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THE INTERNATIONAL CO-OPERATIVE ALLIANCE

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

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

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

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

It convenes international co[illegible] 98 [illegible]he teaching and study of co-operation issues publications and resear[illegible] orates closely with the United Nations as well as with voluntary an[illegible]tal international bodies which pursue aims of importance in co-operation.

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

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

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Is the Co-operative Community Co-operative?

by

Nils Thedin

The Co-operative College in Moshi was inaugurated in January 1968 by the President of Tanzania, Julius Nyerere, the Swedish Prime Minister, Tage Erlander, and the then President of the International Co-operative Alliance, Mauritz Bonow – three great names, which demonstrated the importance attributed to co-operation for development in Tanzania. The co-operative movement was considered one of the levers which would raise social and economic standards and ensure a functional democratic system. From a co-operative point of view Tanzania seemed already to be something of a model nation: exploitation by private capitalism was to be replaced by a democratic economy built on people working together, with strong elements of the co-operative form of enterprise.

In May 1976 we learnt that the government of Tanzania had decided to dissolve all the 2,000 co-operative primary societies in the villages, as well as the regional co-operative unions. The work of the rural co-operatives was transferred to new village administrative units. The activities and property of the unions were taken over by state "crop authorities", i.e. the government bodies responsible for purchase and marketing of crops, the Coffee Board, The Cotton, Lint and Seed Marketing Board, etc. The only co-operatives remaining independent with voluntary membership were, for the time being, thrift and credit societies and consumer co-operatives such as the successful consumer co-operative society in Moshi.

One of the district unions to disappear from view was the world renowned and successful Kilimanjaro Native Co-operative Union with its headquarters in Moshi. This union had for very long been a model co-operative: it demonstrated how, in developing countries, co-operative joint action could substantially improve the economic and social condition of the people. It was no coincidence that the Co-operative Education Centre (CEC) which was started in Tanzania in 1964 was located in Moshi. So was the ICA Regional Office for East and Central Africa, started in 1968; the Co-operative College was also built there. Moshi had become a co-operative Mecca in East Africa.

But even if this rapid sketch of what has happened to the Tanzanian co-operative movement is formally correct, the Tanzanians themselves might not recognise it. The new legislation in

Tanzania spells out that the villages shall act as multi-purpose co-operatives —i.e. a form of all-embracing co-operative society. Discussion had long been going on in Tanzania about restructuring the co-operative movement. When the unions were dissolved, the national organisation, the Co-operative Union of Tanganyika (CUT), was left out on a limb. It had lost its members, and its future appeared rather uncertain. The intention was that the villages, in their co-operative capacity, should become affiliated to the CUT, which would then become the servicing organisation for that part of the activities of the villages previously run by the local co-operative societies.

The news about the restructuring of the Tanzanian co-operative movement was surprising, because no one had foreseen such a far-reaching decision being made at this particular juncture, at the highest political level, and without giving the co-operators affected a chance to make their views heard. And yet this action could not have been unexpected. After all, the ultimate aim is to co-operativise all of society—this is the meaning of the ujamaa and village programme, a logical consequence of the Arusha declaration.

Development of People

Co-operation is naturally not an end in itself. It is a means for social and economic development. This can mean different things. For us, as co-operators, it has been easy to agree with President Nyerere's definition of development: "For the truth is that development means the development of *people*. Roads, buildings, increases in crop output, and other things of this nature, are not development; they are only tools of development". "But people cannot be developed; they can only develop themselves. . . . (A man) develops himself by what he does, he develops himself by making his own decisions, by increasing his understanding of what he is doing, and why; by increasing his own knowledge and ability, and by his own full participation—as an equal—in the life of the community he lives in." (President Nyerere, Freedom and Development 1968).

A co-operative credo can probably not be expressed better than that. This particular point, that development means the development of people, gave support to the supposition that the co-operative movement of Tanzania would grow organically, at the same rate as the local consciousness and economic knowledge of the people. But it would appear that this was all too slow!

Help for Self-Help

Let us leave Tanzania for a moment in order to examine a vital aspect of the development policies of the UN agencies. At the start the aid aspect predominated. It was of prime importance to transfer to developing countries both material resources and technical know-how. In time optimism about development started to flag. In the majority of countries assistance did not produce enough tangible results—and there was more and more talk of the inadequate transfer of resources, lack of planning, even corruption . . .

And the industrially developed countries did not live up to their promises. In fact official development assistance has tended to decline. It represented, in 1976, only 0.31 per cent of the gross

national product of the industrialised Western countries and 0.03 per cent of the socialist countries*. Only three countries have so far reached the goal of 0.7 per cent of the GNP in actual disbursements, so solemnly promised to the developing world, which was to be reached by the mid-seventies.

The UN agencies have had to admit that in general not much headway has been made in the development of the third world. Less than 15 per cent of the rural population in those countries have access to any form of health care; less than 25 per cent live within walking distance (10 km/6 miles) of a well or spring of clean water, less than 50 per cent of all children in the developing countries get school education. And 25 per cent of the children are undernourished. The figures are illuminating. They could be supplemented with facts about slums, infant mortality, unemployment, and low, stagnating *per capita* incomes.

The conclusion to be drawn from these discouraging experiences is briefly this: that the efforts made by governments, with the assistance of UN agencies, bilateral aid agencies and private organisations are insufficient. In many countries they do not even keep pace with the increase in population. Economic development does not "trickle down" to the great masses of the population, especially if it is not supported by a strong political will and combined with social and structural reforms. And in any case, measures *for* the people in developing countries are not enough. Work towards progress must be undertaken *together with* the population, and to the greatest extent *by* the people themselves. The survey undertaken jointly by the World Health Organisation and UNICEF a few years ago about health care in rural areas of developing countries is significantly entitled: "Health by the People"—health *by* and *through* the people.

Help for self-help in order to satisfy the basic needs of everybody is now the watchword in WHO, ILO, FAO, UNICEF, UNDP, etc.

The role of national and local government in development work then becomes primarily that of pointing in a given direction, providing basic services and assistance in the establishment of an infrastructure: communications, education and training, nutrition policies and health care, provision of energy resources etc. But this must be matched by measures at the local level, in terms of production and distribution of goods, provision of water, basic hygiene and health etc. In many cases this collaboration can take the form of solidly organised co-operative action.

The Spectrum of Joint Action

The examples from Tanzania and the UN agencies have one thing in common: they concern collective means in development work. These collective means can be compared to a spectrum. At the one extreme we find the government measures. They are obligatory in character, compulsory measures financed by taxation, directed and administered from the centre. Closer to the grassroots are the community measures which come under the local authorities. In some cases they may be part of a well developed local autonomy.

*According to official statistics of the Development Assistance Committee of the OECD.

If we follow the spectrum a little further we find collective action in voluntary but firmly organised form: co-operative societies and unions. In developing countries these are often controlled and even directed by government. There are, however, varying degrees of direction by government—right up to total independence within defined legislation. If we then follow the spectrum a little further, we will find various forms of temporary collaboration, e.g. joint work to dig a well, organisation of common irrigation, or joint purchasing of certain requirements.

The borderlines between these various forms of collective action are fluid. Government control over co-operatives may be so strong that co-operatives are regarded virtually as branches of government; hence they are unable to get members to make active contributions themselves. Co-operative joint action can be changed into action under public leadership, as was the case in China in 1958, when the rural co-operatives were transformed into people's communes. Temporary collaboration to solve common objectives can be turned into a co-operative society with shares, rules, book-keeping and elected committees, as happened in Sweden where informal purchasing groups sometimes grew into consumer co-operative societies.

With more than a century of experience of co-operative action on the Rochdale weavers' model, we are bound to consider this to be the superior type, the one that should be normative. It is characterised by open and voluntary membership, democratic control, limited interest on capital, return of surplus to members. It is true that in many cases some of the principles have been tampered with. But it has still proved possible to develop autonomous and democratically controlled co-operative societies which can successfully compete with private business and state-owned enterprises. In a number of countries the co-operative movement plays an important rôle as a democratic factor in the economy, a factor which has substantially improved living conditions for the wage-earners and small farmers.

Are the Rochdale Principles Self-Evident?

How then do we, who support the Rochdale principles, stand vis-à-vis the development in Tanzania?

The fact is, of course, that Tanzania is a sovereign state and makes its own decisions. And in the Nordic countries the position is quite clear both in the co-operative movements and the Government aid agencies: in so far as we are competent to support development in Tanzania, we will do so.

Nevertheless, the restructuring of the Tanzanian co-operative movement can undoubtedly give rise to a number of questions, and much reflection. I shall limit myself to one aspect only: are the Rochdale principles really so self-evident when considering co-operative development in the third world?

There were co-operatives before Rochdale. Some of the thinkers and pioneers who wanted to replace capitalism and exploitation with democratic economic collaboration, concluded that the alternative was self-supporting co-operative colonies. The French utopian socialist Charles Fourier (1792-1837) was one of these thinkers; his plan was that people should voluntarily band together into self-supporting co-operative units of

400-2,000 persons; he called them phalansteries.

Similar ideas were developed by his British contemporary, Robert Owen. Unlike Fourier, Owen was a wealthy man who could afford to finance a social experiment. In 1825 he purchased 20,000 acres of land in the USA, with buildings and workshops in order to found a community. He invited people to settle there in order to realise a new social order, where the principle of maximum good should reign. There, in New Harmony, profits were abolished, each worked for all. But the experiment failed. Owen concluded that "it was a premature attempt at bringing together a crowd of mutual strangers to run extensive activities for the common good, *without any previous education for this purpose*".

The co-operative colonies that the Utopians wanted to realise were a kind of "self-supporting islands", which were to live their lives in isolation from, and unbesmirched by, society in general. But it became apparent that it was unrealistic to expect these co-operative communities to develop in a capitalist world without giving the members proper education and training, and without society giving their activities legal, organisational and perhaps financial support. This did not mean that the ideas were doomed. There is a certain similarity between Fourier's and Owen's dreams, and the reality which meets us in the Chinese people's commune, the kibbutz in Israel and the ujamaa village of Tanzania.

Forms for Collaboration in the Third World

The greatest contribution of the weavers of Rochdale was possibly that they found a method of letting co-operative action grow within the framework of a capitalist society. They did not cut themselves off from society; instead they adapted their activity to its conditions—with the aim of gradually changing society. Their ultimate goal was to establish a self-supporting co-operative community. We are still far from that goal. But the Rochdale pioneers did sow the seed of a world-wide movement, which in many countries, with different economic and social systems, has become of great importance to social and economic development. The co-operative movement has demonstrated in practice that it can mobilise the individually insignificant financial resources of many people, and with this base develop a firm programme of action, built on democracy and solidarity, instead of profits and a concentration of power.

The co-operative movement grew up in a world of new industrialism. Poverty was naturally a serious obstacle, but there were prospects for the small co-operative to develop. The enormous accumulation of capital which characterises the industrial systems of our time did not yet exist. And so the co-operatives could grow and secure a firm footing.

But what is the position in developing countries? The multi-national corporations have already penetrated there, and relatively strong private companies have gained ground. Is it not somewhat unrealistic to imagine that the co-operative movement can grow strong in such an environment, unless special preconditions are created by society? The movement must be built up by people just emerging from a state of subsistence, people who are still very poor, often in

debt and often illiterate; or else they may be living in the destructive environment of the slums of large cities. This build-up is to happen, too, in competition with already established companies who often ruthlessly exploit their advantage; in some cases they even try to infiltrate co-operatives.

The co-operative movement represents a fine ideal. But is the Rochdale weavers' path towards the ideal always the right path for the developing countries in our time? Or could ideas of the kind propounded by Fourier and Owen be given a new relevance, with adjustments for the political, social and economic conditions of the developing countries?

The measures that have been adopted by Tanzania may be seen as a step in that direction. They can be interpreted as an effort to make the big leap straight into the "co-operative commonwealth" through structural reforms, and not take the long road via organic development of co-operation in competition with other forms of enterprise.

The new co-operative structure in Tanzania

The Co-operative Union of Tanganyika in a memorandum to the ICA in November 1977 stated that there are definite advantages in the new system. A village, organised as a local co-operative society, will in its activities meet *all* the economic and social needs that exist in the community.

When this memorandum arrived, the decision had already been taken to substitute for the old CUT a new apex organisation, the Union of Co-operative Societies (UCS). Its members are the 8,000 villages, and in addition certain other co-operative organisations, among them the consumer co-operatives operating in the cities. Whereas the movement earlier was organised in three tiers (local societies, district unions and the CUT), there are now only two levels.

It cannot be denied that this change of the whole structure of the co-operative movement in Tanzania may cause some headaches within the ICA. According to the rules of the Alliance "membership of a co-operative society shall be voluntary and available without artificial restriction . . . to all persons who can make use of its services and are willing to accept the responsibilities of membership".

The villages, which constitute the bulk of the membership of the UCS can hardly be considered as voluntary associations. On the other hand: does not the ICA among its affiliated members include organisations of a similar kind? Membership in those organisations may formally be of a voluntary character—in practice, however, it is not possible to stay outside the co-operative.

The new apex organisation in Tanzania is a party organ. It has to contribute to the realisation of the policy of the only political party in the country, the CCM. The officers in the UCS must be party members. The General Secretary of every village council is appointed by the party, even if he (she) is nominated by the council. The General Secretary of the UCS is appointed by President Nyerere himself.

This is not co-operative independance or even co-operative democracy in the sense that we usually interpret the term. But again: similar conditions exist in other member organisations of the ICA.

It is still too soon to judge the restructuring which is now taking place in

Tanzania. The new policy will certainly meet with great difficulties. If the experiment is to be successful it is likely to need more aid than that given at present by the Nordic countries and their co-operative movements.

This was strongly underlined by Prime Minister Sokaine when a delegation from the ICA had an opportunity to meet him early this year in Dar es Salaam. He also stressed the necessity of democracy—but at the same time how difficult the practice of democracy is in a poor country like Tanzania, where there is still a high adult illiteracy rate. It is also almost impossible for the thousands of members to make the long journey involved in attendance at regular meetings to decide their own affairs and elect their officers. Development of true co-operative democracy is an effort which will take time. And in this connection the Prime Minister also stressed the importance of continued relations with and support from the ICA.

Is the Transfer of Knowledge Enough?

There is certainly good reason for us in the co-operative movements of the industrialised countries to reflect further about developments in Tanzania and other third world countries. Are the experiences we have gained of co-operative growth during the era of industrialisation necessarily relevant in developing countries now? Modern industrial techniques are transferred to these countries, and often, too, capitalistic subsidiaries. Can co-operation develop there in accordance with the patterns which were formed in Europe 50 or 100 years ago? Is the mere transfer of knowledge from the co-operative movement in an industrialised to a developing country enough?

In the wide spectrum of collective action—from government direction to *ad hoc* free collaboration—co-operative activity takes an important place. Its identity must obviously not be erased, but neither must the movement become so firmly tied in our own minds to a capitalist mixed economy that we dissociate ourselves from the co-operativised community. That would imply that we only accept the co-operative movement as long as it works in competition with other forms of enterprise, be they capitalist or nationalised. In the efforts and tentatives of developing countries to evolve a system of society adapted to their own preconditions and ambitions, it is possible that a total co-operative system may be one of the answers. If so, we can hope that the experience gained of the significance of self-help and democratic effort to development will be important factors in the system, since "development means development of people".

