattered. Governments have an unfortunate — though undeniable — tendency to recognize only the strong and to negotiate only with the powerful. In these circumstances, the size of the enterprise or movement counts for more than its co-operative character or the

⁽⁸⁾Possibly facilitated by a Parliamentary Commission of Inquiry.

⁽⁹⁾Tools which may finally be liable to nationalization, either on account of the type of activity they are engaged in (insurance, credit), or on account of the importance of the services they provide for a population that cannot, for obvious reasons, be forced to join them.

extent of its democracy. But even when the public authorities are indifferent or hostile, they still cannot afford to ignore co-operatives which in certain cases may appear as a potential threat to the government; the latter then sets out to develop forms of consultative procedure which will also act as a control mechanism (particularly in the field of credit).

Finally, there is another problem which bedevils relations between the State and co-operatives.

From experience, tradition and for reasons of convenience, the State and its agents like to deal with people or bodies whose role is plain, precise, categorical, which facilitates arbitral positions, and permits compromises to be presented as being in the general interest.

But by virtue of their dual role, co-operators cannot negotiate purely as employers or as employees, as buyers or sellers, as landlords or tenants, savers or borrowers, etc., and this tends to upset the traditional patterns of consultation, negotiation, claims and protest.

Consequently, lacking sufficient power, co-operatives are liable to be "neglected" in the consultation process, partly due to hostility and partly to ignorance by the State of their true nature. However, when they do succeed in obtaining a place on mixed or joint consultative bodies, they frequently find themselves playing an arbitral role, precisely on account of their duality.

Co-operatives and the State

Co-operators are men and women who, in order to improve their economic and social condition have taken on the responsibility of managing enterprises which are democratically controlled and in which the role of capital is limited to its production function. Their primary demand on the State is recognition of their right to exist and to develop, hence their hostility to discriminatory practices.

Even this basic demand poses problems, and as we have already seen, the semblance of neutrality may well conceal a range of inhibiting measures (taxation in particular) when regulations are drawn with reference to the capitalist model only.

But discrimination in law may be aggravated by discrimination in practice where access to the market or to credit are concerned. Unless it is prepared to resort to an untrammelled liberalism such as has never actually been practised, should not the State institute measures or make provision for correcting or eliminating these obstacles as it does in other fields, to aid small businesses or to prevent the growth of monopolies or cartels?

At a more advanced stage of co-operative development one comes across cases, especially in the agricultural sector, of co-operatives performing public services that tend to penalize them vis-a-vis capitalist competitors less concerned with the social or national consequences of their activities. The co-operative status of an enterprise, which implies a certain bond of solidarity with its region and with a particular category of the population, is a far from negligible factor in regional planning, for example, or from the point of view of job preservation. Similarly, in the present crisis, there are growing

opportunities for substituting workers' co-operatives for private firms. Where co-operatives, in so doing, fulfil a function that would otherwise have to be performed by the authorities, it is surely reasonable to demand fairer treatment for them.

Generally speaking, should we not draw the attention of governments to the fundamental usefulness to the community of the existence and development of a non-capitalist private sector — the “third” or “social” sector — one which, through its form of management and participative structure makes an important contribution to maintaining competition by preventing the concentration of capital and power, and which also reinforces the tissue of democratic institutions essential to the safeguarding of civic freedom and autonomy? If the answer is yes, then does it not imply the necessity of devising aid procedures (particularly help in the accumulation of working capital) which, in order to avoid impinging on co-operative independence, should be established according to objective criteria and managed by specialist bodies in which co-operatives will have the preponderant say?⁽¹⁰⁾ But this approach should not be confined to financial assistance, it should also include other factors essential to the smooth working of co-operatives, particularly in the cultural sphere, basic education (active teaching methods, school co-operatives), training of leaders and officials (higher and specialized education)⁽¹¹⁾ and the training of elected officials, directors and leaders. All this should form part of an open strategy aimed at combating bureaucratic centralism, through the development of community associations and the cultural advancement of the population as a whole.

In order that these questions may be raised and solutions suggested however, it is first necessary that the Co-operative Movement should make its voice heard and should demonstrate its efficiency.

One apparently simple solution is to form an alliance with a political party which has explicitly included the development of co-operatives in its manifesto. Once in power, one might hope that it would implement its promises. But this hope needs to be set against the unlikelihood that the said party has achieved power without having made incompatible promises or compromising with some other party having a different conception of the role of co-operatives. In any case co-operation cannot be imposed from above, and there is no guarantee of continuing official support; indeed, there is no lack of cases where the abolition — virtually unavoidable in the long run — of some unjustifiable privilege has led to a sharp decline in the Co-operative Movement, surrounded by an aura of discredit hard to dissipate. There are other snags in this system, moreover, especially in countries where the electorate is dispersed and subject to considerable fluctuation. But the problem of the neutrality and political independence of the co-operative movement has been dealt with so often elsewhere that I shall not dwell on it here.

⁽¹⁰⁾A particular example is action in favour of the developing countries — where co-operative solutions are frequently applied by the State, by international organizations, by developed co-operative movements, and sometimes even by private firms, albeit without any systematic concertation.

⁽¹¹⁾This may take the form of specifically co-operative training or of courses organized by co-operative undertakings.

Leaving aside this solution, a genuine concertation of State and Co-operative action implies a powerful and dynamic co-operative movement, both in terms of economic activity and of its role as an expression of the interests and aspirations of its members.

The power of the movement depends on its performance and its ability to adjust to changing competition. It depends, too, on the degree of sympathy that co-operatives can attract from the general public, which is often a reflection of their dynamism. Public opinion (like the State) is fickle and ungrateful. It is sensitive to events, current conflicts as well as current achievements, but not to intentions, old victories or the daily task. For a movement with a stake in a long term future, whose responsibility for the management of enterprises prohibits indulgence in demagogy, this poses a delicate problem: one cannot create "happenings" every day, just as one cannot appeal to reason, to members' critical faculties and their sense of responsibility while at the same time putting out hard-hitting publicity designed to play on their emotions.

But what a single co-operative or movement cannot do by itself, it may be able to achieve by allying itself with others, as frequently occurs with all the partners in a market economy, for "if all are powerful, no one is sufficiently so".

This strategy of alliances may take several forms.

Where sectoral interests are at issue, co-operatives may associate with their "fellow competitors" in order to present a common platform making no distinction between private firms and co-operatives. This situation has no specific relevance to State/Co-operative relations, but it does harbour certain risks: it may for example confirm the government's doubts about the distinctive nature of co-operatives; it may undermine anti-capitalist attitudes; members may find this form of association unacceptable; it may finally even lead to "corporatization" of the co-operative which will little by little lose its freedom of action and be robbed of its economic and social significance. Consequently it is important, in an alliance of this type, that the co-operative should stress its difference in the matter of management and democratic participation, so as to retain its identity and make a "takeover" neither attractive nor desirable to its competitors.

More usual — and more in accordance with principles — is collaboration with other co-operative movements, nationally and internationally.

But this means that the professional and other factors specific to each movement must be set aside in favour of an identity of aims and working procedures; that potential economic conflict between organisations prospecting the same markets must be overcome, and that rivalries and sociological misunderstanding flowing from different recruitment patterns and historical background must also be smoothed over. Experience has shown that these are serious difficulties — demonstrated in numerous discussions at the ICA — and that it may be more practical to start by pointing to the common enemy (capitalism, statism) and fighting against these together, rather than by trying from the outset to set up collaboration between movements that are too heterogeneous to share a common view of the stages to be gone through in order to fulfil their role in society today.

Depending on the aim stressed and the direction preferred, the scope of collaboration may be extended to include other private non-profit making institutions (mutual assurance companies, associations), other groups pursuing the same long-term social goals or concerned with the same issues (consumers' groups, cultural associations, trade unions, farmers' associations, etc.), to include also public bodies (municipal undertakings, public service co-operatives, nationalized enterprises)⁽¹²⁾. Each of these combinations presents a different aspect, but all pose the same problem, namely the safeguarding of the specificity of co-operativism, the circumscribing of the scope of joint-action, distribution of tasks, of costs and of advantages!

In any event, such collaboration must take into account the State's organizational structure and its consultative and participatory procedures.

In order to reap the full benefit of the co-operative movement's particular characteristics, it is desirable that consultative bodies should be set up at government and at Parliamentary level to deal with the Co-operative Movement as a whole, over and above the more specialized contacts of different sectors with individual ministries and other government bodies; this would facilitate discussion of the general aspects of co-operative activities⁽¹³⁾ thereby contributing to their general advancement.

However, without wishing to belittle the effectiveness of institutions or the impact of variations in governmental attitudes, one is forced to admit that in a democratic state, and in a market economy, co-operative development and recognition of its contribution to the community entail first and foremost, the expansion of co-operative enterprises and increased member commitment.

In a world characterized by proliferating government intervention, by capitalism's extraordinary adaptability, and also by the present-day threats to political democracy, an expanding co-operative sector offers both an opportunity and an alternative solution.

But co-operators themselves must become fully aware of this, and know how to make it known.

⁽¹²⁾As is done by the C.I.R.I.E.C.

⁽¹³⁾Including national economic statistics.

Jan Kaminski, President, Supreme Co-operative Council (Poland)

The mutual relations between the Co-operative Movement and the State is one of the most important problems in co-operative theory and practice. This problem has existed ever since the beginning of the Co-operative Movement and has been tackled in various ways in various countries. In practice the attitude of the Co-operative Movement to the State and vice versa has undergone substantial evolution. The relationship also varies according to the political system. Things are solved differently in a country where the Government is under the influence of private capital or big monopolies or landowners, and in the socialist countries. Mutual relations depend also on the extent to which the Co-operative Movement participates in the solution of social and economic problems in a country. If the Co-operative Movement wants to play an important role in the economy of a country it must use State aid, and this will occur not only in one specific social and political system, but to a greater or lesser extent in all systems.

1.