In my own conviction a co-operative system based on the Rochdale principles of democracy and independence is a goal that the movements all over the world should strive to attain. This is in line with the experiences of many countries as summarised in a resolution adopted by the United Nations Economic and Social Council (ECOSOC) in April this year.

In this resolution it is stated that the establishment and growth of co-operatives is one of the important instruments for the full economic, social and cultural development of all members of society. The resolution stresses the rôle of co-operatives in the development of

weaker sections of the community, particularly in developing countries. And it points to the important rôle of co-operatives in involving people, not least women, at grass roots level in planning and decision making which affects their daily lives.

This is in line with the philosophy of President Nyerere. In Tanzania an effort is now being made to establish society on a co-operative basis. It will meet difficulties, especially because there is still a lack of trained personnel. It is an experiment which deserves not only our interest and sympathy, but also our assistance. We should be "concerned participants" in these efforts, sharing our own experiences and technical knowledge—and receiving new ideas and experiences in exchange.

The Birth and Growth of the Caisses Populaires in Quebec

by

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It has become commonplace to say that Quebec is the territorial basis of a distinct society within Canada; this French-Canadian society is of course closely interrelated to other components of the country, but its special character is displayed in a number of domains and institutions, political, economic, religious and others. Among these, one can certainly count the co-operative movement; this movement is heavily developed in Quebec, mainly in the food processing and banking sectors. With respect to the latter, half of the assets of the co-operative banking organizations in Canada are to be found in Quebec, almost all of them in what are called Caisses Populaires. Compared with their counterparts in the rest of Canada, the Caisses Populaires are not only relatively larger, they also differ in certain specifics: for one thing they are territorially, as opposed to professionally based, the latter representing one common pattern in the rest of Canada. Also they are quite distinct in their degree of centralization and their financial policies, especially with respect to mortgage loans and shareholding.

Our intent here is to present an analysis of the birth and growth of the Caisses Populaires. Contrary to tradition, however, this analysis will not adopt the perspective of social movements, with the usual concepts of norms and values, ideologies, strain and mobilization. It will instead be based on the theory of formal organizations.

Given this theoretical orientation, our analysis of a particular organization in Quebec will provide us with an occasion to recapitulate some of the social history of the French-Canadian society in the twentieth century. Indeed the Caisses Populaires of today are the outcome of the interplay of French Canadian ethnic class and the (almost exclusively foreign) financial powers, in the context of the important economic, political and idealogical events of the period.

Quebec at the End of the 19th Century

At the end of the nineteenth century and the beginning of the twentieth, the province of Quebec was in a difficult economic situation. Agriculture was still the most important economic sector: the 1891 census shows that it involved 65% of the manpower and

The Desjardins Complex in Montreal.

accounted for 65% of the total production of the province; by comparison, only 6% of the production came from the mining and manufacturing sectors. But agriculture suffered from a lack of good lands, forcing the sons who did not inherit their fathers' land either to seek jobs in the cities, establish themselves on unproductive lands, or leave for the United States. Moreover, the agricultural techniques were archaic and this led to a deterioration of the good lands. Finally, the abolition of the reciprocity act with the United States separated Quebec from its natural market, the New England States. The long economic crisis at the end of the nineteenth century accentuated these phenomena and created a general state of poverty in the rural areas.

The industrial development of the cities did not permit the absorption of the incoming population. With the replacement of a mercantilist regime based on wood and grains by an industrial system based on coal, iron and steam, Montreal and Quebec were no longer able to compete with Pittsburgh and Southern Ontario. Instead of developing heavy industries, the Quebec cities centred their economic activity around manufacturing industries, mainly the production of shoes and textiles. The result was a high rate of unemployment and a high migration to Ontario and the United States. The

situation was made worse by the emergence of new consumer aspirations, as witnessed by many writings of that period. Therefore, the individual money-lenders, as the sole source of cash money, became involved in the improvement of agricultural techniques, the support of people during periods of unemployment, and also the satisfaction of the new consumer needs. They exploited the situation, and it is precisely their abuses and the desperate situation of the borrowers vis-a-vis their money-lenders which were at the origin of Desjardins' idea to create a co-operative savings and credit system.

The Chartered Banks

During that period, the Chartered Banks controlled the market of banking services. In 1915, they already had 716 branches in Quebec, of which the Banque Nationale, the most important one in the Province at the time, had 251 branches. In 1920, the figures were 1150 and 467 respectively. The Chartered Banks at the beginning of the twentieth century were not competing with the individual money-lenders to provide personal loans to the population. First of all, the economic situation of agriculture and industry was so bad that the Chartered Banks did not have a large portion of their assets in personal savings belonging to farmers and workers; accordingly, they preferred to concentrate their lending capabilities on those who were already bringing important savings to them. In 1935, 13% of their loans were to individuals, while 47% were commercial or business loans.

Secondly, because of this orientation towards business, the Chartered Banks were located in large and medium-sized cities; this was detrimental to their competing against money lenders, who were mostly operating in rural areas. For example, the two most important Chartered Banks in Quebec had about one-half of all their branches in Quebec City. Finally, these private capitalist organizations were in business to make profits, and given the ceiling imposed by the Federal Law of Banks on the interest rate charged for loans, the Chartered Banks figured there was no profit to be made on them. The only exception was the Banque Nationale, a French-Canadian bank facing strong competition from the English-Canadian ones for the control of industrial and commercial accounts, which was interested in capturing the clientele held by the money-lenders. There was, then, a potential clientele for some banking services which the Chartered Banks chose not to take on. It is this clientele in which Alphonse Desjardins was interested at the end of the nineteenth century. The Chartered Banks, except the Banque Nationale, were not therefore opposed to the creation of the Caisses Populaires. They even thought that they could gain some profit from these Caisses since their cash reserves would be held in the Chartered Banks.

The Birth of the Caisses Populaires

Desjardins was interested in this clientele, but he also wanted to increase it by the addition of two new types of savers. First, he wanted to attract those people who had already some personal savings, hoarded and hidden in their "bas de laine," because they were too distrustful to put them in a Bank, perceived as a "foreign enterprise." Secondly, he wanted to give people a

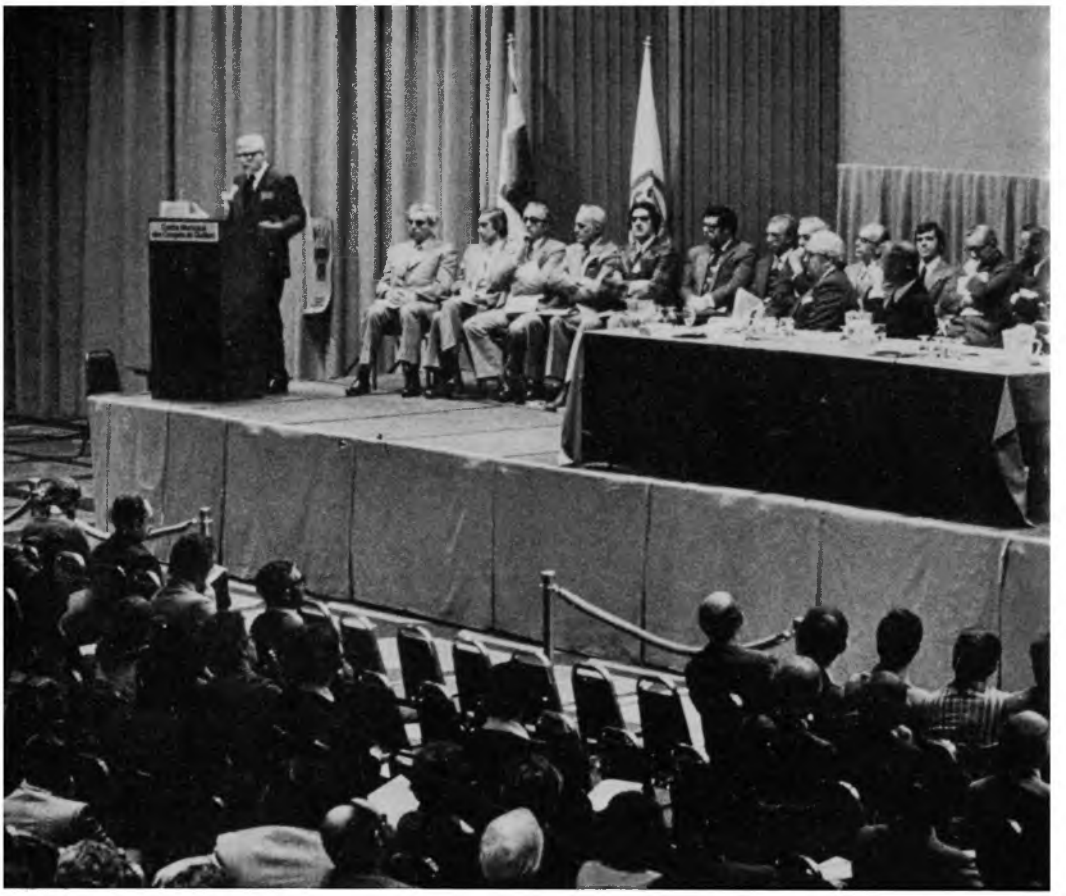
motivation for saving. Instead of spending their money on luxury objects, they should be taught the ethics of ascetism and austerity. The viability of the Caisses Populaires depended upon the attraction of these clienteles.

Desjardins' motivation for the creation of the Caisses Populaires was shaped by the type of social structure which existed in Quebec at that time. Arthur Stinchcombe (1965) mentions five social conditions under which people will be motivated to create organizations: 1) they find or learn about alternative and better ways of doing things not easily done within existing social arrangements; 2) they believe that the future is promising and that the organization will be effective enough to pay for the trouble of building it and for the resources invested; 3) they or some social group with which they are strongly identified will receive some of the benefits of the better way of doing things; 4) they can lay hold of the resources of wealth, power, and legitimacy needed to build the organization; and 5) they can defeat, or at least avoid being defeated by, their opponents, especially those whose interests are vested in the old regime.

Desjardins' biography would obviously illustrate the first two points. But our stress on the differences between the birth and growth of the Caisses Populaires and the Chartered Banks leads us to put the emphasis on the last three points. The Caisses Populaires were able to stand their ground in opposition to the Chartered Banks because they sought a type of clientele in which the latter were not economically and socially interested; and the Banque Nationale was not strong enough to prevent the founding of the Caisses Populaires because of the *legitimacy* granted to the savings and credit co-operatives by the Catholic Church.

The latter, after some hesitation, not only used its power to help the Caisses Populaires come into existence, but many members of the clergy became administrators or managers of local Caisses: in the 171 Caisses Populaires founded between 1900 and 1920, 100 priests were either chairmen of the boards or chairman-general managers; if we include the functions of manager and secretary-manager, the total increases to 135. This control of the Church over the local Caisses was made easier by their location: the Caisses Populaires adopted a territorial model, that is, their boundaries followed those of the Catholic parishes. Incidentally, a similar territorial model was also adopted by the Catholic Unions, the "Confédération des Travailleurs Catholiques du Canada," which were established with the help of the Church in reaction against the North-American unions of the "Confédération des Travailleurs du Canada," where the trade and industrial organizations were predominant. In the case of the Caisses, the involvement of the clergy, in a Quebec still rural and deeply dependent on the Church for its survival, was almost a guarantee of success.

The legitimacy of the Caisses Populaires was also enhanced by the Quebec government which gave legal recognition by the "Loi des syndicats coopératifs" of 1906. The fact that the Caisses Populaires came under provincial jurisdiction instead of the Federal Law of Banks adds additional emphasis to the fact that the Caisses were not considered to be equivalent to the Chart-



The Board of Directors

ered Banks. Rather, they were to act as financial intermediaries for the French-Canadian working class. The members of this class were going to receive the main benefits from this new type of banking: it would help them to save money and better their situation, and therefore to increase the collective wealth. This ideology was instrumental for the creation and maintenance of the Caisses.

We can therefore conclude that the Caisses Populaires came into being when they established a control, with the help of the Provincial State and of the Catholic Church, over an area of the market of banking services left untouched by the Chartered Banks. The fact that the latter were dominant in banking forced the Caisses Populaires to specify clearly how their *goals* differed from those of the Chartered Banks:

1) *Attraction of small savings:* during their first thirty years of existence, the Caisses Populaires attracted only small savers; indeed those with an important amount of capital were afraid of the eventual collapse of this "benevolent system." That is why in 1929, the 44,800 members of the Caisses had only total assets of $11,464,000.

2) *Priority given to personal loans:* the provincial law prevented the Caisses from making commercial and industrial loans and investments; consequently, they could only allocate their resources either to personal loans or to securities. From the beginning, they gave priority to personal loans. In 1929, the value of securities purchased represented only 14.1% of the total of loans granted and securities purchased by the Caisses Populaires.

3) *Priority given to note loans:* in 1929, the value of note loans granted represented 59.2% of the total loans granted and securities purchased, compared to 26.7% for mortgage loans.

4) *Priority given to small loans:* in 1939, 40% of their loans were below $50.

5) *Advantageous interest rates (from the point of view of the public) paid on savings and charged on loans:* Milton F. Bauer (1967) compared the interest rates of the Chartered Banks and the Caisses Populaires, and concluded that the latter consistently offered higher interest rates than the former on savings and lower rates on loans. As we see, the goals of the Caisses have never been the replacement of capitalism as an economic system, but the elimination of what they considered the major abuse of that system, that is, usury.

At the local level, the Caisses Populaires had to use a type of *technology* which was consistent with these goals. The mediating technology they adopted was characterized by many informal relationships between the employees and their clients, and by a paternalistic attitude of the managers vis-à-vis their employees.

To fulfill their goals, they also had to *structure* themselves so as to cover geographically the whole territory of Quebec. For this purpose, they allowed the creation of a local Caisse by groups of as few as ten persons. Moreover, to be sure that each Caisse adapted itself to its environment, a large measure of autonomy was left to the local organizations: they could have their own financial policies, and the Regional Unions and Federation had no overriding power on these matters. The result was an impressive decentralization, especially when we compare this structure with the very centralized structure of the Chartered Banks. This is the major aspect of the Caisses Populaires to undergo change in the subsequent course of their evolution.

The Growth of the Caisses Populaires

The Caisses Populaires succeeded in establishing themselves on the banking market as illustrated by the following three indices:

1. *The growth of the Caisses Populaires, as an organizational complex.* Between 1935 and 1970 the number of local Caisses Populaires increased 14-fold, their members 52-fold, and their assets 184-fold.

2. *The demographic penetration of the Caisses Populaires in Quebec.* To get a better idea of the presence of the Caisses Populaires throughout Quebec, we can look at the increase in their membership relative to the population. This "index of demographic penetration" is computed by taking into consideration only the French-speaking population of Quebec, since this is the only clientele

susceptible of being attracted by the Caisses Populaires. It also eliminates those accounts in the Caisses Populaires held by public bodies (co-operatives, churches, municipalities, etc.), members less than 15 years old, and members who held two or more accounts in any Caisse Populaire.