In the socialist system the position of the Co-operative Movement is different from that in the capitalist system. In the socialist economy both social and economic activity, the combination of which is the essence of Co-operation, acquire inner harmony. In the economic sphere the Co-operative Movement does not meet the difficulties caused by monopolies and the capital of big enterprises. This opens up broad prospects for development. The Co-operative Movement gains a new meaning: it becomes an institution having an important role in the creation of new relations between people. Two basic aspects are decisive here: the taking over of power by the working people and the nationalisation of the basic means of production. Active Co-operators and scientists in the socialist countries explore these problems. In Poland we have some theoretical as well as a long practical experience in this field. Without going deeply into the theory of State one can generally say that the basic task of a Socialist State as a social and political organisation is to establish conditions and forms in the main fields of economic activity. Co-operation as one of the forms of this activity is of vital interest for the State. The State as a social and political organisation secures domination in economic and social activity and is the guardian of social achievements on a national scale. The activities of organisations representing group interests should also serve the same purposes.

2.

Under socialist conditions the State makes the basic long-term decisions in the economic and social sphere.

The most important task of the State is to secure a proper balance in the dynamic development of the national economy. In theory and in practice this means deciding on the fundamental allocation of the national income between reserves and consumption, as well as between the different spheres of social and economic life.

The basic instrument for steering the national economy in a Socialist State is planning, to cover the full range of economic and social aims. From this assumption stem some economic tasks for the Co-operative Movement.

I would like to explain here the basis of the planning mechanism in Poland; in its general outlines this mechanism is much the same in other socialist countries.

First, planning is not the only mechanism functioning in the socialist economy: there is also the market mechanism. Although the market mechanism is also subject to the planning mechanism, it still covers a broad area, because consumers (individual households) buy goods and services on the market and have the right to choose. This very fact, the influence of the consumer market, modifies the structure of production and services.

Secondly, the system of organisation of the socialist economy is based on the calculation of outlay and results, which means the calculation of efficiency, where not only the natural conditions of production but also the effects in terms of value are important: no enterprise will voluntarily and at its own risk take up an unprofitable economic activity. At the same time I want to stress that the system of motivation in our country involves material incentives to a large extent. This is true not only of the co-operative sector but also of the state sector.

Thirdly, independently of the overall plans for social and economic development, the process of shaping economic programmes also takes place at the lower levels; the process of planning in our economic system has a two-way character.

Fourthly, there is a broad area in which enterprises, and particularly big economic organisations, can make decisions on various matters ranging from the structure (i.e. character) of investments to establishing prices of new products and services.

It can be seen from the above that State influence on the economic activities of enterprises varies in character, and that economic objectives are achieved not only through planning, but the instruments for economic steering are widely used. Obviously all these principles apply to the Co-operative Movement working within the framework of the Polish national economy.

3.

In the structure of a Socialist State the Co-operative Movement functions in conjunction with other economic forms, particularly the nationalised enterprises, enjoying equal rights with the latter as one of the two forms of socialist economy. Consequently in the socialist economy no one form is privileged solely because of its nature — co-operative or state. The State, as the centre for economic decisions, selects and confers particular tasks on the basis of the greater efficiency of a particular organisation i.e. depending on the better performance and the way in which one of the organisations is more easily and readily able to adapt to changing conditions than the other. If in some fields the Co-operative Movement can achieve better results and be more efficient, then the State provides suitable conditions for the economic expansion of the co-operative sector. Polish experience is of interest here — particularly the experience of recent years when co-operative enterprises won the dominating position in some fields. I would like to draw your attention to several sectors particularly important for the consumer. There are four big sectors in which the Polish Co-operative Movement is active: services for agriculture and the rural population, the food sector (i.e. trade and catering), housing, and services including small industry.

The economic contribution of the Polish Co-operative Movement to the national economy is a considerable one. The Movement plays an essential role in the development of the food economy because the co-operatives are an important link in the whole chain of agricultural production, food processing and turnover of commodities. The importance of Co-operation finds its particular reflection in the process of integrating private farms into the planned economy of the Socialist State. By supplying agriculture with the means of production, contracting, purchasing farm products and organising services for the production section, co-operatives influence the increase of output in accordance with the needs of the national economy.

About 75 per cent of supplies, materials and means of production prepared by industry reach over three million individual farmers and state farms through the rural marketing and supply co-operatives. Out of the total value of the marketable production of agriculture purchased by the State, 60 per cent is bought through Co-operatives. The importance of co-operative industry in supplying the market is steadily increasing.

At present the co-operative industry is responsible for 11 per cent of the total industrial production in the country and it has a dominating role in certain sectors connected with society's everyday needs, particularly dairy products, bread, cakes, processed fruit and vegetables, non-alcoholic drinks and other products. The Co-operative Movement plays a significant part in the rural market, where it is the sole supplier of commodities, and in the most essential sector of the urban market, food.

Co-operative retail trade turnover is 60 per cent of the total sale of commodities on the national market; as far as food is concerned the figure for co-operative trade is 94.5 per cent, with about 90 per cent for co-operative restaurants. The share of co-operatives is growing in the sector providing

services for enterprises and for the population; about 50 per cent of all services in this sector is provided by co-operatives.

Housing co-operatives also have particular importance in satisfying the demands of society. At present they are responsible for nearly 25 per cent of the housing in towns.

At the end of 1977 Polish Co-operative Organisations employed 13 per cent of all people working in the nationalised sector of the economy and the Co-operative Movement was responsible for approximately 9 per cent of the national income.

The above figures do not fully reflect the role of the Co-operative Movement in the national economy since the small private producers are included in with the co-operatives and the growing process of integration between this sector and the co-operative one considerably broadens the economic boundaries of the latter.

The largest field of activity of the Co-operative Movement in Poland is the provision of services for agriculture and the rural population. Of the four different Co-operative Unions operating in this field, the Central Union of "Peasant Self-Aid" Co-operatives with its six million members carries out the most diversified activity. The primary task for agricultural co-operatives is to provide the production and marketing services for agriculture, as well as the consumer goods for the rural and urban population. Individual farms are supplied with all the necessary means of production through the network of commune co-operative shops. The agricultural co-operatives are practically the only suppliers for 16 million consumers in the villages and small towns and for the several million tourists and holiday-makers who periodically visit the countryside.

The retail turnover of the agricultural co-operatives accounts for 34 per cent of the total sale of commodities on the home market. Besides supplying agriculture with the means of production, they provide another important service for farmers, namely the pre-contracting and purchase of agricultural produce, which has a very important economic and social function. Through the co-operative marketing mechanism the population is supplied with food, and the food industry with a number of essential raw materials.

The widely developed system of long-term contracts for basic farm produce is of particular importance for stimulating the specialisation and intensification of market production in agriculture. At present all the grain, rape, pork and young cattle, as well as 55 per cent of milk, 75 per cent of edible potatoes, 99 per cent of vegetables and over 65 per cent of fruit purchased by the agricultural co-operatives come from pre-contracted farming. The work of the dairy co-operatives should be particularly stressed here, because they are the sole specialised organisation in the field of dairying responsible for the purchase of milk from all sectors of agriculture, processing and supplying the market with dairy products. The co-operatives are thus big producers of food, which is mainly supplied for the home market.

Apart from the large food processing plants and the light industry belonging to the state sector of the economy, the agricultural co-operatives are the third largest supplier of commodities in Poland. Through the dairies, bakeries and meat, fruit and vegetable processing plants — these products have

become the basis of the daily diet of the people in towns and villages. The processing plants belonging to the agricultural co-operatives supply 100 per cent of marketable dairy products, 40 per cent of the total value of bread, 35 per cent of non-alcoholic drinks, 26 per cent of processed meat, 30 per cent of processed fruit and vegetables and 60 per cent of concentrated feeding stuffs.

By systematically improving their operation, the agricultural co-operatives aim at creating conditions for servicing agriculture and satisfying the demands of the rural consumer at a level which will make possible further developments in methods and organisational forms of production. At the same time they are adequate for the present stage of social and economic development of the villages.

Apart from the Agricultural co-operatives the "Społem" Consumer Co-operatives are at present the largest co-operative organisation operating in the consumer trade, and the largest as far as turnover in the food trade is concerned. Consumer co-operatives sell over 90 per cent of the food marketed in towns, which means over 65 per cent of all food sold on the home market. The dynamic development of production in the processing plants belonging to consumer co-operatives, such as bakeries, plants producing non-alcoholic drinks and meat-processing plants, has much importance for the market.

The Workers' Industrial Co-operatives have the largest share of the light industry potential. Co-operatives of this type make various objects of everyday need for the home market and for export. They collaborate with some branches of big industry and are dominant in the production of toys, souvenirs, laboratory equipment, in folkloric arts and crafts and other goods. The workers' co-operatives are the main organisation in Poland providing everyday services for the people. The invalids' co-operatives form part of the workers' industrial co-operatives and are particularly worth mentioning here: these co-operatives employ nearly 200,000 handicapped people, enabling them to earn an independent living and to feel that they are needed in society.

The Housing Co-operatives aim at better satisfaction of housing needs and the improvement of housing conditions. This is done with the aid of considerable financial contributions from the population which serves to hasten solution of the housing problems and create the basis for further development of this type of Co-operative. The role of Housing Co-operatives in the construction of towns and housing estates, as well as in the administration of the housing stock, is increasing. The co-operatives have become an important element in integrating the activities of the economic, social and self-governing organisations in the housing estates in towns.

4.

It will be seen from the above that the mutual relationship between the State, as the basic policymaking centre, and the Co-operative Movement (including its members as well as private farmers) operates at various levels. This means that the aims and tasks of the State have a macro-economic character, while the aims of a co-operative have a group or branch character, while individual members also have their own aims.

The relationship and unity of aims is based on the existence of two conditions:

First, the aims must be understood by the enterprise and be possible of fulfilment; this means that the enterprise must understand the social and economic sense of the aim and have the means to perform the task;

Secondly, in fulfilling a given economic task, it must benefit economically according to the basic relationship between outlay and results.

Many years of practice in a planned economy prove that the creation of such conditions is not easy and is certainly not automatic.

In the socialist planned economy in which the Co-operative Movement functions, there are many areas where the general social aims coincide with group or individual aims. I have in mind here co-operative self-government and the local character of co-operatives. Although both these features are well known and occur in any system, they acquire different characteristics in the socialist economy because of the reasons given below.

Co-operative self-government is an important form of democracy in the economic field because it means that decisions made at central level are verified and modified by the action of self-government at the level where these decisions would be implemented. As already mentioned, planned economy does not consist in making absolutely all decisions at central level; decisions can be modified at the level where self-government takes up such initiative.

If we accept the local character of co-operatives as an important feature then, independently of the general aims of the co-operative, those tasks specifically suited to the place of operation must be taken into consideration. This has, or may have, the following results:

- (1) local needs for products or services which cannot be included in central or regional plans can be satisfied;
- (2) production forces which have previously been disregarded in economic programmes can be utilised;
- (3) the co-operative has an integrating role in its area and for its members, and this role is not only economic but also social.

5.

In this paper I have tried to convey some of the characteristics of the Polish Co-operative Movement and its achievements. This leads me to the following conclusions:

First, in the socialist planned economy the co-operative sector, being an equally valid form of this economy, is characterised by vast expansion. A good example of this is provided by the Polish Co-operative Movement.

Secondly, although the Co-operative Movement operates within the planned economy, its constitutional features such as open membership, self-government and its local character are confirmed by Polish law and play an

important role which in turn is the reason for the high esteem in which the co-operative economy is held by the general public. It gives the Co-operative Movement a prominent place in the economic life of the country and causes the Movement's constant expansion in such important fields as the development of agriculture, housing, trade and services. Mutually advantageous relations between Co-operatives and the State are consolidated by the active membership of representatives from the Co-operative Movement in the Polish Parliament. In the governmental executive organs, where all the major problems concerning the national economy are discussed, the Co-operative Movement is represented through the Supreme Co-operative Council.

R. B. Rajaguru, Regional Director,
ICA Regional Office for South-East Asia (New Delhi, India)

1. Introduction

This paper is intended to indicate only the general situation and the broad trends of the relationship under discussion, insofar as they relate to South-East Asia. No attempt is made to analyse the prevailing situation in individual countries, nor is any attempt made to draw conclusions in respect of each country. The facts mentioned here would not be relevant to all member countries at all times — they would sometimes apply to some and sometimes to others; it should also be noted that most of what is stated here may not be relevant to the more advanced movements like those of Australia and Japan.

2. Historical Background

The way in which co-operation in its modern form was introduced to the South-East Asian countries is common knowledge. A brief reference will be made only to emphasize some significant factors which have influenced and continue to influence the development of co-operatives in the Region.

Co-operation came to many of the countries, especially the former colonies of the British Empire, as a government import introduced into the local context to meet specific needs. The problem in most of the colonies was one of chronic rural indebtedness leading to gross exploitation and the impoverishment of the peasantry. Thus, though co-operation was introduced by governments from the land of the Rochdale Pioneers, what was introduced was a German-type co-operation — for a long time the cry was “Follow Raiffeisen” — and so the credit co-operative movement spread over a number of countries, sponsored, nurtured and guided by a Registrar of Co-operative Societies, assisted by numerous government functionaries, whose numbers gradually increased with the expansion of the movement. Co-operative Credit Societies were introduced on the basis of unlimited liability in the first instance, with later limited liability mostly in the urban sectors. The very nature of unlimited liability restricted the size of the society, confining its membership to the more affluent class of peasantry; thus the benefits accrued only to a very small coterie of persons who generally closed their ranks within a circle of mutually accepted friends and relations. In the urban sector where limited liability generally applied, membership was available to a wider circle, but yet remained at a level of some affluence. The membership was necessarily small

and the overall impact of the co-operative movements on the economy was negligible.

However, one noteworthy contribution of the early Registrars and their subordinates to the development of co-operatives was that they took great care to see that those who came within the co-operative fold were well acquainted with the principles and practices of co-operation. Time was, when the Registrar himself would personally question and examine would-be co-operators to find out whether they really understood the new concepts, and he would grant registration only when he was satisfied that they understood their responsibilities, duties and liabilities. The Registrar was guide, philosopher and friend and to the credit of these early promoters it must be said that in many countries the most committed and dedicated co-operators even of today are those who had their introduction to co-operation in this fashion.

Some noteworthy features of the development of co-operatives in the early period were:

- (1) the societies were generally small, with a very small membership and area of operation;
- (2) the management functions of the society were carried out by the members themselves in an honorary capacity;
- (3) the Registrar played the role of friend, philosopher and guide;
- (4) the government provided special legislation for co-operatives, at the same time providing some concessions in respect of income tax, stamp duty, arbitration procedures etc.;
- (5) the legislation was intended to promote the growth of a self-reliant, autonomous movement but provided at the same time some reserve powers for the Registrar to take corrective action on a temporary basis when such became necessary;
- (6) the government set up various funds or organisations to provide finance on concessionary terms to co-operatives — e.g. the Local Loans Development Fund in Ceylon.

This broadly was the position in many countries of the Region about the time of the Second World War. The movement had gradually expanded to cover many activities other than credit, mostly consumer and agricultural marketing etc., and federal structures had emerged especially in the credit and banking sectors.

The voluntary nature of the movement, however, meant a relatively slow pace of development as organisations could come into being only after the people joining them felt convinced of the ideology and the methodology of these institutions. The advent of the Second World War and the serious shortages of food etc. which most countries had to face led to the governments taking a more than usual interest in the co-operative movement. The co-operative movement was viewed as a reliable instrument for carrying out urgent government schemes: for example, in my own country, Sri Lanka, in a short period of about 18 months over 4000 consumer co-operative societies were hastily set up to give effect to the government rationing schemes necessitated by the war — and this at a time when the consumer co-operative

movement in the country had not expanded beyond a few tea estates and some urban areas. Similarly shortly after the war, hundreds of co-operative production and sales societies were set up to intensify agricultural activities to achieve the goal of self-sufficiency in food. The membership was by no means ready for co-operation, as they had not had the time to assimilate the concepts. All they knew was what an ill-informed and ill-equipped government official had told them about a government policy which meant easier loans and better marketing facilities through the co-operative form of organisation or the availability of government rations through the co-operative stores society.

Reference must also be made at this point to the monumental Rural Credit Survey undertaken by the Reserve Bank of India in the early 50s whose findings, conclusions and recommendations have had a tremendous impact on the development of co-operatives not only in India but also elsewhere in the Region.

The impact of these developments can be briefly summarised as follows:-

- (1) co-operators themselves were not satisfied with the progress made — hemmed in as they were by big industry and commerce — and themselves began to ask governments for greater assistance and support;
- (2) governments began to regard co-operatives as suitable instruments for the achievement of government policies and for achieving social justice and equity;
- (3) the government, especially in India, began to participate in the share capital of societies on a matching basis to improve the creditworthiness of the society;
- (4) the concept of government nomination to the Board of Directors was accepted;
- (5) the formulation of state-backed policies especially for lending were introduced, on the basis of which banks lent more freely;
- (6) co-operatives began to be considered as a separate sector in National Development Plans and co-operative development became target oriented;
- (7) gaps in managerial levels in the new expanding societies were filled by government officers on secondment;
- (8) the law and rules become more restrictive and directive;
- (9) the Registrar became more of a controller responsible for safeguarding the interests of the government and the banks rather than the societies;
- (10) the lending banks, especially the Reserve Bank in India emerged as a dominant partner whose support was absolutely necessary for expansion and whose influence, as a result, was tremendous in determining the fate of co-operatives;
- (11) the importance of the member diminished as did the number of persons who were knowledgeable about co-operative principles and practices — massive efforts at education produced only insignificant results;
- (12) with the increase in government intervention, co-operatives began to be considered as government rather than members' own organisations —

especially was this so in Sri Lanka, for example, where distribution of rations through the co-operatives has continued from the 40s to this day, to the extent of 85 per cent.

Further aspects of this trend in the development of co-operative movements need mention here:—

- (1) the nomination of persons to the Board by government not on the basis of their capacity to help the co-operative but on political affiliation;
- (2) the supersession of Boards of Management for reasons other than mismanagement or incapability;
- (3) the gradual attempt to extend the public service personnel to man the co-operatives (this being a trend that is most seen in India);
- (4) the trend towards using co-operatives for the settlement of problems of the weaker sections of the community — special schemes, reservation of seats on Boards, etc;
- (5) with the expansion in size of societies the transfer of their control from the general body to a representative body — thus leading to less contact with members;
- (6) the target-oriented approach to co-operative development — both in the number of societies to be formed and the quantum of services to be performed by each society — thus leading to “drives” for development and constant reorganisation or reformation — leading to considerable confusion and frustration among the membership. The Sri Lanka experience would amply substantiate this — there was first the “Stores” drive for consumer co-operatives, a drive for Agricultural Production and Sales Societies, a drive for Fishery Co-operatives, a multipurpose drive in the mid fifties (we had lost faith in single-purpose co-operatives), a drive for “one village one multipurpose co-operative” (Ceylon has about 17,000 villages — the aim was to have 17,000 multipurpose co-operatives — fortunately we ended up with about 5,000) then a drive for amalgamation of the multipurpose co-operatives (MPCSs), resulting in the 5,000 odd being reduced to 370, then a further drive for further amalgamation with the number being reduced to under 200 — and in the process the MPCSs (the multipurpose co-operative societies) began to be viewed as MP’s co-operatives — so much so that no elections are held in a MPCS today unless the M.P. — the Member of Parliament — who may not even be a member of the co-operative, agrees to such holding of elections.

This then broadly is the way in which co-operatives have emerged in many countries of the Region. An attempt will be made to identify the reasons leading to such a course of development and to assess the impact of the role of the state on the co-operative vis-a-vis co-operative ideology, autonomy, self-reliance etc.

3. Effects of the State/Co-operative Relationship

(a) Ideological

The traditional concept of the co-operative form of organisation is that it is formed voluntarily on the basis of democratic control by a group of persons having common economic needs who try to maintain the organisation on the basis of self-help and mutual help.