The index of demographic penetration rose from 2.5% in 1931, to 26.2% in 1951, to 68.5% in 1971. Not only did the Caisses increasingly penetrate the population, they also expanded to cover the whole of Quebec's territory. They were established in rural (57.5% of the Caisses in 1970), semi-urban (10.4%) and urban regions (32.1%); they were located in cities of various sizes; and they were established in such remote locations throughout Quebec's territory that 38% of them are still local monopolies, the only agencies offering banking services to the people. These local municipalities have small populations and a low income per capita, two facts which make them economically unattractive to the Chartered Banks.

3. *The growth of savings in the Caisses Populaires and in the Chartered Banks.* Historically, the Chartered Banks, with the exception of the Banque Nationale, were not opposed to the founding of Caisses Populaires and they never instituted an all-out campaign to limit the geographical expansion of the Caisses. The two types of banking organizations were interested in completely different clienteles.

The Banks were also so sure of their strength that they were paying an interest rate on savings slightly inferior to that paid by the Caisses Populaires. Moreover, instead of adding to their branches they preferred to multiply the types of services they could offer to enterprises (Rapport du Comité d'étude sur les institutions financières, 1969: 20). With this strategy, and the rapid increase of personal savings throughout Canada during and after World War II, the proportion of assets of financial institutions in Canada owned by the Chartered Banks gradually decreased, from 58.5% in 1945 to 35.7% in 1967. During the same period, the share of the Caisses Populaires and the Credit Unions grew from 0.2% in 1935 to 1.4% in 1945 to 4.6% in 1967 (Rapport du Comité d'étude sur les institutions financières, 1969: 19). The Caisses Populaires have been able to sustain an impressive rate of growth of their savings, gaining control of over a third of the personal savings in Quebec, despite the growing interest of other financial institutions in the "small savings-small loans" area in the 1960s.

This growth of the Caisses Populaires was imperilled by *the Great Depression of 1929.* Between 1929 and 1933, the Canadian economy experienced a crisis. Though Quebec was less disturbed than the other provinces, "personal income . . fell 18.1 per cent from 1929 through 1931. Over the same interval, the net values of manufacturing output and agricultural output decreased 22.2 per cent and 48.4 per cent, respectively. In part, these changes reflected the sharp drop in prices; but real output also decreased, and the employment index fell 11.0 per cent" (Bauer; 1967:9).

The Caisses Populaires suffered the effects of this general decline in economic activity, especially under the form of withdrawals of deposits and share capital. In 1928, 28.6% of the Caisses

Transaction of Savings

Populaires experienced a net withdrawal of funds; the proportion rose to 47.8% in 1929, and 67.2% in 1931 (*Quebec Statistical Year Books*, 1929, 1930, 1932). The situation, already serious between 1929 and 1931, became critical in 1932 and 1933 when about 75% of the Caisses experienced net withdrawals of their deposits and share capital.

Even with such a decline in their economic activities, the Caisses Populaires were affected less by the Great Depression than were the Chartered Banks. For example, in 1930 there were 1183 Bank branches and agencies in Quebec; in 1935, there were 1073; and in 1940, 1083. During the same years, the figures for the Caisses Populaires were 191, 261 and 549. There are three reasons why the Caisses were less vulnerable than the Chartered Banks. First, contrary to the Chartered Banks, the local Caisse was responsible for the

choice of its financial policies and could adapt them to the local manifestation of the deflation. An absence of co-ordination was, in this case, a source of flexibility and strength. Secondly, the members of the Caisses Populaires, who were mainly recruited among the rural population, were not using cheques frequently. Therefore, a local cycle of money was created, apart from the national cycle of money, and this greater self-sufficiency made the Caisses Populaires less vulnerable. Finally, in such a context, the Catholic Church exercised social control by playing a role both ideological and financial. For instance, in 1932, the Regional Caisse of Quebec was unable to meet all the demands for money made upon it by its local Caisses. It was given a $50,000 loan from the Chartered Banks, because the Archbishop of Quebec guaranteed it. This confidence of the Church in the Caisses in turn was sufficient to restore the confidence of their clients, and the loan was never used. Such events probably happened frequently both at local and regional levels. This illustrates the strong legitimacy the Caisses were still enjoying within the Church.

The reactions of the Caisses Populaires to the Great Depression are important because during and after this turmoil steps towards centralization were taken. Among the changes were the following:

1. The *grouping* of the Caisses Populaires. It was during the Depression, in 1932, that the Government induced the creation of the Federation. The grouping of all the Caisses under a single organization, and the elaboration of a new structural level, was an indispensable step towards the standardization of activities and the creation of some homogeneity within the Movement.

2. *The formal powers* of the Federation. The Federation played a role of standardization and unification because of the formal (legal) powers it came to exercise, mainly the inspection and audit of the Caisses, and its insistence that the latter obtain prior approval for their investment in securities. The local Caisses were still completely autonomous in the choice of their financial policies about savings and loans, but there were some domains over which they no longer had control.

3. *The informal power* of the Federation. Any organization, once in existence, tends to increase its domain of activities. Legally speaking, the authority of the Federation was quite limited; but it increasingly tried to play a role in areas in which it could acquire informal power. One of these areas, for example, was the liquidity rate of the local Caisses. During the Depression, local Caisses with a low liquidity rate were vulnerable. Therefore in 1935, the Federation asked all the Caisses to hold 30 or 35% of their assets in cash and securities. In 1938, it proposed a uniform rate of 35%. As the Federation had to rely on persuasion, some local Caisses complied with its demand, others refused. What is important is not so much the results achieved, but the fact that there was no organized opposition from the local Caisses to this assumption of informal powers by the Federation.

During and after *World War II*, which generated an impressive increase

of savings in Quebec, the Caisses Populaires experienced a rapid growth of their local units, members and assets. The Caisses were able to gain such positive returns from this economic conjuncture because, contrary to the Chartered Banks, they had always been interested in the small savings-small loans business and they were geographically scattered enough throughout Quebec to be efficient in that field. However, the changing environment of the Caisses Populaires presented new and complex problems. First, the Chartered Banks and the Finance Companies, becoming aware of the profit-making possibilities of the small savings and loan field in the late thirties, extended their activities therein in the fifties and sixties. And secondly, with the victory of the Liberal Party in Quebec in 1960, there began the "Quiet Revolution," a period of rapid modernization of Quebec's institutions. The Caisses Populaires felt that efficient operations in the future demanded increased co-ordination and standardization. In this context, the Federation decided to use the full extent of the formal powers the law had given it in 1932. This conjuncture also offered the Caisses an opportunity to develop new technical and educational services. The Federation, moreover, started to play a more active role as the representative of the Movement vis-à-vis the State and other organizations. Finally, the Federation bought and co-ordinated the action of a number of Trust and Insurance Companies.

The Regional Unions also increased their powers. They organized their own technical and educational services to respond to the specific needs of their Caisses, and some of them were given the right to determine liquidity rates and to organize a regional poll of investment. This evolution brought a greater demand for specialists and technical advisers at the Federation and regional levels. The consequence has been a centralization in the process of decision-making at both levels. The local Caisses are still autonomous concerning the choice of policies on savings and loans, but this autonomy has been increasingly limited because of their involvement at the two other levels. Thus it is evident that while the Caisses Populaires belong to the world of movements and ideologies, especially those concerning democracy and the definition of the French-Canadian collectivity, their evolution was subjected to a number of constraints imposed upon the organisation by its environment. At the time of their birth, the Caisses Populaires were innovative: they defined for themselves a set of goals, a structure and a mode of operation different from those of the capitalist banks already in existence. This innovative co-operative banking formula could come into existence for three main reasons: the Catholic Church legitimized the enterprise; the Provincial State gave it a legal recognition; and the aggregation of small savings and the business of small loans had always been considered unproductive, and were therefore neglected by the Chartered Banks.

The Caisses Populaires came out of the economic crisis of 1929 in a better financial shape than the Chartered Banks, not so much because of any innovative financial policies adopted during the crisis, but because of local cycles of money, and the financial help

from Quebec's Archbishop which re-established the confidence of members in their credit co-operatives. The co-operative formula adopted by the Caisses Populaires would not have generated important assets without the impressive increase of savings brought about by the Second World War. The Caisses were better able to take advantage of this opportunity than the Chartered Banks because of their long term commitment to the small savings-small loans business. However, as we noted, this situation of near monopoly has changed; especially since 1967, the Chartered Banks have entered this field massively, sparking a reaction from the Caisses Populaires which is currently under study in detail by the author. This increased competition, the historical developments during the Great Depression, and the political and economic climate of Quebec in the sixties, have all pushed the Caisses Populaires toward a greater centralization of resources and decisions, even though they remain a far cry from the standards of modern non-co-operative organizations. This broad problem characterizes the life of any co-operative movement: when it seeks efficiency and effectiveness, it will always be subject to a tension between democracy, that is, direct participation at the grassroots, and centralization.

In the context of the threat posed by the Chartered Banks since 1967, this dialectic is exacerbated. Indeed, the adaptation required from the Caisses Populaires, if it is to be both efficient and co-operative in its inspiration, requires innovativeness. And it remains open to question whether innovations are more likely to emerge from informed and detached reflexion at the top or from enthusiastic grassroots militants. It is also relevant to ask what forms of dialogue and confrontation will occur between these two points of view on such diverse questions as the setting up of an account management computer system or investments to be made in the (often risky) new forms of industrial development in Quebec.

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Co-operative Development: The Project Approach — Canadian Experience

by

Aleksandrs Sprudzs

There are a number of definitions of what a co-operative is, each one of them stressing a particular aspect of that organization. However, no matter how one definition may differ from another, in all of them the people emerge as a very essential component of a co-operative. All of them recognize people as the corner-stone of a business enterprise established and operated on a co-operative basis.

Co-operatives are really people who have joined their efforts and available resources in a particular formal way to carry out certain business activities so as to satisfy the needs of all who are in the group. The people who make up a co-operative and use its services themselves decide, on an equal personal power basis, what, how, where, and when their business is going to take care of their needs. That is, the people themselves directly participate and exercise control of the operations affecting their own well-being. The people have an opportunity and a right to evaluate the past operations and to effect a distribution of the gains based on the extent of the services used or input made by each participant.

By any definition, the people are the decisive factor in a co-operative, to build it, to own it, to operate and control it, and to benefit from it. It can also be noted, people grow up with it.

When the Canadian Government decided in the 1950's to concern itself with the people and other matters in the Canadian Arctic on a planned, regular programme basis, one of its proclaimed aims was the development of economically, socially and politically strong entities where the people could conduct their own affairs standing on their own feet and doing a better job than the people from the south could. This emphasis on the role the people have in co-operatives, by taking people as they are and gradually bringing them into new active roles, made the development of co-operatives one of the chosen tools for the attainment of the proclaimed aims. Among the objectives of the Co-operative Development Programme, started by the Canadian Government in the Canadian Arctic in 1959, was provision for:

1) a means of encouraging people to participate directly and fully in the economic development of the north through co-operative ownership and

2) educational programmes for co-operative membership, management and

executive in order to improve understanding of the corporate body, its relationship to the outside, their own roles and to help to raise the level of general and technical knowledge and economic efficiency.

It is a generally accepted principle that the idea to set up a co-operative must come from the involved people themselves. That certainly is a valid principle as long as people are already aware of the co-operative concept. A genuine decision to reject something or to strive to get it can be made only if one has been exposed to it or at least has some basic knowledge of it. The native people in the Arctic, because of their long-standing physical, political and social isolation, as in any other developing part of the world, had been ignorant of the way of life to the south of them, including the existence of co-operatives. The idea of working together on a pre-structured basis had first to be introduced before the people could adopt or reject it.

There are certain phases of development each and every group anywhere has to go through before it becomes a formal co-operative. The same is true when it becomes operational. There is a need to evaluate the prospects of the proposed organization, to have meetings, to deal with certain legal matters, as well as to plan operations, financing, and set up internal structures and arrange external relationships.

Under circumstances ordinarily found in so-called advanced societies, all this co-operative development, education and training for new responsibilities is based on some minimal basic knowledge the people already have been able to accumulate from education, exposure to transactions in the business world and/or from day-to-day observations of the happenings around them. In the case of the Canadian Arctic, however, the beginning was to be made almost everywhere at zero point - socially, educationally and businesswise. A minimal level of general understanding of the ways of the business world had first to be created to establish some foundation for a build-up of specific knowledge to facilitate co-operative activities.

These were the realities around which the Co-operative Development Programme was to be built. These were the realities which determined the content of the programme and the approach to it by the Co-operative Development Officers, co-operative specialists employed by the Federal Government to provide the assistance. It was recognized early that any development can progress only as fast as the level of skills and prevailing understanding of the people involved permit. The agency which introduces a new economy into an area of native people has to be sensitive and responsible in order to avoid a danger that the economic development may overtake the ability of the people concerned to take part in it.

The equation that efficiency is good work done in the shortest possible time does not fully apply where economic development concerns developing people. Therefore, the Co-operative Development Programme basically concentrated on working *with* local people and *helping them* to do what was necessary in their co-operative activities instead of doing everything for them. A wide range of services and assistance was provided to formative groups and co-

Traditional and modern transportation in Arctic communities

Co-operative arts and crafts shop at Holman, N.W.T.

operatives with that approach. The scope covered:

1) assessment of projected activities;

2) help in organizing and conducting meetings;

3) advice and technical help with incorporation, internal rules, structures and other legal and organizational matters;

4) evaluation of financial needs; preparation and implementation of a financing plan;

5) guidelines and technical help for operations;

6) help to the Board of Directors in carrying out their responsibilities for good management, including assistance in hiring, if necessary, an outside manager to manage and to train local staff and own replacement;

7) support in bookkeeping, accounting as well as co-operative education and training;

8) direct and indirect help in supply and marketing activities;

9) stimulation of and assistance in efforts to establish their own federations.

While the extent of needs to be served in the Arctic by the programme was materially not that much different from the co-operative scene elsewhere, the intensity and depth of help and the time needed for effective results in the Arctic called for an entirely different timetable. The intensity and depth, however, was on a diminishing scale, depending on an increase in the readiness of the people to operate on their own.

With the recognition of the scarcity of prerequisites for economic development in the Arctic came the recognition that the acquisition of knowledge alone, in isolation, would not really help. The knowledge had to be related to the everyday life of the individual, stimulating a build-up of new attitudes and habits in applying that knowledge. The best way to achieve that was to provide the individual with an opportunity to learn by practical experience.

The project approach, also known as a persuasive education approach, first involves a survey of local resources, activities, available skills, talents, traditions and desires of the particular community. That in turn is followed by an assessment of possible economic activities and prospects there. Then the plans to carry out the selected activity (e.g. fishing, sealing, processing, handicrafts, logging, etc.) under the sponsorship of the government are presented to the surveyed community for acceptance or rejection. At the stage where the feasibility of the project has not yet been proven and so many factors which may affect economic viability are unknown, the financial responsibility for the experimentation and learning process seems properly left with the Government. After that experimentation stage is past and the viability is reasonably proven, provided they have reached an acceptable level of readiness the people are given the opportunity to decide what to do with the activity. It is for them to decide, to carry it on their own or to abandon it.

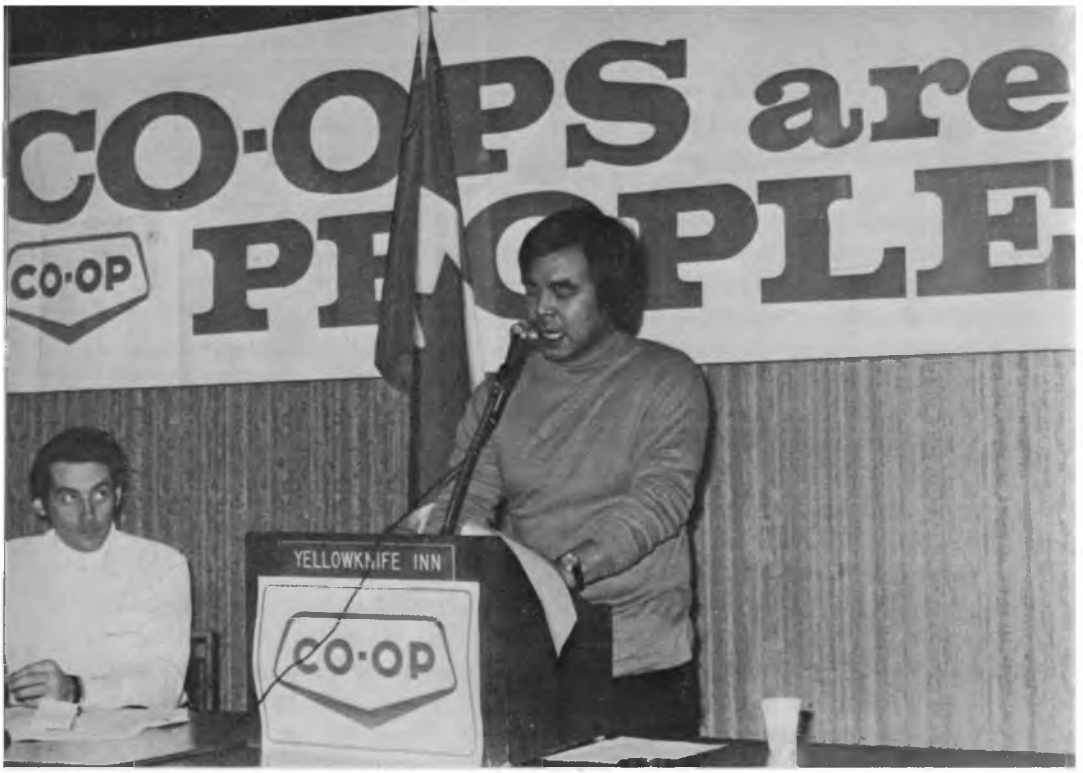
The project approach, as an interim phase in a process of establishing a business organization, provides a number of advantages. First, it gives an opportunity to establish the viability of an activity without any financial cost or

debt load to the group. Further, that approach allows time to straighten out any technical or organizational complications and to make the best support arrangement with the outside world. In other words, it allows gradual establishment of an appropriate physical structure. Even more important, the project approach provides the people involved with an opportunity to gradually acquire new skills, upgrade existing ones, to become aware of a need for a new relationship within the group across the kinship lines and of new work habits and standards and accept them. Again, this process, which could be an extended, difficult and costly one, does not saddle the group with heavy financial obligations. The experimental phase of an activity is also used to introduce the group to the rudiments of organization as well as to explain the idea and workings of a business enterprise, especially those of a co-operative. That also is the time when the potential leaders and managers are identified and given an opportunity to gain some managerial experience at their own speed. That core, with an already developed basic understanding of what is involved, is the foundation for a further build-up if a continuation of the activity is decided upon.

Where the development of handicrafts or art on a project basis was involved, before a co-operative was established a government-employed arts and crafts specialist spent some time in the community, helping the arts and crafts producers to organize their production on a regular, sustained basis to establish a flow of products. This called for the stimulation of creativity in the design and use of traditional materials, setting of workmanship, quality and market standards and ongoing control or compliance with such. The insistence on standards in turn led to an upgrading of existing skills, learning of new ones, as well as, occasionally, the use of new production methods or equipment. The development of appropiate working habits (steadiness, handling of material, equipment, etc.), especially if working in a workshop was involved, was another concern of the specialist along with costing and pricing of the product and its marketability. With the passing of time, more and more of such responsibilities were handed over to local people who had shown interest and leadership qualities. When the group reached the stage of being able to operate on their own, it was then their own decision which way to go.

Once a co-operative was decided upon as the most appropriate development vehicle, and was brought into being as a legal entity, it was further helped to take proper shape. Concentration was on an immediate educational and training effort aimed at the newly elected Board of Directors and appointed staff, combined with the provision of advisory business and technical services (e.g. purchasing, marketing, accounting, banking, etc.) by Co-operative Development Officers and other government specialists.

Initially it was education and on-the-job training of people who until then had experience only of domestic authority applied within the kinship group. Over the years the education and training assistance increased from the on-the-job input to follow-up courses at the Canadian Co-operative College or organized locally by the College staff, and to local, regional and national con-



Louis Tapardjuk, from Igloolik, N.W.T., the President of the Canadian Arctic Co-operative Federation, speaks at a Managers' Conference.

ferences and workshops. Courses for specific groups were also organized, such as special management courses for those in charge of arts and crafts activities in co-operatives. In general, each opportunity of meeting the people involved was used to impart some knowledge.

It was also recognized that the unique and important value of any co-operative is the relationship the members have between themselves and the co-operative business they own jointly: that is the real strength of a co-operative, the basis of its success. Such a relationship does not just happen because some people have signed papers to bring a legal entity called a "co-operative" to life. It must be developed and cultivated through balanced co-operative education of all three components of a co-operative, members, elected officials and staff. Therefore, a number of business and co-operative appreciation courses, some involving even whole communities, were conducted, later ones with the participation of Inuit instructors. Suitable literature, slides, tapes, radio news, news bulletins, films, etc. were also created as tools to support the education and training effort.

Other educational aspects of the co-operative Development Programme in the Arctic concentrated on ensuring recognition and protection of the rights of new co-operatives there, the expansion of an acceptance base, and creation of a favourable climate for them. All

"Northern Images" arts and crafts store at Whitehorse, Yukon Territory, one of several owned by the subsidiary of the Canadian Arctic Co-operative Federation.

education and training activities were financed by the Government as part of the Co-operative Development Programme responsibilities.

The financing of the newly established Arctic co-operatives was another area in which the traditional co-operative way was not considered the only way. Instead of relying on the ability of the membership to provide at least a substantial part of the needed working capital through shares and members' loans, debt financing was made available to those co-operatives which wanted it (there were some which did not!). It was obvious that, with funds coming only from the generally poor membership, the ability of co-operatives to provide desired economic activities would be minimal and, possibly, the rate of growth slowed down. The co-operatives, therefore, were eligible to receive, according to the projected size of operations, up to $50,000 in long term loans with favourable interest rates from the Government Eskimo Loan Fund, created as a federal lending agency for Eskimo needs. These loans allowed co-operatives to take on particular activities at a level which could serve their membership adequately from the beginning, to buy all that was produced or to provide supplies as needed, as well as to grow normally and to meet competition if there was such.

The build-up of members' own equity was not neglected. Their financial involvement in the buying of shares

was a standing obligation that was expected to increase, even if in small instalments, with the continuation of receipt of benefits from their co-operative. The debt load, on the other hand, once properly understood, formed the basis for a communal, joint obligation and commitment of the whole membership in a healthy future for their co-operative.

One is inclined to believe that this combination of sources of financing not only stimulated the operational activities but also helped most of the co-operatives to quicker achieve some financial stability. While in most cases almost all initial capital was obtained as a loan, a build-up of equity followed, and by the end of 1977 the equity funds of the Arctic co-operatives were estimated to be over $4 million. That would not have been achieved by going the traditional way, or if the initial funds had been provided as grants.

There is another field of assistance which must be mentioned, that is the help provided by the Government to the Arctic producers in purchasing their supplies and obtaining markets for their products. Because of the lack of experience of the local people, the distances involved and the short bulk shipping season in the Arctic (calling for peculiar transportation arrangements), the Co-operative Development Officers and other government officials involved had – especially in the first years of the programme – an important role in helping to make up and to place the orders for whatever was needed by the Arctic producers – from needles to tractors – and in following up such orders from the wholesaler to the warehouse in the Arctic.

Once a particular product made by the Arctic people was ready for the market (be it fish, processed wild meat, clothing or craft work), the Government moved to introduce that product to the public, publicize it, and open up avenues to the wholesalers and retailers. In the field of arts and crafts that meant arranging extensive publicity in the media, exhibitions and art shows in Canada and across the globe, sponsored publicity trips by artists and craft producers, establishment and protection of trade marks, symbols and copyrights, exposure of the Arctic products at official Government functions, setting up of advisory bodies and ad-hoc committees, even for a while being a distributor of arts and crafts, the final result of which was the creation and support of a special marketing organization.

As most of the Arctic producers were organized in co-operatives operating there, the co-operatives and their membership were the ones which enjoyed this assistance most.

To the above outline of the Co-operative Development Programme in the Arctic as carried out by the Federal Government, might be added the fact that the Co-operative Development Officers and other government officials involved tried to carry out the programme by exercising a basic respect for the corporate independence of the individual co-operative and by restraining themselves from conscious direct interference in its internal affairs. Of course, it would be hard to deny that no sins in this respect have ever been committed. There was, however, a general acceptance by Co-operative Development Officers of the truth in development work that a "self-imposed obliga-

tion to provide the developing groups with the facilities and assistance needed for their development does not automatically confer on a provider a privilege of direct control of the activities of these groups."

At the end of the first year of development work in 1959 there were two co-operatives in the Canadian North with a business volume of $31,000. As of December 31, 1977 there were 41 active, mainly multi-purpose co-operatives in the North-West Territories, with another 10 similar co-operatives operating in Nouveau Quebec with a combined business volume reaching the $20 million mark. There are also now two Federations in the Canadian North – *La Fédération des Co-opératives du Nouveau Québec* since 1967 and the *Canadian Arctic Co-operative Federation* in N.W.T. since 1972 which, especially that in N.Q., have taken over the support role once carried out exclusively by the Government. It must be also added that since 1970 Federal Government no longer has any direct involvement with the Arctic Co-operatives.

The role the Arctic Co-operatives and their federations now play financially, socially and otherwise in their communities and across the whole Arctic, and the evidence of the interest they have caused in Canada and across the globe, seem to indicate that the support received has helped the Arctic co-operatives to help the northern people break out of isolation, link their communities with the outside world and find their own place in it.

No doubt, a large number of the Arctic co-operatives still have a way to go to be able to operate fully relying only on the technical resources within the co-operative. They still have to reach the point where they could carry on without an assured technical assistance input from the outside. It is not that easy to jump centuries. Neither is it that easy to switch from a gathering society into one which has to live according to the conditions of the atomic age.

However, as the Minister of Northern Affairs of the Canadian government, while announcing expanded assistance to the Arctic co-operatives, recently stated: ". . . in many of the smaller Arctic communities the co-operative is the first or only major economic entity to be owned and controlled by the native people. It is often the centre of local activity and serves the people in a broader sense by teaching basic skills that lead to opportunities for employment in government and industry . . ."

The "entities where the people could conduct their own affairs standing on their own feet" are now firmly in place.

The Role played by Co-operatives and other Rural Organizations in promoting Participation — Review and Analysis

by

Nikolaus Newiger*

In his report to the Sixty-fourth Session of the UN, 11 April to 12 May 1978, on "National Experience in Promoting the Co-operative Movement", the Secretary-General of the United Nations emphasized inter alia that:-

> "by and large the co-operative has been benefitting those having resources or influence in the community and the co-operative has not made a determined effort to reach the poor who stand most in need of a co-operative effort. There is evidence of co-operatives in developing countries which have been organized specifically to help the poorer segments of the community. However their impact has been insignificant, particularly in those societies which are hierarchical and structurally differentiated."

Similar UN reports and other studies confirm that the vast majority of small farmers, fishermen, and forestry workers and their families are not benefitting from co-operative efforts, which are considered to be the most common form of organized encouragement at the local level. Likewise trade unions and other rural workers' organizations have not succeeded in reaching any significant share of the poor. Many sources claim that trade unions trying to assist the poor in organizing themselves are frequently not allowed to operate or meet with open or disguised hostility from the authorities. Co-operatives on the other hand are said to be identified with government services and/or the ruling elite. While such general statements do not adequately reflect the complex socio-political situation, they throw some light on major trends of development over the past decades. The reasons for this state of affairs are manifold. Some of the more significant causes will be discussed here.

One of the most important factors having a bearing on the role and impact of rural organizations in Agrarian Reform and Rural Development is the socio-political environment within which rural organizations are to develop. This obviously varies from country to

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country and even within countries. However, in spite of this variation it is possible to single out a few common features which are relevant for our consideration:

1. Government Support as Essential Prerequisite

What comes to mind first and foremost is the strong domination of most development programmes by governments. In fact agrarian reform and rural development are inconceivable without the strong political determination and active support of governments.

Experience has demonstrated that achievements of rural organizations are negligible if they are not based on appropriate government policies, laws and support measures. The masses of small farmers, fishermen and forestry workers and their families are only likely to help themselves effectively if they are given some preferential treatment and initial support by governments. The access to resources must be facilitated inasmuch as the availability of social and educational facilities allows. It also implies the provision of a comprehensive infrastructure of services and facilities including the establishment of credit institutions specifically designed to provide credit on terms adapted to the requirements of the disadvantaged; comprehensive marketing, farm supply and storage systems supported by appropiate legislation and price policies, supply of consumer goods and a mechanism to stimulate local savings and investment.

2. Authority Versus Participation

Yet there is another aspect of the role of governments in the process of development and this relates to the specific "type" of government or political system. Over the past decades many countries have attained independence. These and other developing countries have increasingly developed "authoritarian-type" governments of one kind or another, based on the mainly hierarchical structure of their societies. Not only have military governments increased considerably over the decades, but also has the tendency of non-military governments towards "one party" and/or "one-leader" systems. In fact most third world countries, irrespective of their political orientation towards socialism or capitalism of one kind or another, have this common denominator of having an "authoritarian-type" of government, which determines their attitude towards popular participation in general and rural organizations in particular. It is mainly for this reason that governments tend to look upon rural organizations as *their* instruments of development and not so much as organizations of people who can and should determine their own objectives and participate in decision-making and the gains of development. This is particularly true with regard to co-operatives, whereas Trade Unions are frequently not recognized or supported by governments as legitimate representatives of rural workers promoting the interest of their members but rather as undesirable or dangerous political pressure groups aiming at changing the socio-political structures of countries and overthrowing governments.