In trying to assess the co-operatives in the Region on the basis of an ideal, it is necessary to get a correct perspective on the course of development of co-operatives in each country. Needless to say, in many countries of the Region the co-operatives play a dominant role in the economy and they would not have reached that level without the backing of the government and the financial institutions. In fact, where governments have not shown any particular interest — co-operatives have often languished at a level of marginal existence.

What then is the rationale behind state participation and state leadership and how does this affect the autonomy of the co-operative? I would like to quote from authoritative sources to illustrate the background.

The Royal Commission of Co-operatives in Ceylon headed by Dr. A. F. Laidlaw in 1968 has this to say:

“It must be recognised that the pioneer co-operatives of the last century were started at a time when political concepts and social philosophy were quite different from what they are today. The modern state with its many ramifications touching upon education, health, social services, welfare and public utilities, did not exist when the Rochdale Pioneers opened their little shop in 1844. The concept of the public sector scarcely existed then. National economic planning considered essential by developed as well as developing nations today, is largely a product of modern times. So, every co-operative movement exists and grows nowadays within the larger framework of national economic policies. No movement anywhere can be said to be entirely ‘free’ in the Rochdale sense.” (*Report of the Royal Commission, p. 149.*)

Most developing countries were fully involved in accelerating the pace of growth of their economies and in doing so they were most concerned to involve as large a section of the population as possible in the development effort. The co-operative form of organisation provided a satisfactory institutional form for the involvement of the people in the national effort and also a means of injecting development finance into the weaker sectors of the economy.

The ICA Commission on Co-operative Principles in its Report (1966) at page 20 stated the following in regard to the need for state assistance:—

“...given the proper democratic structure and a modicum of education, the members of co-operative organisations can, as a rule, manage their business in their own interests in a competent manner, ...nevertheless there are considerable areas of the globe where any such assumption is not justified and may be at variance with the facts. This is far from saying that it will not be possible some day to make the assumption and know it to be

true. Meanwhile the fact must be faced that in a number of newly developing countries, people who are just beginning to learn co-operation are not always sufficiently well equipped by themselves to manage their societies successfully without advice and guidance from some friendly outside source. If they do not receive this help, co-operative development may not take place. The possible sources are, generally speaking, two, viz. government or institutions and individuals in sympathy with co-operative methods and ideals.

It can scarcely be contested that without the support of generous amounts of government finance, the development of co-operation in the newly liberated countries will be painfully slow and uncertain.” (*Report of the ICA Commission on Co-operative Principles, p. 20.*)

That the governments in the developing countries of the region have accepted co-operatives as an essential ingredient in their development strategy, is amply evident. The numerous policy statements of the various governments in the countries concerned show this clearly. Each successive “Five Year Plan” in India assigned a larger role to the co-operative sector and set apart large sums of money for its development. I shall quote from a statement made by Mr. Tun Abdul Razak bin Hussain, Prime Minister of Malaysia, at the ICA Regional Seminar on Development of Housing Co-operatives held in Malaysia in 1970 to illustrate the government view point:—

“...while the co-operative movement has achieved a measure of success in some of its endeavours there is still much room for improvement. It is evident that in some respects it is unable to meet the challenges facing the nation in our quest for modernisation and advancement.... The co-operative movement is an important means of achieving the objectives of the government’s economic policy, that is, the need for providing employment to our people, for giving equal opportunities and for bridging the gap between the ‘haves’ and the ‘have-nots’ so that the wealth of the country will be more justly and equitably distributed and social injustices eliminated.

The co-operative movement should essentially be geared towards this end. It must, therefore, be invigorated and injected with greater dynamism in order to be a really efficient and effective vehicle for progress. We should review the whole structure and operational machinery in order to provide a stronger basis for the movement.”

The role expected of the co-operative movement by most governments in the developing world would be very similar. In India the fourth Five Year Plan stated:

“Growth with stability being the key note of the Fourth Plan, agricultural co-operatives on the one hand and consumer co-operatives on the other will occupy a central position in the strategy of co-operative development. Growth in agriculture is largely dependent on intensive agriculture and this involves a substantial increase in credit, inputs and services. The aim will be to ensure that the services which the farmer requires are

institutionalised to the greatest extent possible. In the process of such institutionalisation, which will not be a set pattern, the co-operative form of organisation will have opportunities not only to expand but to establish itself as viable and efficient. It will be the part of policy during the Forth Plan to ensure that the opportunities before co-operatives are as large and varied as they can be effectively utilized. While it will be for the co-operatives themselves to make the effort involved and reach these standards of efficiency which will enable them to compete with other forms of organisations serving similar purposes, government for its part will endeavour to assist the co-operatives to equip themselves for the task in important aspects such as finance, organisation and trained personnel.”

Thus it will be seen that the overall position is clear — the co-operatives are expected to play a vital role, they are given a specific place in the plans for national development, the governments would play a supporting role to help co-operatives to establish themselves not only by legislation and privileges, but even in respect of personnel.

But somewhere between these good intentions of state support to, and collaboration with, co-operatives and the actual operation in practice, the co-operatives by and large lost their autonomy and independence of action. The reasons for this are numerous and have to be sought in each particular national situation — but perhaps the evidence laid before the Mirdha Committee in India which was set up to consider amendments to the Mysore Co-operative Societies Act 1959 may prove useful in identifying the causes that led to greater restrictive and controlling legislation and increasing control by the state. Some of the facts which emerged were:—

- (1) organisation of co-operative societies mainly to secure government assistance, without any co-operative character worth the name;
- (2) restriction on the admission of new members;
- (3) avoidance of the requirement to hold general meetings for periodic election of office bearers and for open discussion about the finances and general working of societies;
- (4) manipulation of elections;
- (5) employment of friends and relatives in the paid services of the society;
- (6) granting of liberal loans to friends and relatives;
- (7) non-recovery of overdues from friends and relatives;
- (8) general use of the machinery and paraphernalia of the society for personal glorification and benefit;
- (9) carrying on of personal business surreptitiously and using the apparatus of the society for the purpose of such business.

The vested interests therefore within the co-operative find their own ways and means of exploiting the society to further their own ends and hence arises the need for the government to establish controls and procedures to ensure equitable benefits to all.

But government intervention and control, which starts with control by the

Registrar, tends to pass on to the hands of the politician in the name of ensuring the carrying out of government policy and this has its own set of deleterious consequences. The Report of the All India Rural Credit Review Committee 1969 has this to say:—

“There is however already reason to be apprehensive of the effect of too intimate an involvement of politics in the working of co-operatives. It is now well known that particularly in the election years, but even at other times, there is considerable political propaganda in favour of postponement of recovery of loans or pressures on the credit institutions to grant extensions or to avoid or delay the enforcement of co-operative processes for recovery or to grant loans beyond the limits determined by rules in force.... The impact of political influences is sometimes also seen in the manner in which the boards of management of co-operative institutions are superseded or nominated, boards are packed with nominees of certain political parties or certain groups of the same party...etc.... The experience of the last few years does therefore seem to suggest that there is a real danger of the operational policies and methods of co-operatives being governed by political considerations.”

The Royal Commission on the Co-operative Movement of Ceylon has this to say:—

“It is notorious and scandalous that co-operative societies and the co-operative movement generally in Ceylon have been outrageously misused by certain politicians to serve their own ends. In some places their machinations have gone far to undermine two levels of organisation,.... In many societies the politicians are in almost absolute control of the movement with the result that non-political initiative and leadership have been pushed into the background and silenced....In such a situation neither co-operators nor government can play their respective roles properly and the whole system suffers.” (pp. 150-151)

On the other hand, a case study on the co-operative movement in Papua New Guinea carried out by an Australian Management Expert concludes that the cause of the failure of the co-operative movement in that country could be traced to the gradual withdrawal of government support and assistance.

The position therefore, insofar as the co-operative movements in the developing countries are concerned, is clearly that they do need the support and guidance of the state, but the need is for each to understand the supporting role of the other and the need for the state to help build a strong and virile movement. The position, to my mind, has been quite clearly stated in the Laidlaw Commission Report on the Co-operative Movement in Ceylon (p.298):—

“It is sometimes argued that state aid to co-operatives must necessarily undermine the autonomy of the co-operatives and thereby prevent the development of a genuine and sound co-operative movement. Such an inference is undoubtedly an understatement. The impact of state aid on co-operatives would essentially depend on the terms on which the aid is

given, the manner in which the aid is administered and the general environment governing the relationship between the state and the co-operatives. It is not difficult to come across examples of countries where little or no state aid was given to co-operatives and yet there was drastic government interference in the affairs of the co-operatives. On the other hand there are numerous examples of state aid administered in an enlightened manner helping to develop the soundness and the strength of the co-operative institutions. The remarkable programme of rural electrification in the United States through co-operatives is a very good example. The experience in India, particularly of large co-operative processing units such as sugar factories has tended to confirm the propriety and the desirability of the policy of state partnership.... In the USA, the banks for farmers co-operatives and the production credit associations, two institutions of great importance in agricultural production, were started largely with government financing but are now entirely owned by farmer-members, the government capital having been gradually redeemed and repaid over a period of about 30 years. In this context state partnership has by no means amounted to spoonfeeding, but a necessary initial help which has strengthened rather than undermined the process of self-help and mutual aid."

(b) Operational

In the previous paragraphs I have attempted to show the place of co-operatives in the developing context of the countries of the Region. It is quite evident that most governments think that the development of co-operation is necessary to ensure people's involvement, and to realise the goal of a socialist pattern of society. It is also evident that many governments wish co-operatives to develop as autonomous, self-reliant movements of the people. After the All India Conference of State Co-operation Ministers held recently in New Delhi, a series of resolutions was adopted vis-a-vis co-operatives, of which I shall mention only a few:—

- (1) co-operatives will be built up as one of the major instruments of decentralised, labour-intensive and rural oriented economic development;
- (2) co-operatives at all levels will be closely associated with the process of planning for economic development and social change;
- (3) the co-operative movement will be developed as a "shield for the weak"; small and marginal farmers and agricultural labourers, rural artisans and ordinary consumers belonging to the middle and lower income groups will be provided with maximum opportunity to participate in co-operative programmes and a massive effort will be made for the involvement of the millions of our masses in the co-operative movement;
- (4) the co-operative movement will be built up as an autonomous self-reliant movement, free from undue outside interference and excessive control, as also from politics; the autonomy of the co-operatives will be based, inter alia, on increasing generation of internal resources, mobilisation of

savings in rural and urban areas, and decreasing dependence on resources from outside financial institutions and government;

- (5) a vibrant co-operative democracy will be built up based on the enlightened participation of a broad-based membership, free from the domination of vested interests;

and so on to 12 resolutions made at the highest political levels in India. The intent is clear — but between the intent and the actual implementation arises a hiatus possibly based on impatience or the incapacity of the movement to achieve the targets set, or due to inherent weaknesses within the movement itself which leads to greater and more restrictive controls and governmental direction.