For obvious reasons rural organizations tend to look at government and its role somewhat differently: while the extreme position of "no government

interference or support" is now less often taken, most rural organizations insist on their self-governing, self-supporting and self-controlling character which calls for an independent and autonomous status.

3. Adaptation to Socio-Political Environment

In the final analysis however, it is the socio-political environment within which rural organizations are to develop which determines the type and nature of rural organizations and their relationship to government.

The UNDP Technical Advisory Note on "Co-operatives and Similar Institutions" of 27 Feb. 1978 points out that "the traditional doctrine proclaims the independence of co-operatives vis-a-vis governments, but this doctrine evolved under conditions prevailing in relatively developed and wealthy societies and needs to be modified in the circumstances of most developing countries today. It is clearly not applicable in countries where the government has opted for a co-operative style of organization for society as a whole (e.g. Tanzania, China, Vietnam etc.), but even in countries with mixed economies, governments intervene extensively to promote rural development through the mechanism of co-operatives. It is generally accepted that government support is an essential prerequisite of widespread co-operative growth in developing countries".

It goes without saying that such a close relationship with governments which is the rule in most developing countries is not without problems. People often look at co-operatives as another type of government service rather than their own organization and consequently lose interest in active participation. Likewise government offices tend to exhibit paternalistic attitudes towards small farmers, fishermen or forestry workers. Often government action substitutes for local effort and rural organizations look upon themselves as privileged minorities dependent upon permanent government subsidies.

This process is further enhanced by the time factor. Co-operatives and other rural organizations in developing countries which are supported by governments in one way or another are expected to develop in the shortest possible time, i.e. too short a time. This often has led to the establishment of organizations the only evidence of which is the entry in the register after or even without a brief period of activity. While this may improve progress reports of some government officers, it undoubtedly has led to disappointment and loss of confidence on the part of the members.

The ideal rule according to which governments should begin as champion, continue as partner and abide as friend is far from being implemented. As a matter of fact there are not many governments of developing countries which have succeeded so far in creating a favourable environment in which co-operatives can grow and become self-governing institutions. This is in no small way due to the inherent conflict of "authoritarian" type governments with "democratic" self-help organizations of people.

4. Origin of Rural Organizations – with its Implications

In this context it is important to

recollect that the *modern* forms of rural organizations such as co-operatives and other rural organizations including trade unions did *not* originate in developing countries. For instance, the origin of co-operatives in developing countries stems from the classical European co-operative system which has acquired a reputation for working successfully in the social, cultural and political context of European, North American and other developed countries. During the colonial period, the policies and technologies of these countries were exported to third world countries. While the transplantation of certain technological innovations made a positive impact on the process of development, the transplantation of the co-operative concept under the then colonial regimes, especially in Asia, Africa and Near East, was not without problems. The importation of these concepts, attitudes, principles, laws and procedures from European countries into entirely different cultural, social, economic and political systems without any adequate effort of adaptation was bound to meet with serious difficulties. A similar error was made upon the attainment of independence by these countries, and is being made even today by well-meaning, but misguided politicians at all levels, i.e. not taking care to adjust the imported co-operative concepts, laws and procedures to the requirements of their own countries.

5. Impact of Prevailing Power Structures

From the above consideration it follows that co-operatives and other rural organizations of the classical European type are conceived of as "democratic" peoples' organizations which will further the interests of their members as means of economic self-help, as bargaining or pressure groups, or a combination thereof. As such they can only be expected to work within a socio-political environment conducive to their development and to the involvement of people in the process and benefits of rural development. However, in many developing countries the prevailing power structure is not conducive to this type of rural organization, which requires a social and political infrastructure favouring "democratic" development and control of these organizations. If the masses of small farmers and labourers get only a very small share of the benefits of their efforts, if land tenure arrangements are such that only large land owners are in a position to introduce new agrarian methods, if marketing and financial structures are such that innovations can only be undertaken by those with their own financial resources, rural development is likely to be confined to a small number of already wealthy farmers who may tend to introduce machines to replace manual labour, thereby driving small farmers and farm labourers off the land to the town in search of employment. Co-operatives which are expected to work under these and similar conditions are certainly not in a position to change the status quo. On the contrary, rural co-operatives within such a socio-political setting are most likely to be dominated by the "haves" thus increasing the inequalities of the prevailing power structure. This phenomenon of strengthening the social stratification through co-operatives is fairly common in many developing countries both in agriculture

and fisheries. Likewise, evidence indicates that the prevailing power structure is frequently not conducive to the activities of trade unions and similar political pressure groups. As one recent report puts it: the rural poor "are by and large still prisoners of the traditional social system which prevents them, not only economically but also socially and psychologically, from developing the necessary solidarity for joint action". It is also for this reason that trade unions have not been able to contribute substantially to social change in rural areas of most third world countries.

6. Need for Comprehensive Agrarian Reforms

The deficient power structure is also reflected in the inadequate way in which agricultural production is organized. Most of the food producers are small or very small. Not only are they increasing in number, but their farms are becoming smaller while larger farms are becoming larger on account of technological innovations with the result that social inequalities are perpetuated and widened even further. The vested interests which have hitherto obstructed change at the local level cannot be expected to be the initiators of change. Co-operatives and similar rural organizations can do little to reduce injustices and exploitation unless strong government measures are taken to change the social system.

Recent World Bank studies concluded that "without land reform and other substantial programmes transforming the basic socio-economic structure of life, co-operatives and other rural organizations are not likely to survive or to grow into a significant movement. On the other hand without adequate post-reform co-operative models of resource and social organization, land redistribution is not likely to have a lasting effect on the production and welfare of peasants. Thus land reform and peasant co-operatives are functionally linked and together provide an institutional framework within which the multiple goal of rural development can be achieved".

7. Adaptation of Co-operative Approach to Requirements of Developing Countries

The deficiencies in power and production structure are further aggravated by another feature of the co-operative concept as transplanted to developing countries, i.e., the lack of production orientation.

The conventional type of co-operative as originated in Europe and transplanted under the colonial regime to Africa, the Near East and Asia, where it still predominates, is mostly a "merchant type" service co-operative which is established to promote individual farms by taking over one or more partial functions carried out by the agricultural producer in his capacity as entrepreneur. These functions are normally confined to credit (and savings), supply and marketing. They are singled out of the complex of inter-related functions carried out by the small farmers. Thus the co-operative society acts mostly as a single- or multi-purpose society performing one or more partial functions, without concerning itself with the agricultural production requirements and the many other inter-related functions to be taken care of by the individual farmer member

and his family. This concept presupposes the availability of technical know-how, management qualifications as well as complementary institutions and services closely related to one another. In the context of most developing countries, however, these requirements and pre-conditions do not exist in sufficient quantity, quality and correlation. In other words, the majority of existing co-operatives and farmers' organizations in developing countries are not sufficiently production-oriented but rather conceived of as a merchant-type enterprise for the supply of inputs, provision of credit and the marketing of produce.

This is one of the major reasons why co-operatives have fallen short of their real potential, since they are not sufficiently oriented to the farm operations of the individual members. It must be realized that it is the success of the farm operations of the individual member which will determine the success of the co-operative. This implies a more comprehensive system of farmer groups undertaking a range of inter-related functions built around joint planning and implementation of primary production operations in close collaboration with public, technical, financial and economic agencies. It also means that the co-operatives must assist members in working out individual farm plans and budgets, which in turn will lead to a joint farm plan and budget for the co-operative as a whole. Such a joint planning and co-ordination of farming operations may result in a certain regulation of cultivation, i.e. a common crop rotation and other regulations governing the production process. It further implies that production requisites will be ordered and marketing and processing of produce will be organized according to the farm plan of the co-operative as a whole.

The comprehensive and complementary character of this type of production-orientated co-operative facilitates the forward and backward linkages of input and output services with the production process. This is of particular relevance in third world countries with a deficient social structure. It implies that the co-operative will be able to look after all relevant off and on-farm activities without dependence on money lenders, landlords etc. Recent studies indicate that the classical single purpose approach is doomed to failure in these countries: "Public credit handed out through the co-operative is difficult to recover where members market through the village merchant to whom they also are in debt; a marketing co-operative can often not compete with local buyers who finance production and pay cash for the product. Only co-operatives and other small farmers' organizations offering a complementary package from farm planning to marketing and processing are likely to succeed."

8. Development of New Concepts, Systems and Methods

The formulation of new concepts and structures for developing countries, placing equal emphasis on improving agricultural production and farmer's participation in decision-making and in the benefits of improved production, should be a matter of priority for all governments, aid agencies and rural organizations alike. The growing recognition by governments and agencies that past concepts and strategies have not

come up to expectation has far-reaching implications. The old concepts and strategies should be reviewed, and modified or replaced as required. This is perhaps the most difficult step requiring both courage to break with the past and far-sighted imagination to create new strategies and approaches. However, this is only a beginning. The many laws, regulations, procedures, systems of management, as well as the education and training programmes which are based on the old concepts and strategies, need to be modified in the light of the new concepts and strategies. This requires a concerted effort by all concerned, especially the United Nations system, with FAO and other specialized agencies as well as non-governmental agencies, to embark upon an action programme of adjusting where required existing concepts, strategies, laws, procedures and regulations to the actual requirements of developing countries.

A case in point is the need to review the conventional concept of co-operative management in the light of the above considerations. Such a new approach should identify itself with the point of view of the small farmer and his requirements as agricultural producer within a given developing country. By so doing, the approach to co-operative management will not be based on the classical concept of co-operatives as a merchant type enterprise, but rather on that of an organization of small farmers engaged in different but closely related forms of group action and operations aiming at the improvement of the member farms. Therefore, the efficiency of co-operative management will not only have to be evaluated in terms of the accomplishments of the co-operative enterprise, but, most important, in terms of its impact on the farms and farm-income of co-operative members. In this context, it is particularly relevant to emphasize how services, products and techniques are transmitted to the farms through co-operative action, with due regard to all stages before and after the production stage – such as input supply, marketing and processing, etc., in addition to the production stage itself.

9. Small Farmer Training through Co-operatives

Another field requiring new approaches is that of education and training. Training should not be confined to "co-operative subjects" but focus also on practical farmer training as well. This is particularly important since so far new agricultural techniques and inputs have been promoted mainly in areas of high potential, this means in most cases progressive farmers with sizeable farms, commercial plantations, etc. This is neither sufficient to meet production targets nor can one afford the growing gulf between the masses of the peasantry and a minority of relatively fortunate farmers growing new high-yielding varieties on irrigated land. In other words, the majority of small producers are not sufficiently covered by much of the current efforts of agricultural training which tends to concentrate on the higher and middle levels of trainees and on a few progressive large-scale farmers.

Practical training at the grass-roots level is a priority which must now be tackled more intensively. The major effort of such training programmes, actively supported by FAO's new "Technical Co-operation Programme",

in many developing countries would focus on the "why" and "how" to achieve increased production so as to provide the necessary motivation *and* technical know-how.

The approach through co-operatives, especially those oriented towards agricultural production, is of crucial importance in that these organizations provide a group vehicle through which people can articulate their aspirations as well as channel their inputs and outputs, which is of particular significance for any training programme trying to reach the masses of small farmers. Production-oriented co-operatives therefore are essential in bringing about behavioural changes in the masses of small producers, enabling them to adopt new agricultural production practices and facilitating the provision, integration and administration of essential services such as extension, farm management and related agricultural advice in addition to credit, supply and marketing.

10. Improving Co-operative Performance through Improved Methods of Evaluation

There is another important aspect having a bearing on the reorientation of co-operative concepts and structures, i.e. the way in which co-operatives are assessed by governments, co-operatives themselves as well as the public at large. In fact, expectations of what co-operatives can accomplish in the context of the complex development process have often been rather unrealistically optimistic. This generally over-optimistic and uncritical attitude towards co-operatives which prevailed over a relatively long period of time is now in the process of being gradually replaced, as indicated above, by an almost contrary feeling of extreme sceptism and reservation. The enthusiasm of the early years as much as the more sceptical voices heard these days, depend on the many differing views of policy makers, managers and members on what co-operatives should aim at and accomplish. In other words there is a great range of different aims which co-operatives may be expected to perform, often simultaneously. Not always do these aims supplement one another, nor are they always shared by all concerned in the development process. On the contrary many of the aims conflict with one another. For instance, while governments regard co-operatives as instruments of development, co-operatives are at the same time expected to function as self-help organizations of agricultural producers. Thus sweeping generalities either in favour of or, as more recently, against co-operatives are equally dangerous since they create an atmosphere which is not conducive to their systematic and dynamic development.

The situation is further aggravated by the lack of adequate methods of evaluation, capable of measuring economic and social accomplishments simultaneously. The conventional systems of accounting, for instance, need to be supplemented by new methods of measurement of non-monetary objectives. Likewise the system of record-keeping, auditing and inspection needs to be reviewed so as to improve the information and control systems of co-operatives.

It is therefore imperative to develop simple and practical tools and techniques for measuring the efficiency of co-operatives, which are urgently re-

quired by policy-makers, managers and members in developing countries. Since evaluation must be considered an indispensable tool for the further improvement of co-operative development, the development of appropriate methods of evaluation is an area of work requiring immediate attention.

The Role of Czechoslovakia's Central Co-operative College

by

Ing. Milos Chroust
Principal of the College

In the Czechoslovak Socialist Republic, the co-operative movement need not fear losing the important position which it occupies within the country's national economy; and it enjoys an even greater advantage in being able to predict quite safely how its opportunities and requirements will develop in the years to come. Such advance knowlege is one of the assets of a society in which the development of events is not left to coincidence or abitrary influences, or subjective ideas or demagogy, but is scientifically guided and planned. Very specific prospects for a number of years to come are outlined – in a manner easily understandable by every citizen – in the conclusions of congresses of the Communist Party of Czechoslovakia (which is the leading force in the state), as well as in the national economic plans, approved in the form of laws (acts of Parliament), usually for five-year periods.

The application of scientific achievements and technological progress in practice leads to qualitative changes in the character of work and is reflected in the whole way of life of citizens of our socialist society. Such a development necessarily influences the demands placed on the education and training system at all levels and requires its continual improvement in accordance with the gradually changing conditions. These conditions, however, do not change in any haphazard way: on the contrary, they are transformed intentionally, purposefully and in conformity with the scientifically verified objective rules of social and economic development, and that is why the nature and trends of such changes can be realistically predicted and anticipated.

Consequently, it was no mere coincidence that the Central Co-operative Council – the apex organisation of Czechoslovakia's co-operative movement – decided, in the mid-sixties, to reorganise and expand the Central Co-operative College as a functional and special-purpose establishment – an institution through which the increasing tasks in the sphere of education and training would be implemented. The developments of the subsequent 10 years have fully confirmed the correctness of such a decision, because the requirement of continuously improving the quality of management and organisational work in all spheres and sectors of

the national economy has become one of the basic long-term tasks in the Czechoslovak Socialist Republic – a fact expressly pointed out by the 15th Congress of the Communist Party of Czechoslovakia in1976.