It has been previously mentioned that in most countries of the Region there is special legislation for co-operatives. The earlier legislation was more regulatory and developmental — but as the movement expanded, depended more on outside financing and on government participation, the legislation became more control oriented and directional. The previous Regional Director for South-East Asia, Mr. P. E. Weeraman, assisted by two co-operators, Dr. Dwivedi and Mr. P. Sheshadri has brought out a monumental work entitled “The Indian Co-operative Laws vis-a-vis Co-operative Principles” which clearly shows the trend in co-operative legislation at least in one country in the Region. What is noticeable is that the Registrar’s hand is being weakened and with the weakening of the hand of the administrator in the overall political milieu, this means in fact that the hand of the politician is being strengthened. In the proposed legislation in one country for federal co-operatives, it is proposed that the government may buy shares in co-operatives (whether the co-operatives like it or not) and by virtue of its participation in the share capital, the government will have the right to nominate a specified number of directors to the Board of Directors; the same law seeks to determine the maximum number of time the Board can meet in any one year, and the number of sub-committees the Board can appoint is also limited, and so on.

In my own country, Sri Lanka, the latest legislation on co-operatives — the Co-operative Societies (Special Provisions) Law No. 12 of 1978, which has been promulgated by the National State Assembly — empowers the Minister to dissolve any committee of management of any co-operative society, to appoint a committee of management consisting of one or more persons, and Section (5) states that subject to the general direction and control by the Registrar, the person or persons appointed under this section to manage and administer the affairs of a registered society (a) shall have power to recover assets and to discharge the liabilities of the society and (b) may exercise all the powers, rights and privileges of the general body and the duly constituted committees of such a society.

So we have a situation where, in a society say of 500 members, the committee of management can be removed under this law, one person appointed as the Committee of Management (this person need not necessarily be a member of the society) who will have all the powers of the duly elected committee and of the general body. The rights of the membership have been written away in one stroke. It may be that the situation of political interference

and consequent corruption in the co-operative warrants such corrective action — but unfortunately the general membership is not consulted. Fortunately, this legislation is time-bound in that it can operate only for a period of 18 months from the date of commencement.

I have quoted at length from experiences in some countries in the Region only to show that as the role of the co-operative movement gets more clearly defined as that of an instrument of government to achieve social change and economic development, the special privileges that co-operatives get are increasingly controlled by more and more restrictive legislation.

The trend is clear: the co-operatives become important instruments in the development plans of the government; the government's role gradually increases; with the increase in size of the co-operative, democratic control by general body gets replaced by representative body control; the member gets further removed from the centre of activity and sees the co-operative as one in which the financing institutions and the government are the dominant factors; the sense of participation, commitment and involvement in the co-operative effort gradually fades away.

To illustrate this, I shall quote from a news item in the Hindustan Times (India) of 3rd August: "The State Co-operative Department claims recovery of 66.3 per cent of the short term loans during the year ended June 30th. It claims this is the highest in the country". There is no concept of the member-borrower repaying his loan, of the involvement as a member in the entire process — but the view is one of the rent-collector collecting the rent from a recalcitrant tenant.

(c) Social, Cultural, Political

That the co-operative movement is one of the best means of increasing the people's awareness and of involving a large mass of the people in the development process is not denied. That many co-operative societies in many countries of the Region have achieved considerable success in involving a total community in the developmental process is amply evidenced by numerous examples. That the co-operative effort has enriched the life of the community, at least in some situations, is accepted. In the case study on Papua New Guinea mentioned earlier, the management expert goes on to say that many of the leaders in numerous fields in the country today are those who were introduced to social responsibilities through participation in co-operative activity. This is true in many countries, but yet to my mind the impact is not enough. There is still a wide gap which has to be covered.

From what has been stated earlier, it is evident that co-operatives must work within the political framework of the country. The role of the state and the way in which the state looks at co-operatives is equally clear. In this context what is urgently needed is: (a) to get the mass of co-operators more vocal and articulate vis-a-vis their role in their co-operatives; (b) to get the national organisations more firmly entrenched in the co-operative system so that they become representative of a live and active membership and their voice becomes, in fact, the voice of the movement; (c) to accept the role of the state in the developing context and to establish dialogue with the state at various

levels to ensure that the long term objectives clearly laid down in the policy statements are in fact achieved in the shortest possible time.

This then is the task before us. A massive effort must be launched in the field of co-operative education which will encompass all strata of society, and more so the policy makers.

Efforts have been made by the Regional Office to involve the policy makers and top administrators in a series of top-level co-operative conferences. The experience was both stimulating and useful. In fact we are in consultation with a member movement of a developed member country to see whether another such conference can be held. In my view, it is necessary not only for the Regional Offices but for the world body of co-operatives to give serious thought to this need and to provide ways and means of involving the top policy makers, the top administrators and other government and banking functionaries in meaningful dialogue and to expose them to the experience of various co-operative ventures in various political situations, so that they can in their own home background influence the course of action towards achieving an autonomous, self-reliant viable co-operative movement.

Another matter on which I would like to focus the attention of the World Co-operative Movement is the need for assistance for the movements in the Region so that they can undertake the massive personnel development and training programmes and improvement of latent skills necessary to enable them to discharge the heavy responsibilities devolving on them.

These matters are urgent.

D. J. Nyanjom, Regional Director,
ICA Regional Office for East & Central Africa
(Moshi, Tanzania)

1. Introduction

The two most widely discussed aspects of the co-operative movement in developing countries today are probably the relations between co-operatives and the State, and the most suitable structure for developing a country's movement.

On the second topic, the question often raised is whether co-operatives should be developed on a two- three- or more tier structure in the interests of economy and efficiency; in pursuit of this objective, and sometimes for reasons of political expediency, most co-operative movements in Africa have undergone considerable structural reorganisation within their relatively short lifetimes.

Reference to the subject of Co-operatives and the State immediately raises a number of points related to the "customary" state intervention in co-operative movements in developing countries, where the state adopts a paternalistic role in supervising and controlling the movement — usually through specially enacted legislation. The following are some of the points around which debate usually evolves:

- (i) Since co-operatives are generally recognized as economic tools for national development, state intervention appears justified to ensure the effectiveness of their contribution (this action is often explained as a transitional process of "priming the pump");
- (ii) the extent to which state intervention should go, and for how long;
- (iii) the extent to which state intervention achieves the desired efficiency in co-operatives;
- (iv) the effect of state intervention on the development of the self-help spirit among the membership generally, and more particularly on the initiative and aspirations of the leadership of co-operatives towards the goal of full autonomy;
- (v) the extent to which co-operative movements are able to influence state policies towards betterment of their growth.

2. The Effect of State Policies (and their implementation) on Co-operatives

As already indicated, state policies with regard to co-operatives in Africa (and this is presumably true of other developing countries) are usually effected

though special legislation enacted for the purpose of supervising and controlling the economic activities of the movements through a registrar/commissioner for co-operatives. A specific government department/ministry is usually charged with the responsibility for co-operative development. Most African countries recognise co-operatives as an important development tool, and define the movement's role in their respective national development plans.

It stands to reason therefore that developing countries cannot afford to have co-operatives run on a "trial and error" basis. Hence the rather stringent controlling laws, with powers even to suspend the elected committee/board members and replace them with a special commission where the affairs of a co-operative are badly managed. The extent of state control over business transactions of co-operatives varies from country to country: for example, in some countries no cheques or negotiable documents drawn by co-operatives will be honoured unless countersigned by a state official. In extreme cases, state intervention can go to the extent of disbanding the entire movement overnight and drastically re-structuring it.

Another important area in which state policies affect the economic operations of co-operatives is through the controlling and, at times, restrictive regulations of the various state statutory boards. Agricultural commodity prices, for instance, are usually fixed by the state in consultation with these boards, and influence by co-operatives on these important policies often depends on the movement's ability to represent itself nationally. It is also within these parastatal bodies that state policies are formulated for the development of areas of the economy in which co-operatives participate.

Besides the various legislative powers through which state departments/ministries and statutory bodies control the operational activities of co-operatives, the responsibility also for formulating policies for actual co-operative development usually rests with the state in African countries. A movement's growth can be accelerated or retarded according to the type of educational and other development policies being adopted by a country. Unfortunately, co-operative movements in developing countries are generally still embryonic and feeble just at the crucial stage when the need for them to influence state policies is greatest.

3. How Co-operative Movements Influence State Policies

Ideally, co-operative movements in the developing countries ought to be in a strong position to influence state policies over their development at every stage, since their future autonomy and survival depends so much on the type of policies devised and the manner and pace by which they are implemented. But as already indicated, it is in those areas where this need is greatest that the movements are too young and feeble effectively to participate in the policy making machinery. Similarly, young weak co-operatives, whose paid employees need training most, find they can least afford the time and money to have their staff trained.

Yet the overall picture is not as gloomy as it would appear. The mere fact

that the state has in most African countries, regardless of the shortcomings of co-operatives, recognised the movement as an important tool for national economic development and established a department/ministry specifically to guide and control co-operative development, is sufficient proof of the seriousness with which co-operatives are being treated in the developing countries. As movements mature, their influence over state policies increases to the point where they are able to determine their own destiny. It is also worth noting here that movements in the developing countries are increasingly being represented on the various state policy making bodies by sympathetic national leaders who are sympathetic towards, and who support co-operatives without necessarily playing any active role in their running. It is necessary to mention though that it is common in Africa to find also aspiring politicians using co-operatives as a springboard and thereby creating factions among the membership and hampering development.

Another factor that has militated against co-operative influence over state policies in Eastern Africa has been the derogatory press publicity to which the movements are frequently subjected. One often finds large theft stories and even national scandals casually reported in the middle pages of national newspapers. Yet even petty thefts by stores clerks in co-operatives are often over-sensationalised. Whilst not suggesting that weaknesses in co-operatives can be condoned, yet unfair adverse publicity can remove the sympathy and support which co-operatives vitally need for projecting their image and claiming recognition in society. Fortunately the movements have realised this dilemma and are endeavouring to mount more effective information and publicity campaigns in an effort to project a better image.

4. Effect of State Policies on the Co-operative Ideology of Autonomy

As already discussed above, state policies concerning co-operatives in the developing countries do indeed basically affect the autonomy of the movements, and the justification for this has been explained. Most states recognise co-operatives as mass movements which should be autonomous, and state intervention is therefore regarded as an interim measure aimed at assisting co-operatives to achieve their desired objective, whilst maintaining the effectiveness of their contribution to the national development.

Some of the questions which this situation poses have already been raised. Perhaps the point that needs reiterating on this issue of ideological autonomy is the danger that co-operative members and officials will tend to leave the state to "run the show" due to the gradual killing off of those vital ingredients of individual initiative as well as the spirit of self-help. As a long term approach, the situation can only be remedied by investing heavily in meaningful and effective education and publicity programmes, deliberately aimed also at state policy-makers.

Through their educational seminar programmes and various other regional forums, the ICA Regional Offices have been able to contribute to some extent towards the eventual accomplishment of this objective. The

Regional Office for East and Central Africa provides useful forums through its various Standing Committees and joint conferences between co-operative commissioners/registrars and the movements' regional council at which mutual problems are discussed, and broad policy guidelines formulated especially in the field of education, training and publicity. Finally, it may be also relevant to mention here that one member country of the region recently permitted the Research Unit of the Regional Office in Moshi to conduct a survey on "Institutionalised Supervision and Control vis-a-vis Performance of Co-operatives", as evidence first of an acceptance of the ICA as guardian of co-operative philosophy and ideology, and secondly, of a willingness on the part of that particular state to have an independent appraisal carried out on its relations with the co-operative movement. The survey report will be published as soon as the government of that member country has had a chance to comment on it.*

5. Effect of State Policies on the Operations of Co-operative Movements

In most countries of Africa, state intervention takes the form of supervision and control of the economic operations of co-operatives, beginning with approval and control of expenditure budgets, and ending with the responsibility for ensuring that accounts are audited, as well as the statutory approval of such audits. It is also the state that normally regulates the operating margins for co-operatives through price policies on various commodities, and the extent to which co-operatives may participate in the economy.

Since political independence came to Eastern Africa, some governments have tended to regard co-operatives as a panacea for all socio-economic ills affecting the masses and have promoted the formation of various types of co-operatives which do not originate from the spontaneous needs of the people. This practice has given rise to a mushrooming of pseudo co-operatives in some countries, many of which have failed (mainly through lack of member support), earning the co-operative movement a bad name. Examples of those are the many attempts to develop agricultural production co-operatives to operate ambitious national food production "crash programmes" where a government provides the necessary infra-structure including loans for inputs etc., but where neither opportunity nor facilities are provided for preparing the members to run the co-operative properly. In addition unsuccessful attempts have been made by various states to use co-operatives in carrying out land reform policies. Part of the reason why consumer co-operatives have not been a success in Africa may be because of their unplanned promotion by some states, either to facilitate retail distribution of essential commodities in short supply, or as a means of eliminating individual entrepreneurship in socialistically inclined economies.

As co-operative movements in Eastern Africa continue to pursue ambitious and effective education and training programmes supported by

*See "Co-operation as an Instrument for Rural Development". (ICA 1978), p.98.

various technical assistance projects, including the Regional Office, a large number of the rank and file members are becoming better informed regarding the relationship between their co-operatives and the state. The officials serving on boards/committees are gradually becoming aware of the extent to which state policies affect the operations of their co-operatives. The question that is becoming pertinent is that of responsibility for losses incurred by co-operatives whose operations are supposed to be supervised and controlled largely by state officials from departments/ministries of co-operative development. In this connection a joint regional conference/seminar is planned in the near future, for a dialogue between movement leaders and the top government co-operative policy planners. It is hoped that the outcome of such consultations will positively influence the situation.

6. Conclusion

What has been stated above relates mainly to the situation in the East and Central African countries presently covered by the Regional Office in Moshi (East Africa and Zambia) including the Southern African enclaves of Botswana, Lesotho, Swaziland and Mauritius. However, due to past colonial history, relationships between co-operatives and the state in the other anglophone countries of Africa would be similar. Whilst willing to allow co-operative movements to develop according to Rochdale Principles, African governments are keen to see successful movements emerge and effectively play their role in national development programmes; if they fail in this respect, the obvious tendency has been to intervene and either reorganise them or take over their functions completely.

It is essentially a question of how quickly co-operatives can be developed to the satisfaction of the state, to justify a case for relaxing state intervention and working towards increased autonomy. Fortunately, there is still time for achieving this objective in the region. Each country is intensifying its co-operative education programme every year with the support of the various technical assistance projects, some of which are channelled through the ICA Regional Office. The result of the current programmes must be improved performance by co-operatives, and an eventual positive influence on state policies.

Part III — Additional Papers

Klas Back

The Folksam Group (Sweden)

The State and Co-operative Insurance

In Sweden during the last few years the debate on relations between the co-operative movement and the State has aroused fresh interest. The following are a few facts which have emerged in discussion within the insurance auxiliary.

The attitude of the Swedish consumer co-operative movement has never been negative towards the State. One of its pioneers, Albin Johansson, had a pragmatic attitude toward State enterprise which he expressed as follows: "If the State or Community can run an enterprise or activity in a better way for consumers than the co-operative movement then it should run that enterprise". For example, the co-operative insurance movement in Sweden, Folksam, has always actively encouraged the expansion of a basic social security system; we were the only insurance company that was positive to the introduction of the national supplementary pension scheme; through our development of group insurance policies for the trade union movement we have contributed to an increased measure of basic security in this area.

What attitude does the State then have towards the co-operative movement in Sweden? During the social democrats' long rule the importance of a strong co-operative movement was often emphasized; the social democratic party programme contains some friendly if somewhat unclear formulations about the co-operative movement. But the co-operative movement has never been seen as an alternative to the present economic system but rather as a balancing factor in a mixed economy when, for example, the demand was raised for the nationalization of insurance companies, a counter argument has always been that this is not necessary as long as we have an active and well functioning co-operative insurance company on the market.

There is no change of attitude with the new non-socialist coalition government, the State treats the co-operative companies just like other companies: co-operatives compete on equal terms with private companies and without any special treatment. This, at least on the surface, would seem to be an acceptable strategy.

This has meant among other things that we do not, as for example in Great Britain, have a special co-operative law. We do not have any type of national development enterprise offering technical assistance to co-operative management, of the type that exists in France. Neither have we had any serious discussions about establishing a special type of bank for financing co-operative enterprises, which is now on its way in U.S. In Sweden we have instead tried to

adapt laws and regulations so that differences between private and co-operative companies are as small as possible.

The latest example of how the State views the co-operative movement is seen in the proposal for new anti-trust legislation, in which co-operatives are seen from the same economic point of view as private companies, and which contains, for example, a proposal for the control of mergers which may imply that a merger between two co-operative societies must be approved by the state. If this legislation should be passed it could mean a very serious worsening of the possibilities for co-operative companies to collaborate in creating more rational methods leading to savings through joint production and purchasing, although one would think it would be obvious to everyone that this type of collaboration has the purpose of creating savings for the consumer and does not have any profit interest as its goal. In some cases we have to ensure that legislation does not disadvantage the co-operative movement as against private companies. The new Swedish Government a year ago proposed a change in the employer's special tax contribution which would have unduly favoured private traders.

The same objection can be directed in general against Swedish consumer policy; no account has been taken in the legislation for the influence on production and distribution which consumers have managed to gain through organizing themselves in co-operatives. Much the same situation exists in all countries with so-called mixed economies, which have a co-operative movement. The State has generally treated the co-operative movement in a benevolent fashion but has not regarded the organized consumer movement as a possible way of increasing the participation of common people in the economy.

In his paper Mr. Lacroix states that "the power of the movement depends on its performance and its ability to adjust to a changing competitive environment". In our discussions within the International Co-operative Insurance Federation we have used similar terms. One of our documents issued a few years ago stated that the position of the co-operative movement on the question of government control or takeover of private insurance must be based principally on consumer interest. Consumer interest must be the decisive factor in the organization of an insurance business; a co-operative insurance company should not be an end in itself. Organization of the insurance industry, whether nationalized or private, must depend upon the system which best meets the consumer's interest.

Therefore, the co-operative movement must be prepared to examine the advantages and disadvantages of government operation of insurance services, and even support such government operation when and if it should be evident that this is the best method of providing services to the consumer.

In another document which the Insurance Development Bureau prepared in 1977 at the request of an UNCTAD Committee some fundamental arguments are outlined. These arguments are usually brought forward when nationalization of insurance is considered and they are:

- more efficient administration of insurance operations;
- better protection of policyholders' interests;

- wider and better coverage of the domestic insurance market;
- more direct control by policyholders over decision-making;
- channelling investment funds into areas of high national priority;
- ensuring that the money generated is invested in local trade and industry.

Obviously, we co-operators are sympathetic with these motives of governments since they so clearly coincide with our own social and economic objectives. By the same token, however, we are convinced that in most countries, co-operative insurance represents an effective alternative or complement to State insurance for accomplishing these objectives. In more than one country with a nationalized insurance industry, the establishment of a co-operative insurance society to compete with the State monopoly is under consideration.

When comparing nationalization and co-operation, we should not concern ourselves primarily with purpose but with the mechanics and scope of operation, for co-operation provides a better form of democratic control and brings greater personal interest and participation than nationalization. In fact, co-operation finds its greatest strength in its democratic base. Nationalization implies a control much more remote from the people and unavoidably carries the danger of restrictive bureaucracy.