On the basis of these and other conclusions and experiences gained in the course of the activities of the Central Co-operative College, the Management Board of the Central Co-operative Council was able to evaluate the whole situation thoroughly at one of its meetings held towards the end of 1976, and simultaneously also to assess a realistic outlook for future development of both needs and possibilities. The result was the approval of a document which specifically defines the position and role of the Central Co-operative College within the system of the Czechoslovak co-operative movement's educational and training activities and sets out the main guidelines for the orientation and objectives of the College for the next ten years, i.e. up to the end of 1985.

An important milestone on the road of this planned development of the Central Co-operative College will be the year 1979, during which its total capacity will be more than doubled after the construction of its new, modern buildings has been completed. This will enable the College not only to increase the number of its students, pupils and trainees, but also to introduce further types of educational schemes and training programmes.

As has been the case hitherto, the College will continue to operate, in essence, in a dual capacity: on the one hand, it will serve the entire Czechoslovak co-operative movement as a centralised training institute for managerial personnel at top level, and on the other hand, it will play a no less important role as an international co-operative training centre for co-operative personnel from abroad, i.e. from socialist and developing countries. For these purposes, the College will organise a variety of educational and training schemes, among which the following (which have already proved successful on the basis of several years' experience) will rank among the foremost:

1. *Cyclical training* courses (lasting two years, as a rule) for presidents, vice-presidents and other elected officers, as well as for managerial staff (executive officers) of consumer, producer and housing co-operatives. These courses form part of the overall programme of systematically complementing and updating the knowledge which is required of people who hold leading positions in the Czechoslovak co-operative movement, with the aim of ensuring that their political and technical qualifications will continue to improve. The participants do most of their studying at home; they only meet for one week every six months at the Central Co-operative College for specialised lectures and consultations. During the second year of their studies, each participant is expected to work out a thesis on a set theme, in order to prove his ability to apply his theoretical knowledge correctly and in a creative manner to the solution of specific, practical problems of his own co-operative society, as well as within a wider range.

2. A similar pattern, though with participants meeting at the College more frequently (3 to 4 times every 6 months),

Farewell session of a group of Vietnamese trainees (Jan. 1977) after having completed 3 months' on-the-job training in various artisanal and industrial co-operatives in Czechoslovakia.

characterises the organisational aspects of a course known as the *Two-year school of management of co-operative organisations*, intended exclusively for senior co-operative officers and executives over 40 years of age (women over 35) who lack the university education prescribed for the post they hold within the co-operative movement. In view of their age, they can obviously be regarded as persons with sufficient experience in life and at work, so that they only need to supplement and widen their knowledge in the theoretical respect. By doing so through this type of training course the participants are enabled to improve their qualifications to the required level without having to interrupt their responsible jobs by regular university studies – which, after all, few people of these age groups could afford to do.

3. For young middle-grade co-operative personnel from abroad (particularly from developing countries) at post-graduate level (or at least with complete secondary-school education), an eight-month residential *Co-operative management training course* is organised every year. The training programme contains intensive theoretical studies, with main emphasis on the actual needs of the area or region from which the participants come. The subjects taught include human and public relations, philosophy, political economy, theory of management, organisation of an enterprise,

A group of Algerian, Syrian, Palestinian and Egyptian participants in the 22nd International Seminar (June 1977) visiting a workshop of the Druteva disabled persons' producer co-operative society in Prague.

economics of developing countries, economic aspects of trade, industry and agriculture, problems of socialisation of the village, and naturally also the organisational and economic aspects of co-operatives of various types. These courses continue to attract increasing interest in numerous developing countries, but unfortunately, the present limited capacity of the Central Co-operative College only allows for one such course to be held each year. This is also why the teaching languages (English, French, Arabic, Vietnamese etc.) have to alternate from year to year – as a result of which it is not always possible to accept a group of applicants for that particular year when their sponsoring national organisation would like to send them to Czechoslovakia. (In this respect, especially as regards co-ordinating recruitment, perhaps the College could be helped through the co-operation of the I.C.A.'s Regional Offices and/or Education Centres in New Delhi and Moshi?!).

4. The schemes organised every year also include practical *on-the-job* and in-service *training courses* of different lengths (mostly ranging from 2 to 6 months) for trainees from developing countries who have been sent to Czechoslovakia in order to acquire skill or

proficiency in various branches of industrial or handicraft production, agricultural work, storage and distribution of goods, organisation of trade etc., according to the requirements specified by the sponsoring organisations. Such practical training courses are usually organised for groups of 5 to 10 persons, ranging from junior to middle-grade personnel at society level, but there have been quite a few exceptions to this rule, with highly specialised training courses being held for persons at post-graduate level who came to study co-operative journalism, member-education etc.

5. Among the various schemes organised by the Central Co-operative College with the aim of assisting co-operative movements in developing countries, an important place is occupied by the traditional international co-operative seminars, held usually in the month of June, predominantly for leading representatives (i.e. people at policy-making level) of co-operative organisations and government institutions from various countries of Asia, Africa and Latin America. Each seminar is devoted to studying a specific overall theme which concerns matters of principle relevant to co-operative organisations of practically all types and hence lying within the areas of interest of participants from developing countries. For example, the main theme of the 24th Seminar, held in June 1978, was "The co-operative movement's contribution towards imroving the people's living conditions and raising their material and cultural standards of living", and the theme prepared for the 25th Seminar, to be held in 1979, will be "Economic planning as an instrument of co-operative management and a prerequisite for success in co-operative business".

* * * *

Besides the five types of educational and training schemes mentioned above, the Central Co-operative College also organises a number of others, the description of which would exceed the scope of this article. However, the examples mentioned will suffice to illustrate the fact that the Central Co-operative College plays a role of no small importance, both in relation to the co-operative movement of its own country and within the frame-work of international co-operative solidarity.


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Coffee Co-operatives and Rural Development[1] in Kenya

by

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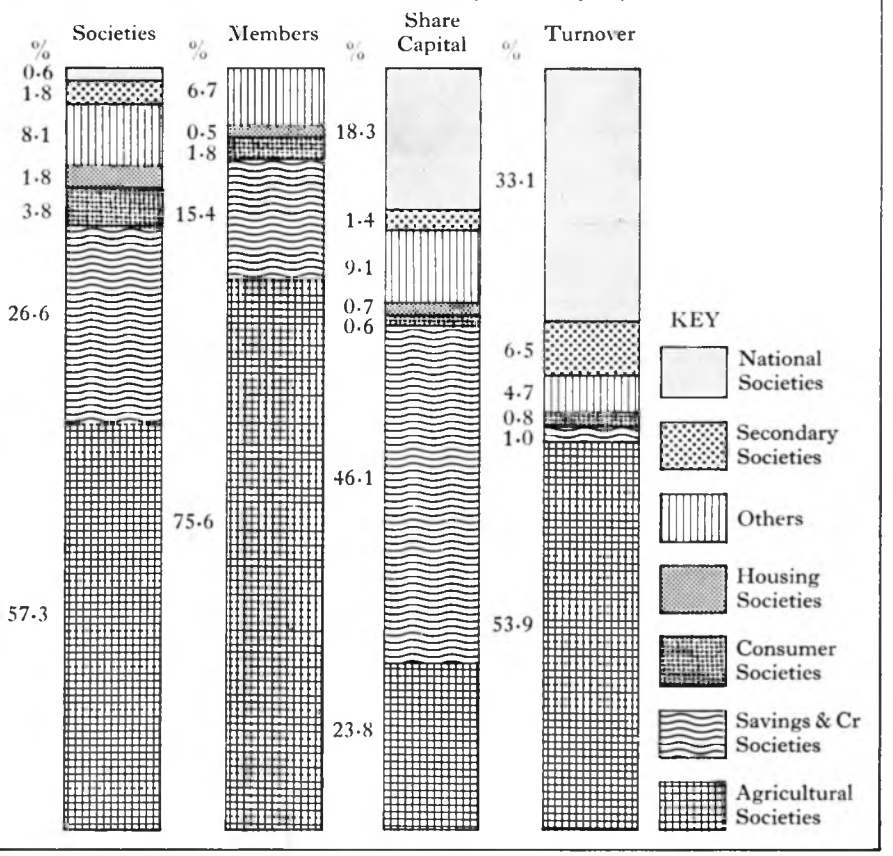
Over a period of time, the leaders of the co-operative movement in Kenya have built a co-operative base. Co-operatives in Kenya have a distinct rural leaning (*see figures in the table below*).

Percentage Composition of Societies, Members, Share Capital & Turnover (000 K. Shs.) in Kenya (1976)



[1]"Thirteen years after independence from British colonial rule, Kenya is one of the few remaining countries in Africa which is still a parliamentary democracy based on universal franchise, a free press, an independent judiciary, a multi-racial society, and a mixed economy that allows the private sector to flourish in a vigorous capitalist environment". *Kenya Supplement to the Times* (London) 14.12.1976.

Left: Transporting the coffee

DETAILS OF CO-OPERATIVES IN KENYA — 1976

Particulars	*No. of Societies*		*No. of Members*		*Turnover*		*Share Capital*	
		%		%	*K.Sh.* 000	%	*K.Sh.* 000	%
I Primary Societies								
Agricultural ..	715	57·3	581,475	75·6	1,057,050	53·9	72,017	23·8
Savings and Credit..	332	26·6	118,270	15·4	20,388	1·0	139,568	46·1
Consumer	48	3·8	14,196	1·8	15,539	0·8	1,814	0·6
Housing	22	1·8	3,647	0·5	252	0·0	2,054	0·7
Others	101	8·1	51,460	6·7	92,025	4·7	27,465	9·1
II Secondary Societies ..	23	1·8			128,199	6·5	4,207	1·4
III National Societies ..	7	0·6			648,779	33·1	55,461	18·3
TOTAL	1,248	100·0	769,048	100·0	1,962,230	100·0	302,586	100·0

NOTES: $1 equals =K.Sh. 7; £1 equals =K.Sh. 15 (approximately).

It is interesting to note that co-operatives play a significant role in the national economy [2]. In recognition of this reality, the Government of Kenya have recently upgraded the Department into a Ministry of Co-operative Development. The co-operatives share of GDP is about 7.8% (Kenya GDP Sh.25,067 million provisional in 1976).

Coffee was among the earliest crops planted in Kenya. The exact date of its arrival is not certain. The first plantation was probably established by the Scottish Mission at Kibwezi in 1893 and subsequently abandoned when the mission moved to Kikuyu. In 1901, St. Austins Mission initiated a plantation in Nairobi and it is from the seed of these trees that many of the present plantations in the Kiambu and adjoining districts were organised.

The growing of coffee has expanded enormously since the early days. The exports in 1909 totalled 8½ tonnes worth £235 as against 74,596 tonnes, worth £84.5 million in 1975-1976. Coffee is the most valuable of Kenya's exports – accounting for roughly 30% of the total foreign exchange earnings [3].

In terms of size, 688 (private) coffee estates own 28,603 hectares [4] as compared with 176 co-operatives with a membership of 295,197 owning 56,595 hectares. In terms of holdings a private estate owns on an average 42 hectares whereas a member of a coffee co-operative owns about 0.2 hectare (less than ½ acre). The role of co-operatives in the development of small farmers through the transfer of technology, assistance and help is clearly seen in this venture. In regard to production, however, the co-operatives compete very well with private owners both in terms of quality and quantity [5].

TOTAL PRODUCTION (QTY. 101,218 Tonnes)

Percentage composition

	Tonnes	%
Estates	49,685	49·1
Coops	47,660	47·1
Others	3,873	3·8
Total	101,218	100·0

QUALITY OF COFFEE PRODUCED IN KENYA

Percentage composition

	(National)
Group I	9·3
Group II	77·9
Group III	8·3
Group IV	4·5
Total	100·0

Percentage composition

	(Estates)
Group I	1·1
Group II	87·6
Group III	9·0
Group IV	2·3
Total	100·0

Percentage composition

	(Coops)
Group I	18·1
Group II	67·8
Group III	7·4
Group IV	6·7
Total	100·0

[2] "Kenya's population 13·8 million (population growth 3·3% p.a.): GNP US $3,280 million; per capita income US$240". World Bank Atlas p.25/29, 1976.

[3] Kenya Planters Co-operative Union 40th Anniversary pamphlet, p.3, 1977.

[4] 1 hectare equals 2·47 acres.

[5] Data gathered from the Coffee Board of Kenya — Annual Report for the period ending September 1977.

It will be seen from the above that the share of co-operatives is high in quality and quantity in spite of their small holdings.

During the year 1976-1977, production went up by 31.9% in the co-operative sector and 35.6% among the estates pushing the national production average per hectare from 0.86 to 1.2 metric tonnes. The Coffee Board acknowledges that "the best performance in coffee quality continued to be confined to the co-operative sector".

The cultivation of coffee in all its stages involves a great deal of care and attention to detail. Usually, coffee is planted at 9′ x 9′ intervals giving 537 trees to an acre. The young trees normally give their small crop in the third year after planting. The coffee trees flower at the beginning of the rain in March or April and the main crop is picked from September to December. Another, often smaller, flowering is brought on by the short rains of October or November and this forms the next year's early crop picked in June or July [6].

There are several stages in the coffee manufacturing process. The first stage is called the "cherry". The day's pick is taken to the society factory where (second stage) a simple machine separates the flesh of the cherry (returned in due course as fertiliser in the field) from the coffee bean. The beans are then (third stage) held for a while in large fermentation tanks to allow easy removal of the surrounding mucilage during subsequent washing and grading in clean running water. The beans are then (fourth stage) carefully sun-dried, each contained within its protective parchment skin. At this stage the coffee beans are called parchment and all these operations are carried out by the co-operative society with minimum paid staff and maximum volunteer labour contributed by the member farmers. Member involvement is not only with the society but also with its multifarious activities ensured by involving them at different stages of coffee production including its processing.

The parchment coffee is despatched to KPCU (Kenya Planters' Co-operative Union) coffee mills in Nairobi where the latest machinery (fifth stage) removes the parchment husk and sorts the "green" coffee into a maximum of 7 grades, ready for marketing through (sixth stage) international auctions held periodically at Nairobi.

The KPCU [7] has been continuously modernising its plant and equipment and adding more up-to-date machines such as electronic colour sorting, Mbuni plant, etc., so as to improve the quality of coffee and speed up its production. These steps have considerably helped the coffee co-operatives to attain a higher competitive standard in the market especially at the international coffee auctions at Nairobi. Further, the KPCU introduced warehouses for parchment coffee throughout the country at strategic railheads in the major coffee growing areas. This helped the individual member co-operatives to store their

[6] KPCU extends field liaison services to member co-operatives. Their coffee crop calendar is indicative of their research into coffee production.

[7] Forty years ago, seven farmers sat round a table and gave birth to "Thika Planters Co-operative Union Ltd." which evolved into Kenya Planters Co-operative Union Ltd., in 1937 which is today owned by coffee co-operatives in Kenya.

Sacks of coffee being received on the second floor of the Storage Building of KPCU before being emptied into bins ready for processing

goods in safety, incidentally assisting the processing and marketing development of their coffee beans.

During the year 1976/1977 the KPCU paid about a total of £109,209,529 [8] i.e. approximately 86% of the Kenya production. In addition, the KPCU allocated K.£850,000 from its profits for distribution to coffee co-operatives which in turn will be distributed to their members – almost equal to the share capital (K.£800,695) held by KPCU in June 1977. Considering the way in which the small farmers are exploited by the forces of the market, a return as high as reported in the year 1976/1977 is a remarkable achievement for the farmers and their co-operatives.

[8]K. £1 equals K. Sh. 20

A coffee plant, when nourished properly, gives about 20kg of coffee cherry. With about 537 plants to an acre, the annual production of cherry per acre may be estimated to be about 10,740kg. 100kg of cherry provide about 20kg of parchment. The processing of parchment through the coffee mills provides about 4/5th or about 16kg of clean coffee ready for marketing. In the circumstances, the coffee production per acre under optimum conditions may be estimated as follows:

$$\frac{10,740 \times 16}{100} = 1.718\text{kg}$$

The average auction price in 1976/1977 was K.Sh. 40 per kg. Auction value of coffee produced in one acre in 1977

was 1718 x 40 = K.Sh. 68,720. The actual amount paid to farmers was 86% of the total value or K.Sh. 59,099. To this the profits, almost equal to the share capital, should be added. The small coffee farmers getting together in co-operatives and owning the KPCU has helped them not only to organise themselves to face gigantic estate owners, but they are now in a position to compete with them on quality and quantity in their own right. They have successfully eliminated middlemen; they share their gains equitably. The entire income is ploughed back to the rural economy for a rapid rural development in Kenya. Co-operatives all over the world wish them well in this collective achievement.

Reflections on the closure of a Productive Co-operative Society

by

A. W. Blakestone

This article is not written by an expert. It is just a report on how I, an ordinary working man with no trade, feel about the past 22 years of working in a co-operative productive society engaged in printing in the North of England. I feel that I must put pen to paper and at least try to express my opinions and experiences of the system, the more so now that all political parties are calling for more worker participation in British Industry. It is also my wish that some one far more capable than I should examine more deeply the system and, if possible, find out just what went wrong, that made such an ideal system collapse. Was it inflation or human nature? And if by this exercise people could take advantage of the findings, who knows, we may still have our Utopia.

The firm was established in 1897 by an enthusiastic group of men who were determined to shake off the shackles of the old industrial system and give workers a fair reward for their labours, plus a chance to identify themselves with a progressive company. The firm registered under the Industrial and Provident Societies Act (1893) and there is no doubt in my mind that their objectives were achieved. They started with the first electrically driven printing press in the area and also introduced a 48 hour working week when 54 hours was the normal one. They became known for secure employment and good working conditions and that, in the 1920s, and 1930s, was a priceless commodity for any working man. And so the build-up began and continued successfully to the Second World War. During the last war the factory in the old town was completely destroyed but they salvaged bits and pieces and carried on in temporary premises till they moved in the early 1950s to modern premises situated in country surroundings and equipped with modern plant.

Now the firm had moved to the new factory they had much more room to expand and the employees nearly doubled in number to over 80. It was in this period that I joined the firm.

The first reaction one got to the situation was of a relaxed but nevertheless responsible attitude of workers towards their work: their output per person was by far the best in the town. It was said, and rightly so, that if you could work at our firm you could work anywhere. I found the "us and them" attitude not so strong here as outside and one got the feeling one was working

for one's own interest while also helping others. We had the best pension and sick scheme in the area. At this point in time we were also working a 40-hour week when the rest of industry was working 42 hours. Trade Unionism was very strong but this was to be expected as the industry as a whole operates a complete closed shop. Their power is quite formidable but one still found that quite a percentage of the employees were not at all interested in the Union, unless there was a wage negotiation in progress. This over the years gave rise to three factions on the shop floor – the Trade Unionists, the worker members and the 'I could not care less' group.

The firm retained many of the original co-operative ideas in that the Board of Management was elected by share-holders who included employees, customers and others, i.e. Trade Unions etc. All were limited to a maximum of £500 in shares and had only one vote irrespective of the number of their shares.

The majority of share-holders attending General Meetings were employees, with the result that the Management Committee was predominantly employee. The Committee had the right to accept or refuse applications for shares, but the right of an employee to become a co-partner was assured. The first £5 of every bonus paid to an employee had to be credited as a loan to the Society until £25 loan capital was held. This was then converted to share capital and the employee became a share-holder with the right to vote at General Meetings. The Committee of Management consisted of the President, Secretary, Manager and six Committee men. At each General Meeting three members of the Committee retired and three others were elected. The retiring members were all eligible for re-election.

So this was my baptism into co-operative production and as an idealist this was the thing I had dreamt of. Alas after twenty years I saw my utopia start to crumble and the cracks were too deep to repair. The downfall of the system was I believe largely due to human relations, both on the part of the management and the workers.

There were certain features of the Board that made it controversial, i.e. it lacked managerial and business expertise; it did not provide an adequate platform for the expression of shop floor opinion and Trade Union members were often under pressure from their members to maximise their rewards, when circumstances made it difficult. So consequently they found themselves split between loyalties to their workmates on the one hand and to the Management on the other. This also led to frequent Board changes, which, in turn, affected expertise, responsibility and confidence. It also gave the General Manager greater power when he was the one constant member of the Board. In these circumstances, responsibility for success or failure depended more on one man than it should, and over the years this situation became more pronounced. Such power is difficult to challenge.

The relationship with the unions was quite good really but I thought that the marriage between co-operative production and union could have been greatly improved if there had been more mobility of labour allowed and if top management, by this I mean works manager and supervisory staff, had

shown more tolerance of union opinions. There was a variety of views on this subject; some thought that unions were redundant in a co-partnership system while others thought union influence should dominate.

The long established craft in printing has had to give way to more mechanisation as in many industries in the past. This seemed to happen in a very short period of time and seemed to affect the attitudes of workers. The sense of achievement (a job well done) seemed to be lacking; it particularly showed where tradesmen were concerned. They seemed loath to give up the skills which they had guarded jealously for years. The young seemed less affected by all the new techniques; the female employees did not seem affected either but they seldom make a career out of factory work.

In the late 1960s it was noticeable that the 'I don't care' attitude was becoming more dominant in the firm. People began to leave for the more orthodox system of employment. Also by now the bonus had stopped and the firm was feeling the squeeze. New machines were needed for this rapid technological change that had come upon the industry. The old stalwarts of the system had either retired, departed or even been promoted to staff level. The old manager, who had in the past served us well, retired and new blood was injected into the system.

People seemed to be no longer interested in co-operative production. It was a greater return for labour they needed – plus overtime to buy that new house or car. Our system did not encourage excessive overtime whereas many other local firms did. Young apprentices left as soon as they finished their time – in fact it was like a brain drain. No longer could the Works Manager select his labour force. He had to take anyone. Selection of labour was impossible. We had nothing but co-operative production left to offer, other firms had caught us up and in most cases had passed us. Gradually the assets of the firm were eroded. The new Manager was dismissed and finally the share-holders voted to go into voluntary liquidation in November 1975.

The outstanding human relations problems on the shop floor were mainly due to selfishness and envy but no firm can operate in isolation from its economic and political structure. Our firm seemed to have more than its fair share of these problems, with periodic squeezes reducing financial liquidity and also the social changes within our society which have weakened the individual's sense of responsibility.

Co-operative production does not reduce the conflictlng attitudes of management and unions. Employees still look for greater remuneration for their labour, and management for a greater share of the profits for future investment etc.

The ordinary man on the shop floor is steeped in class warfare, either against management or amongst themselves. By this I mean the skilled versus the unskilled, male against female, in fact we are as backward in this as India is with her Untouchables. Until people are educated to work together as a team, and not on how strong a pull "our" union has, there seems little hope for co-operative production.

I believe both management and trade unions could play their part by helping to eradicate demarcation lines and

educate workers to get rid of cynicism and to develop the desire to become more involved in participation and responsibility for decisions taken. Also trade unions must give management sufficient room to exercise its financial and other responsibilities.

Management and the profit motive come into it, and this is where you need a good manager who believes in co-operative production and does not just pay lip service to the system. The remuneration must be adequate for both worker and management and the differentials fair and never too excessive. If the remuneration falls behind private industry you will find your work force will be affected, as some will sell their labour to the highest bidder and this in turn affects the balance and flow of work which you are able to contend with successfully.

So in co-operative production you must have something to replace the monetary enhancement given by private industry. This can be achieved by better working conditions: i.e. shorter working week, early retirement and good welfare facilities plus the added stimulus of participation. You must never lose the momentum of improving these facilities, as our firm did, and let private industry overtake you.

Selfishness and materialism are often the response to the social and economic pressures of society and I believe that the accumulation of these factors gradually eroded the idealism on which our firm was founded. The welfare state has cushioned us as a people against the extremes of poverty and unemployment and there are those who believe that co-partnership can give nothing that a strong trade union cannot provide.

But as society is ever changing, especially in relation to the indignity of unemployment etc., I trust with confidence it will become favourable once again to participate in trying to find our utopia. Before this can be achieved, however, any new plans for co-partnerships should take into account the many factors involved. It is essential that all participants – both management and workers – must believe in and strive for the co-partnership ideal and all newcomers to the enterprise must be educated into it.

On the occasion of the

Retirement of Mrs M. J. Russell, JP

as ICA Secretary for Women and Youth

Extracts from a speech by
Dr S. K. Saxena
Director, ICA

Mrs Russell came to us in January 1965 – three years before I became the Director. She came with a solid foundation of co-operative knowledge not only theoretical – confirmed by the Higher Diploma in Co-operation from Loughborough – but with a continuing involvement in the work of the national movement at a high level. She has been a Member of the Enfield Highway Society's Board of Directors, and has sat on various Co-operative Union Committees. In some ways her position in the national movement has been an advantage to the Alliance in that it has given us, through her, a better feel for the thinking within the British Movement.

Retirement of Mrs Russell

In trying to assess Mrs Russell's contribution to the World Co-operative Movement, I can approach it in several ways.

First, her Committee Work. When the International Women's Guild was disbanded at the Vienna Congress in 1966, the Women Co-operators' Advisory Council was created and Mrs Russell became the Secretary to the Council. She soon realised the weaknesses of the arrangements and argued forcefully with the Authorities of the Alliance, within the Secretariat and through the Council, for the creation of a Women's Auxiliary Committee. This Committee has grown in strength and stature; its composition is wide and varied and its concerns far reaching to encompass womens' interests in different co-operative sectors. It is difficult to carry a Committee where members come with diverse backgrounds and sometimes reflect national attitudes which may not always suit an international context. I think Mrs Russell

has carried the Committee extremely well; she has provided initiative and motivated the members and, above all, she has acted as the glue which has kept the Committee together. In her Committee work, she has had to produce several substantive papers which are comprehensive in their approach and bear pertinently on the problem of participation of women in the co-operative movement. The three Pre-Congress Women's Conferences – Hamburg 1969, Warsaw 1972 and Paris 1976 – were a testimony to the comprehensive scope of the work carried out during her term of office.

Mrs Russell's contribution to the developing world should also be recognised. She has provided sustained support for the creation and stabilization of women's programmes in East Africa and South-East Asia. She has guided the two regional women officers, and gave active personal support, for instance, in the Mombasa Seminar and the one held in Kuala Lumpur. Earlier, she was responsible for organising two seminars in Ghana and Nigeria; although at that time these appeared as isolated activities, in retrospect and in the context of the discussions for creating a Regional Programme for West Africa, these may have provided useful links in the chain leading to the creation of a continuing ICA programme in that part of the world. She has also been invited by the FAO and ILO for their meetings as a resource person.

Mrs Russell has travelled widely and has pleaded everywhere the cause of women in co-operatives. The most recent activity in which she was involved was the Seminar in Lima (Peru) where the Organisation of Co-operatives of America (OCA) brought together women from different countries to discuss problems pertinent to their interests.

As Youth Secretary, Mrs Russell was responsible for organising three conferences, in London, Sinai (Romania) and Moscow, and these conferences threw up some interesting suggestions and proposals.

For all of us working at the international level, it is always very difficult to assess how much impact we have been able to make on the national and international scene, how much change a particular officer has been able to bring about as a result of conscious and deliberate effort. When the individual concerned deals with women and youth, the difficulties are magnified several times over. For in that capacity one does not deal with a particular sector of co-operative activity, but with all its branches since all have relevance to the needs of women and youth. Let me quite simply say that compared to the time before Mrs. Russell joined the ICA and looking at the situation now, the following five changes are noticeable:

First, the Women's Auxiliary Committee is now a respected, competent body which exerts pressure in favour of involvement of women in different aspects of co-operative work; it has a seat on the Central Committee and thus at least one direct vote in the discussions on important co-operative issues.

Secondly, the United Nations Agencies now recognise and consult the ICA on matters relating to women and youth; the Alliance made several suggestions and contributions to the International

Women's Year and will also be making contributions in 1979 to the International Year of the Child.

Thirdly, there is a perceptible change in the attitude of national co-operative movements, or at least of some of the leaders, in that, to put it negatively, co-operators begin to feel uncomfortable if women's interests are not taken into account in the formulation of a new policy; the sensitizing process has been set in motion.

Fourthly, our work in developing countries in East Africa and South-East Asia is well and truly launched.

Above all, Mrs Russell has been able to create and sustain a group of members who have a shared interest in the promotion of women's activities in the co-operative movement.

Recent Books

by
Anne Lamming
ICA Librarian

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

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL: North African Workshop on Co-operatives and Small Farmers, Tunis, Tunisia, 28 Nov-2 Dec 1977.
Washington DC. (USA), ACDI, 1978. 20 pp; photos.
Report of a meeting which discussed "how best to accomplish rural development with maximum contribution from and benefit to the poorest of the poor."

FAHRNI, Yolande: Développement d'un thesaurus sur les coopératives—étude effectuée au service central de bibliothèque et de documentation du BIT pour le service des coops.
Geneva, ILO, 1978. 47 pp; mimeo

DADHICH, C. L.: Overdues in Farm Cooperative Credit; a study of Rajasthan
Bombay (India), Popular Prakashan, 1977. 258 pp; bibliogr; tabs.
An analysis of the causes of overdues, with policy suggestions to remedy the existing situation and to prevent overdues in future. (*Reviewed in this issue.*)

DRIMER, Alicia Kaplan de and DRIMER, Bernardo: Manual de Cooperativas—No. 3 serie—Manuales Ediciones Intercoop/Argentina
Buenos Aires (Argentina), INTERCOOP, 1977. 400 pp; bibliogr.
This manual has three parts: 1) general, historical and doctrinal aspects of co-operation; 2) description of co-operatives by type; (3) legislation, organisation and administration of co-operatives; it is written by two distinguished Argentine co-operative teachers and writers.

GROSS, Alberto: El Cooperativismo en Chile
Chile, ICECOOP, 1978? 135 pp; tabs.
A survey of co-operatives in Chile, their growth and development up to 1976, with analyses of the characteristics of primary and secondary co-operatives in the Chilean economy. The author is the director of the Research Centre for Co-operative Development—CEDEC.