By its very structure a co-operative must remain sensitive to the needs of individuals. Co-operatives must also maintain economically viable operations. However, the mere existence of a co-operative structure will not halt the trend toward growing government intervention unless the co-operative works to overcome some of the grievances which motivate such intervention. The co-operative must be responsive and responsible to the groups it serves; it must have flexibility and be able to quickly adapt itself to improvements and developments in the coverage extended under the social security system. Several insurance co-operatives have represented the co-operative and trade union movements in their efforts to extend insurance coverage even further than government and parliament were then prepared to do.

Perhaps we need help in order to push our ideas. One example is Folksam's collaboration with the trade union movement which has shown what success can be achieved in this way.

In the 1970s a number of agreements on collective insurance coverage for wage-earners have been reached between employers and trade unions in Sweden. These so-called labour market insurances provide additional sickness insurance and pension benefits for workers. Also, an employers' "no fault" liability insurance has been introduced. This year (1978) the number of persons covered by these insurance schemes amounts to 3 million. The premium income administered through Folksam amounts to SwK1,300 million. I am not saying that this insurance coverage would not have been realised under a nationalized insurance scheme; I am convinced, however, that it would have taken much longer time to put into practice and the trade union movement would not have been so directly involved.

The trade union movement has become ever more convinced that by working with us they can obtain increased influence over insurance capital,

product development and administration. They obtain cheaper insurance protection and can achieve savings which have great importance for their members' individual economy. In other words, the possibilities for democratic control are perhaps greater even than in a nationalized enterprise.

I believe that the time is now ripe for greater activity on our side to present the co-operative movement as a strong alternative for economic democracy. We must emphasize our special character and not allow the State to regard us as just another form of enterprise.

H. Wick, Director,
Deutscher Raiffeisenverband, Federal Republic of Germany

Agricultural Co-operatives in a Western Democracy

The relation between the state and co-operatives has been widely discussed at many conferences and in many publications. The question is repeatedly asked as to whether an efficient co-operative movement can develop better with or without state support. However, the history of the co-operative movement during the last hundred years has proved that both ways can be successful, provided the necessary preconditions for the creation and development of co-operatives as self-help organisations are secured.

Even the two co-operative pioneers, Schulze-Delitzsch and Raiffeisen for the artisanal and agricultural sectors respectively, had different views on the way in which self-help should be implemented. Raiffeisen thought that government aid was not incompatible with the self-help principle provided that self-management of co-operatives was guaranteed. On the other hand, Schulze-Delitzsch was adamant against any assistance from outside, whether from government or private sources.

Many co-operative movements have tried to develop without outside assistance, but their growth, already impeded by economic difficulties and lack of knowledge among their members, has been made more difficult by reason of poor financial resources. In some countries the co-operative movement developed well, in others government institutions which were created for the promotion of co-operatives were not in fact suitable, and government efforts to promote a co-operative movement achieved poor results due to lack of skill, weak organisation and insufficient capital.

It should be noted that in Germany, Finland, Japan and the USA, for example, government assistance has at times provided a valuable stimulus for development without limiting the autonomy of the co-operative movement. This assistance was provided in many cases in the form of business facilities through specially tailored financial institutions in which government and co-operatives were partners. Eventually these institutions came completely or predominantly under co-operative control.

Experience shows that the best way to develop efficient co-operatives is from the bottom to the top, i.e. from village to national level through genuine self-help by those who are in need of help through co-operative action. But in the age of jet and space travel, everything develops more quickly than in Raiffeisen's and Schulze-Delitzsch's time and co-operatives also must adjust their structure and ways of working to present conditions. For this reason it

does not ultimately matter which way the development of co-operatives is carried out, from top to bottom or vice versa, or with or without government assistance; the essential element is that the self-help and full autonomy of the co-operatives should be guaranteed. Government support in the development of efficient co-operatives should encourage self-help. Government promotion measures should be limited in time and should not be perpetuated. They should concentrate on the development of the necessary management personnel and the education of future members of self-help co-operatives.

How long the protection of co-operatives by the state should last will ultimately depend on the development of the co-operative spirit of the members, which again is primarily the result of a comprehensive educational effort. Most countries in which the co-operative movement is directed by the state emphasise the provisional and transitional element of the government influence, and indicate that the final end is to reduce or eliminate entirely the influence of the state on the co-operative organisations. Thus where the state provides substantial means, adequate skill and management for the development of co-operatives, it should also provide sufficient scope and flexibility in their management. Experience has shown that governmental management of co-operatives may hamper their normal growth after a certain period by crippling latent initiative which can be developed only in co-operatives free of government influence. In the Federal Republic of Germany today co-operatives are free in accordance with the co-operative principles of self-help, self-management and total responsibility. Only the co-operative audit unions, in view of the duties transferred to them in the public interest, fall under government control exercised through the Federal Minister for the Economy, and this is mainly concerned with their legal obligations. According to the legislation governing loans, the government has the power to withdraw auditing rights where a union cannot fulfil its duties, where the orders of the competent government bodies have not been fulfilled, or where there is no need for further auditing activities.

Attention should also be drawn to two further aspects. First, there is the Co-operative Principle of neutrality in political and religious matters, which states clearly that co-operatives should not be oriented towards the promotion of political programmes. The other important aspect is concerned with a certain dualism in the conception of co-operatives: current co-operative theory stresses that co-operatives must have a social as well as an economic character. A well-known co-operative scholar has defined this dual character of co-operatives: "the co-operative is an economic institution with a considerable social content". This dualism reflects their complex and universal character.

The worldwide spirit of the co-operative idea was emphasised in a very impressive way on World Raiffeisen Day in 1968 in the Federal Republic of Germany, when co-operators from more than 70 countries and all five continents confirmed the co-operative ideas of Raiffeisen. There is no country in the world that could not benefit from the services of efficient co-operative organisations in all sectors of its national economy, especially in agriculture. Their universal character is also reflected in the number and variety of co-operatives and the fact that co-operatives are not the privilege of any social class and are in no way a class movement.

J. J. Musundi, General Secretary,
Kenya National Federation of Co-operatives

Agricultural Co-operatives in Developing Countries

Historical Perspective

A major characteristic of emerging countries is that they inherited an economy previously dominated and shaped for the advantage of the colonial powers. This had the obvious effect that the policies and institutions inherited at the time of independence favoured not the local population but the interests of those powers.

After independence the need to correct this injustice was a priority exercise. Discriminatory restrictions were lifted, such as those barring the rural population from undertaking certain economic activities; in Kenya, for instance, indigenous farmers had been denied the right to grow high value cash crops on their own account, which had strengthened the co-operatives which served the rulers' interests. The new governments allowed new institutions to develop.

The basic implication of the above is that the institutions accepted by new governments after independence had little experience. The rural economy was therefore underdeveloped and required efforts to develop it to the stage where it could deliver the goods.

The co-operative institution was one useful institution inherited from the colonial past, although weak, almost non-existent and very much underdeveloped. The little of it that existed was highly controlled and supervised to an extent which seriously limited its activities. However, with the lifting of administrative restrictions rural people began to form so many co-operatives that the situation almost ran out of control. Again quoting from the Kenyan experience, whilst it took over 30 years to initiate some 600 co-operative societies up to the time of independence, ten years later the number had reached the 2,000 mark.

Supervision and Control

Caught in this rapid development it is no wonder that the new governments had to develop rapid ways and means of containing the rate of co-operative development to a pace with which they could cope.

The most obvious first decision was to draw up comprehensive legislation to fulfil the needs of such controls, in line with overall national policy guidelines. The second step was a follow-up of the first and involved the recruitment of a workforce to provide an inspectorate and advisory network in

an adequate framework of co-operative institutions that are well integrated with the movement should be established to cater for its multiple administrative and financial needs.

Finally, let it not be forgotten that collaboration between the state and the movement is essential for co-operative development and should be maintained at all costs, as only thus can the place of co-operative institutions alongside other institutions be established. The state will then create an increasingly strong bias in favour of co-operatives throughout the economy. In looking after co-operative interests the state will be persuaded to recognise those societies that perform well and provide them with greater autonomy over their own affairs and administration.

G. K. Sharma, Director,
National Agricultural Co-operative Marketing Federation Ltd
(India)

Developments in India

The relationship between the State and Co-operatives is assuming greater importance, because of the varied nature and types of relationships that have developed with governments keen to bring about rapid economic development. In the developing world, particularly in those countries which have attained independence during the last three to four decades, the governments have taken deliberate steps to promote co-operatives by injecting massive doses of financial, technical and managerial resources. Such external influences on movements which have been built up traditionally on principles of democracy and self-help have produced results which are not consistent with the basic ideologies of the co-operative movement.

Developments in India in this respect may throw some light on the typical problems movements will have to face when they allow association of the State on a massive scale.

The co-operative movement in India started in 1904 as a credit movement, modelled on the Raiffeisen type of agricultural credit co-operative. The role of the Government was limited to enacting legislation and appointing Registrars of Co-operative Societies in the various States/Provinces to enable co-operatives to work within a legal framework. Co-operatives functioned under this set-up for nearly half a century. A Committee appointed by the Reserve Bank of India in 1954 to study the problem of rural finance, found that during its nearly fifty years of existence the co-operative movement had only been able to provide institutional credit to meet less than 3 per cent of requirements, and the prospects of any substantial improvement in the situation in its existing set-up were remote. This led to a policy decision that the State should enter into partnership with the co-operative movement by providing the bulk of financial, manpower and technical resources. This approach has gained added strength over the years. The beneficial impact of this change has been diversification of the co-operative movement into several fields and its massive growth in terms of achievements, as can be seen from the table on p. 70.

In many spheres such as credit, marketing and agricultural processing, particularly in the sugar and dairy industries where co-operatives had no roots in the past, they have now acquired a dominant position in the national economy. The Government has also created a special environment by enacting beneficial legislation to help co-operatives to expand. Some examples of this are

Part IV — Bibliography

1. MONOGRAPHS

(a) General

BONOW, Mauritz: The Co-operative Movement and the State.
Stockholm (Sweden), Kooperativa förbundet, 1969. 32pp; photos.

DAVIDOVIC, Georges: Vers un monde coopératif.
Paris (France), Ed. du jour, 1975. 222pp.

DESROCHE, Henri: Le projet coopératif.
Paris (France), Ed. Ouvrières, 1976. 461pp.

KONOPNICKI, M., VANDEWALLE, G. (Eds): Co-operation as an Instrument for Rural Development.
London (UK), International Co-operative Alliance, 1978. 160pp; tabs.

MÜNKNER, Hans-H: Co-operative Law as an instrument of State-sponsorship of Co-operative Societies.
Marburg (FRG), Institute for Co-operation in Developing Countries, 1974. 25pp.

(b) Africa

BODENSTEDT, M. (et al): Staatliche geplante Produktionsgenossenschaften — das tunesische Modell.
Munich (FRG), Weltforum Verlag, 1971. 240pp; bibl; tabs; graphs; French summary.

INTERNATIONAL CO-OPERATIVE ALLIANCE (Regional Office for East & Central Africa): Effective supervision as a means of achieving increased efficiency in the performance of co-operatives.
Moshi (Tanzania), ICA (RO for E&C Africa), 1972. 39pp.

(c) Asia

CENTRAL UNION OF AGRICULTURAL CO-OPERATIVES (Japan): Development of Agricultural Co-operatives and Government Assistance— the Japanese case.
Tokyo (Japan), CUAC, 1973. 14pp.

HAMID, Ahmad S.b.A: Farmers' Co-operatives — tool for development of small farmers in Malaysia.
Malaysia(?), Farmers' Organisation Authority, (1977)(?). 259pp; illus; diags; tabs.

HANEL, A., MÜLLER, J. O: On the evaluation of rural co-operatives with reference to governmental development policies — Case study Iran. (Marburger Schriften zum Genossenschaftswesen. Reihe B. Vol. 15).
Göttingen (FRG), Vanderhoeck & Ruprecht, 1976. x+298pp.

LIDLAW, Alec: Third World Co-operatives, Government and the Poor.
In *The New Harbinger*, Fall 1978, pp. 22-26.

Moscow International Seminar for Co-operative Leaders from Asia, Africa and Latin America: Seminar on "The State and Co-operatives" held in Moscow on November 18-28, 1975.

In *Centrosoyus Review*, Moscow, No. 3, 1976, pp. 4-11, ill.

ODEDE, Okumu, VERHAGEN, Koenraad: The Organisation of External Supervision/Control Actions as an Integral Part of the Co-operative Development Promotion System.

Ghent State University, 1976. 8+7 pp (mimeo).

SCHEEL, Walter: Aufgaben der Genossenschaften im modernen Industriestaat. Ansprache des Bundespräsidenten auf der Jahrestagung des Bundesverbandes der Dt. Volksbanken u. Raiffeisenbanken am 2. Okt. 1975 in Stuttgart.

Bulletin. Presse- und Informationsamt der Bundesregierung, Nr. 119 vom 7. Oktober 1975, p. 1177 ff.

SILVA, R. G. E. de: The role of Government in Co-operative Development.

Co-operative Management & Marketing, Vol. 7, No. 11, Nov. 1974, pp. 11-13

Africa

BOTTOMLEY, Trevor: Some Lessons in Co-operative Development in the Case of Botswana.

In *Year Book of Agricultural Co-operation 1976*, Plunkett Foundation for Co-operative Studies, Oxford.

HIRSCHFELD, A.: L'état et la coopération agricole dans les pays francophones d'Afrique noire.

In *Revue des Etudes Coopératives*, No. 177, 1974, pp. 25-46.

How Not to Help a Co-operative (Nigeria).

In *IFAP News*, June 1977, Paris, p. 4.

IJERE, M. O.: State aid for Co-operatives in Nigeria.

In *Co-operative Information*, ILO Geneva, No. 3, pp. 1-13 (1975). (E, F, Sp)

The Government re-organises the Co-operative Movement (Tanzania).

In *ILO Social and Labour Bulletin* No. 3 1976, Geneva, pp. 297-298.

LAMB, G.: Government, Co-operatives and Peasant Agriculture in Kenya.

In *Institute of Development Studies Bulletin*, Sussex. 6, 1, pp. 25-36 (1974).

Contents: Co-operative leadership, Administrative control as a political strategy.

MIETTE, R.: Les coopératives polyvalentes en Algérie.

In *Afrique et l'Asie*, Paris, 1974, 102, pp. 31-39.

The Algerian government has established co-operatives with an economic and a political purpose. The co-operative has become the necessary link between the central power and farmers even in administrative, social and educational fields. Though membership is theoretically free, it will be the only channel to be subsidized by the State.

RAIKES, P. L.: Ujamaa and rural socialism.

In *Review of African Political Economy, London, 3, May-Oct. pp. 33-52 (1975),*

Article criticising methods used to implement government policy of ujamaa vijijini aimed at bringing together farmers in villages organized as rural co-operatives — demonstrates that ujamaa, instead of promoting socialism and self reliance, serves to reinforce the interests of the elite bureaucracy.

RAULIN, H.: Organised co-operation and spontaneous co-operation in Africa (Niger Republic).

In *Popular participation in social change, Paris — La Haye: Mouton, 1976, pp. 35-44.*

(c) Asia

BATRA, J. D.: Focus on co-operation for weaker sections.

In *The Co-operator, Vol. XII, No. 17, March 1, 1975, pp. 17-18 and 20.*

BAWA, K. S.: Effects of Co-operative Law and Regulations on Co-operative Management.

In *Co-operative News Digest, Reserve Bank of India (Bombay), Vol. XXIX, No. 2, Feb. 1978, pp. 18-25.*

DANIEL, A.: The Israeli case with regard to interrelations between the government and the co-operative movement.

Tel Aviv, International Research Centre on Rural Co-operative Communities, 1974, pp. 38.

JHA, D.: Government Aid and Co-operative Autonomy.

In *The Maharashtra Co-operative Quarterly, Vol. LVII No. 2 Oct. 1973, pp. 197-202.*

MISHRA, R. B.: State Interference in Co-operative Organisations — Causes, consequences and cures.

In *Indian Co-operative Review, New Delhi, Vol. XII, No. 3, April 1975, pp. 229-239.*

Pakistan Co-operative Farms Plan.

In *Pakistan Co-operative Review, Lahore, 6, 3, pp.3-15 (1975).*

Contents: What is co-operative farming? Objects of co-operative farming? Disadvantages of individual farming in small holdings and advantages of co-operative farming; Causes for the failure of co-operative farming in the past; Pilot projects — Demonstrations co-operative farm; Financial aid; Incentive to co-operative farming societies; Role of government; Structure of the co-operative farms; Federation of agricultural co-operative farming societies at provincial and district levels; Councils for co-operation at national, provincial and district level.

Co-operative Movement should be free from Government Interference.

In *Co-operative News Digest, Reserve Bank of India, Bombay, 1978, pp. 111-113.*

Public Distribution System: Role of Co-operatives.

In *Co-operative News Digest, Reserve Bank of India, Bombay, No. 11, 1975, pp. 171-175.*

ROSOLIO, D.: Patterns of Interrelations between the Government and the Kibbutz as an Economic and Ideological Entity.

Tel Aviv: International Research Centre on Rural Co-operative Communities, 1974, pp. 9.

LEGARE, J-P. : Les relations entre l'Etat et les coopératives.
In *Ensemble*, No. 16, 1975, pp. 4,7.

Le Valeur du mouvement coopératif et la perception qu'en a l'Etat. (Rapport Parenteau. 3e chapitre).
In *Ensemble*, No. 17, 1975, pp. 1, 6-7.

Workers to receive government aid to buy firm (USA).
In *ILO Social and Labour Bulletin*, Geneva, 3/1976, p. 298.

Quebec Government to invest in Co-ops.
In *NACCU Briefs*, Ottawa, October 15, 1976, p. 1.

Compiled by ANNE LAMMING,
ICA Librarian

THE INTERNATIONAL CO-OPERATIVE ALLIANCE

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

It comprises organisations in every continent, and its total affiliated membership through national organisations exceeds 346 million from consumers, agricultural, housing, credit, workers' productive, artisanal, fishery and other co-operative societies.

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

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

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

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

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

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

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

Studies and Reports:

- | | |
|--|------------|
| 1. REFORMULATION OF THE FUNDAMENTAL PRINCIPLES OF THE CO-OPERATIVE MOVEMENT (1964) (English, French, German) | 15p |
| 2. THREE LECTURES ON INTERNATIONAL CO-OPERATIVE INSURANCE (1966) | 15p |
| 3. Out of Print | — |
| 4. TWO REPORTS OF THE AGRICULTURE CONFERENCE. Hamburg, 1969 | 20p |
| 5. WORLD-WIDE TRAINING OF CO-OPERATIVE EXPERTS (1970) | 20p |
| 6. THE CO-OPERATIVE DEVELOPMENT DECADE, 1971-1980 (1971) (English, French, German, Spanish) | 20p
20p |
| 7. Out of Print | — |
| 8. CO-OPERATIVE MANAGEMENT FOR THE 1970s, Madison, Wisconsin, USA, 1970 | 50p |
| 9. Out of Print | — |
| 10. THE ROLE OF AGRICULTURAL CO-OPERATIVES IN ECONOMIC AND SOCIAL DEVELOPMENT: Report of the ICA/FAO/ILO/IFAP Open World Conference, Rome, 1972. (French only) | 50p |
| 11. Out of Print | — |
| 12. FUNCTIONAL LITERACY AND CO-OPERATIVES
Report of the ICA Seminar, Ibadan (1975) | £1.50 |
| 13. CO-OPERATIVES AND THE POOR
Report of the Experts' Consultation, Loughborough, UK, July 1977 | £2.00 |
| 14. CO-OPERATIVES AND THE STATE
Discussions held at the ICA Central Committee Meeting, Copenhagen, September, 1978 | £2.50 |

All prices include cost of postage by surface mail.
(Further issues in this series are published from time to time.)

ICA Library