INTERNATIONAL CO-OPERATIVE ALLIANCE: Research Register of Studies on Co-operatives in Developing Countries and Selected Bibliography, Bulletin No. 5, 1978
London, Warsaw, Budapest, ICA and CRIs, 1978. 93 pp.

INTERNATIONAL CO-OPERATIVE ALLIANCE: Report of an Experts' Consultation on Co-operatives and the Poor — Co-operative College, 5-8.7.77
London (U.K.) ICA Studies and Reports No 13, 1978. 96pp; bibliogr; graphs.

The varied views and assessments of the suitability of co-operatives in catering for the needs of the poor are reflected in the papers and discussions reported in this book.

KONOPNICKI, M. and VANDEWALLE, G. (Editors): Co-operation as an instrument for Rural Development—Papers from an International Conference organised at Ghent University (Belgium) 21-24 September 1976
London (U.K.) ICA, 1978. 160 pp; tabs; graph

These conference papers are in four sections:

i. Service and production co-operatives
ii. Relations between co-operatives and their members
iii. Co-operatives and the state
iv. Financial problens of co-operatives.

KRISHNASWAMI, O. R: Fundamentals of Co-operation
New Delhi (India), S. Chand & Co. Ltd., 1978. 163 pp.

An analysis and account of co-operative principles and subjects of great importance in India such as co-operation and the planned economy and co-operative extension work. Many of the ideas were first published in article form in various Indian co-operative journals. (*Reviewed in this issue.*)

LAIDLAW, Alexander F.: Housing you can afford
Toronto (Canada), Green Tree Publ. Co. Ltd., 1977. 235 pp; bibl; 39 diags, tabs.

This book is not a technical manual on how to carry out a housing project; it deals with the "why" of a housing co-operative; it does incorporate guidelines on procedure and method, but concentrates mainly on showing ordinary people how to plan together to create housing. (*To be reviewed in our next issue.*)

MANNICHE, Peter et al: Rural development in Denmark and the Changing Countries of the World—A Study of Danish Rural Conditions and the Folk High School with Special Relevance to the Developing Countries. (2nd edn revised).
Copenhagen (Denmark), Borgen Publishers, 1978. 288 pp; photos; map; tabs.

This book aims at showing "how rural development can be achieved if founded on a sound and broadly based educational movement", in this case the Danish Folk High School.

MÜNKNER, Hans-H: Six lectures on co-operative law.
Bonn (Fed. Rep. of Germany), Friedrich-Ebert-Stiftung, 1977. 96 pp; bibliogr; index.

This publication deals with basic legal problems of co-operative organisation, by using an analytical approach.

OAKESHOTT, Robert: The Prospects and Conditions for Successful Co-operative Production
Manchester (UK), Co-operative Union Ltd, 1978

Text of keynote speech given at 1978 UK Co-operative Congress, on Producer Co-operatives.

ORGANIZACION DE COOPERATIVAS DE AMERICA: Asistencia Tecnica Cooperativa
Lima (Peru), Fundación Friedrich Naumann, 1978. 167 pp.
Report of a seminar held in December 1976 with representatives from most major Latin American countries, to discuss the effectiveness and direction of co-operative technical assistance in the region.

PEDERSEN, Clemens (Editor): The Danish Co-operative Movement
Copenhagen (Denmark), Det Danske Selskab (The Danish Institute) 1977, 156 pp; tabs; diags
The Danish co-operative movement is grouped into three main organisations and this book is based accordingly, one part dealing with consumer, one with agricultural, and one with labour co-operatives.

PINHO, Diva Benevides: Economia e Cooperativismo.
Sao Paulo (Brazil), Saraiva, 1977. 177 pp, bibliogr; graphs; tabs.
Primarily intended as a text on co-operative economics, this book by a well-known Brazilian writer deals with economic activities of co-operatives.

RADWAN, Samir: Agrarian Reform and Rural Poverty, Egypt, 1952-75
Geneva (Switzerland), ILO, 1977. 91 pp; tabs; graphs
An appraisal of the impact of agrarian reform on rural Egypt, including a survey of the prereform agrarian system, assessment of the effect of agrarian reform on land and incomes distribution; it concludes with an appraisal of "supervised co-operatives", the most important institution created by the land reform.

SANTIAGO OSORIO ARRASCUE: Régimen Jurídico del Movimento Cooperativo
Lima, (Peru), Editorial Cientifica, 1978. 497 pp; bibliogr.
Handbook on Peruvian co-operative legislation.

TAIMNI, K. K: Materials Management in Co-operatives
Poona (India), Vaikunth Mehta, 1977. 258pp; bibliogr; tabs; graphs.
An Indian handbook on materials management as applied to industrial processing and consumer co-operatives.

WALINSKY, Louis J. (Ed): The Selected Papers of Wolf Ladejinsky—Agrarian Reform as Unfinished Business
London (UK), OUP/World Bank, 1978. 603pp; bibliogr; index

Book Reviews

Fundamentals of Co-operation by Dr O. R. Krishnaswami. *S. Chand & Co., New Delhi. Rs. 35-00.*

Co-operation as an academic subject is gaining momentum and many universities in India and abroad have been introducing this subject at various levels. Research Institutes engaged in social science Research are giving more importance to this field of study. Co-operatives on their part are embracing new avenues and new fields of activities. The movement's success is no more the monopoly of Europe. Developing countries as well as under-developed countries have started using this institution as an economic device to solve their economic problems. It is the gauge of its merits that the co-operative ideology suits every political set-up.

Being a growing social science, co-operation does not yet have enough fundamental material. Whatever basic books have been written are all the efforts of British, Swedish, Danish and German Co-operators. Even the contributions of V. L. Mehta and Prof. D. G. Karve are contemporary literature and cannot be considered as basic material, except for the latter's work on the ICA's Co-operative Principles. This book written by Dr O. R. Krishnaswami, a deep thinker on co-operation, narrows the void created in this field. Though the book is a collection of the articles already published by the author in leading Indian and foreign journals, the papers have been arranged in a way to induce cohesion in the flow of information. The objective of the book has been put forth by the author himself: "this volume aims at explaining clearly and succinctly the basic concepts and principles of co-operation and at presenting certain fundamental action programmes for revitalising and strengthening the co-operative movements of developing countries like India."

The book starts with a discussion on the principles of Co-operation. With the change in cultural, social and economic backgrounds, the movement adapted itself to the changing circumstances. The principles of co-operation followed by the Rochdale pioneers were suited to the consumers movement and were revised twice by the ICA, in 1937 and 1966. These and other related aspects of the principles of Co-operation have been adequately analysed in Chapters 1 and 2.

Co-operation as a movement and a sector is always in a position comparable to that of its counterparts, capitalism and socialism. Time was when the rulers and economists refused to allow any credit to the co-operative movement. Doubts were raised as to its strength to form a sector. Through diversification of field experience and widespread adaptation, the co-operative movement slowly and steadily emerged as a third sector of the economy. It has claims over capitalism and socialism, which are diametrically extreme propositions. The author is correct when he says, "the superiority of co-operation over the other two economic theories, viz., capitalism and socialism, lies in the fact that it is based on human values such as truth, honesty, goodwill, mutual aid, mutual trust and comradeship".

By virtue of its merits the co-operative movement has become part of our planned economy. It justifies the expression of our constitution and forms the basis for a free and non-exploitative society. Adoption of co-operatives as an instrument of state policy in our country is an incentive to other developing countries to use this as a weapon for solving economic problems. The author lists the merits when co-operation is used as an instrument to implement government plans, but at the same time he warns against its dangers: "state

sponsorship, aid, direction and regulation may affect the autonomy of the movement, may not allow the people to develop the spirit of self-reliance and may encourage the tendency to look to the Government for everything. State control may also help infiltration of party politics into the co-operatives, which like the white ants will eat away the vitality of the co-operative movement".

There are notable chapters in this book about co-operative democracy. The author is of the opinion that in the agricultural credit co-operative in India, democracy exists formally in the constitution only, not in actual practice. "The ignorance of the members, their socio-economic disparities, lack of member-relation practices, the mechanical way of conduct of meetings, distorted meeting practices, lack of member identification, low business participation, lack of internal autonomy, all sap the vigour and vitality of democracy and make it very nominal and ineffective in practice". In this context it is worth referring to Dr Krishnaswami's earlier book, "Co-operative Democracy in action"*.

The overall merit of this book is shared by the publishers, with their neat and attractive printing. This book will be very useful to foreign co-operators because of the way the author portrays the contemporary basics of the Indian Co-operative movement. The author being an authorty on co-operation, can we expect some more basic books on Indian Co-operation from him?

S. NAKKIRAN

*Reviewed in Vol. 69, No. 5, of this journal.

Overdues in Farm Co-operative Credit — A study of Rajasthan by C. L. Dadhich. *Popular Prakasan, Bombay (1977) pp 258. Rs. 55/-.*

A critical, chronic and calamitous crisis confronting the credit co-operatives in India is the problem of overdues. Several official and non-official studies, both at macro- and micro-level, have thrown up a spate of suggestions to deal with this mounting menace to credit co-operatives. With all that has been said and done all these years, overdues still constitute the core of the problem with co-operative credit.

A study of overdues in credit co-operatives in Rajasthan—the second largest state in India (incidentally this state stood second among the states in respect of overdues at the primary level to the extent of 44 per cent in 1967-68, the year of this study)—by Dr C. L. Dadhich is an in-depth analysis of the problem. However, it is a pity that his study took so long to see the light of the day (it may be noted that his study pertains to the year 1967-68 and the results were published in the form of a book in 1977) as a deluge of literature with similar findings and suggestions has appeared in the last 10 years.

Dr Dadhich's study covers three district central co-operative banks, three primary co-operative credit societies selected under purposive sampling from the jurisdiction of each of the selected central banks and a sample of 180 members of the primary societies. A census study of all the members of the selected primary societies was taken up for the analysis of an aspect of the study viz., socio-economic factors influencing the repayment of dues.

His analysis of socio-economic factors influencing the repayment of dues reveal that the deciding factors in repayment are irrigation and the caste of the borrower and have no relationship, whatsoever, to the area of land, size of loan borrowed and the level of literacy of the borrower. Borrowers belonging to middle castes were found defaulting less as compared to those belonging to upper and lower castes. Borrowers

growing cash crops, borrowers using chemical fertilisers, borrowers using irrigated land, borrowers mainly depending upon cultivation were found defaulting less than others.

The worst features of these overdues is that many defaults are deliberate. The study reveals that 23·5 per cent of overdues are on account of wilful default, 8 to 14 per cent are due to inadequate stabilisation arrangements in case of failure of crops and the rest of the overdues are attributed to incompetent management. Wilful defaults are mainly due to re-lending by the borrowers to make a profit out of the margin of interest, uncertainty of fresh finances for the society from the central financing agency, a desire to harass the management. These wilful defaulters, it was found, are the members belonging to the higher strata of society. These defaulters include the past and present members of the managing committees or their close associates. Politics in the area of operation of the socity or the central bank is considered to be a crucial factor in wilful default. But no detailed study of this factor is done by the author.

It is painful to note from the study that as many as 74 per cent of borrowers divert their loans for other purposes which include re-lending, repayment of old debts, consumption. Diversion of credit is very common with the members of the managing committees. The author identifies four causes for overdues at the institutional level. They are (i) unsound lending policies, (ii) ineffective supervision, (iii) lack of the right type of leadership and (iv) lack of linking of co-operative credit with marketing. Crop fai'ure is not found to be an important cause of overdues.

Several of the suggestions of the author are of a general nature and reinforce the thinking of copious committees on co-operative credit, which are also often quoted in the relevant chapters of the book. What needs careful consideration is the observation of the author that the cheap money policy which has been in vogue for several years has done the greatest damage to the expansion of the co-operative movement. Listing several merits of a dearer money policy in checking overdues, he emphatically suggests that such a policy should be pursued in order to inculcate a greater sense of discipline among the borrowers. On the whole, this study does make some contribution to the important subject of overdues.

M. KUTUMBA RAO

A Survey of Contemporary British Worker Co-operatives by Paul Chaplin & Roger Cowe. *Manchester Business Business School, Booth Street West, Manchester (UK).*

This Manchester Business School/ Centre for Business Research Working Paper provides an interesting survey of recently formed co-operative productive societies and "common ownership companies" in Britain. It sent questionnaires to 42 existing enterprises and to a further fifteen that were being planned and received replies from 24 of the former and six of the latter. Most of the existing enterprises are small, employing an average of nine workers each. Their average age is four years and a third of them are based on shops, some of them selling wholefoods. Some of them use the Model Rules of the Industrial Common Ownership Movement and most of them seem reasonably successful. Some restrict wage differentials, make remuneration as equal as possible and have an informal decision making arrangement so as to make member participation in control as close as possible. Curiously, in only four of the 24 established concerns are there any fixed rules about the distribution of surplus earnings, if any. The survey

comes to the conclusion that the formation of further co-operative productive societies like those formed in recent years is likely to depend very much on the attitude of the trade unions to them.

PAUL DERRICK

Success in Smallness: A Plan for Developing Areas by James F. Torres. *River Falls Press, University of Wisconsin, River Falls, Wis. (USA).*

In this admirable little booklet Professor Torres decribes in a brief space the impact of technology upon developing countries, the help given by industrialised countries to developing ones in the years since the second world war, inequalities in the distribution of wealth and income in developing countries and in the USA, and the role of co-operative development in helping developing countries to achieve both higher living standards and a more equitable distribution of wealth and income.

He gives due recognition to the work of the late Dr E. F. Schumacher in insisting on the importance of fostering in developing countries technologies which will meet the real needs of their peoples and on the need for a relatively modest scale of operations in many fields if appropriate technology is to serve these needs effectively. From a belief in human freedom combined with a fairer distribution of wealth and income and a relatively modest scale of production Professor Torres draws co-operative conclusions. He discusses briefly profit-sharing and capital-sharing schemes such as that promoted by Mr Louis Kelso in the USA and that promoted by the Shah in Iran; but finds them too paternalistic. Instead of such schemes he recommends co-operative development in general and the development of co-operative productive societies in particular as able to bring about a fairer distribution of wealth and income without paternalism.

He mentions among other successful co-operatives Cruz Azul, the big cement co-operative in Mexico with 500 worker members; *Excelsior*, a daily newspaper with a large circulation published in Mexico City; COPESA, an aircraft-servicing co-operative in Costa Rica with three hundred worker members; a fishing co-operative in San Lorenzo, Honduras, with thirty members; a building co-operative with fifty members at Choluteca, Honduras; and a building materials and furniture co-operative at Foya in Liberia. He goes on to discuss basic co-operative principles and the history of co-operatives and argues that there is much scope for the growth of workers' co-operatives in developing countries.

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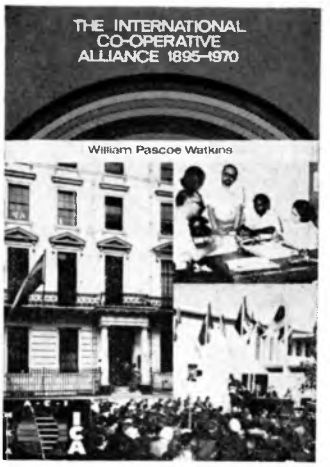

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