



STRUCTURAL CHANGES IN CO-OPERATIVES

**Verbatim Report
of Discussion at
I.C.A. Central Committee
Helsinki 1965**

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I N T R O D U C T I O N

STRUCTURAL CHANGES IN CO-OPERATIVES

The Central Committee of the International Co-operative Alliance decided to consider Structural Changes in Co-operatives as a special theme at its meeting held in Helsinki in September 1965.

At the 21st Congress of the I.C.A. in Lausanne in 1960, Dr.M.Bonow, President of the I.C.A., discussed the question of Structural Changes in his Paper on "Co-operation in a Changing World". Since then major developments have been taking place in many countries affecting both structure and the relationship of Primary Societies and their Apex Organisations. Details concerning these were brought together by the Research Department of the I.C.A. in a special background paper for the Central Committee and this Report should be read in conjunction with that paper.

The Executive of the Alliance recommended to the Central Committee that the special background paper be introduced by Mr.A.Korp (Austria) and this account of the discussion begins with the text of his introductory paper which was considered by all who read the original to be a masterly synthesis of the question.

Structural Changes in Co-operatives will also partly occupy the 23rd Congress of the I.C.A. which is to be held in Vienna from 5th to 8th September 1966 as it is the intention to bring the background paper up-to-date for presentation to that Congress. There may also be a resolution on the subject in order that the Alliance may declare itself on what is perhaps the most important issue confronting its members.

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STRUCTURAL CHANGES IN CO-OPERATIVES

MR.KORP (Austria): The Executive decided at their meeting in October 1964, in Belgrade, to submit to the meeting of the Central Committee a topical problem which could be assumed to find a broad interest and to lead to a fruitful discussion. The choice fell on the problem of Vertical Integration in the Co-operative Movement, with special consideration of the resulting changes in the relations between local co-operative societies and their national unions. In particular, discussion was to be directed to methods of assuring the continued application of democratic control in the new circumstances.

As a consequence of this decision I have the honour of introducing to you the Report compiled by the I.C.A. Secretariat on "Changes in Co-operative Structure". I should like to thank the Director and his collaborators for compiling in such a relatively short time such an interesting and instructive document. Thanks are also due to those member Organisations which by their conscientious and extensive reports supplied the basis for it.

The problems which we have to discuss today were expounded to us for the first time with great clarity and force by our President, Dr. Bonow, at the Congress in Lausanne in 1960, in his paper on "Co-operation in a Changing World". Since then we have been watching with sharpened vision and greater attention - beyond the frontiers of our own countries - the way in which everywhere the new problems have been tackled with varying enthusiasm and results.

Responsible co-operators of the Western World are increasingly conscious that we are on the threshold of a new epoch in our history, in the course of which our hundred-year-old movement must prove whether it has sufficient vital power and adaptability to remain successful under entirely new conditions.

Now the Report for which we asked lies before us and like a lens catches the rays from many countries and directs them to essentials. At one stroke it becomes clear that thoughts which a few years ago still appeared to be too daring for practical application are on the point of becoming reality -- we may even say that already today, thanks to the preliminary work of dynamic national unions, a new image of the Co-operative Movement is being sketched in broad outlines which denote a clean break with traditional concepts.

Allow me to contrast in a few words the old and the new image! We co-operators of the democratic industrial countries have grown up with the image of a federalistic co-operative movement which was in the main created during the epoch of liberalism. To begin with, a large number of small autonomous co-operatives united themselves into a co-operative union or a wholesale society. The sovereignty of the individual society remained untouched; it was limited only by certain "federal" obligations whose application was guaranteed not by effective sanctions but by the loyalty of the societies. In the course of time large co-operative societies have become the main supports of this federalistic structure, and the chief source of policy

decisions. By a slow educational process, a "unified discipline" has been worked out which made possible the application of sound administrative principles and gave the Movement a real economic superiority over the small disparate units of private retail trade.

This federal concept is based on two theses: (1) that self-determination, self-administration and self-responsibility of the co-operative societies are the pillars on which the co-operative base must rest; and (2) that a delegation of responsibilities to federal bodies on a higher level must take place only so long as and to the extent that this promotes the interests of the movement.

These basic rules have until now largely determined the growth and the methods of operation of the consumer co-operative societies. A purposeful and fruitful investment in the renewal and expansion of co-operative plant and equipment is a decisive prerequisite for the progress of the movement. In the federalistic system this investment activity is a process guided by numerous local bodies in what we are accustomed to call "organic growth". Each co-operative society decides independently, according to its own financial position and its local appraisal of the chances of success and the risks involved, the extent, type and priority of investments. The principle is not altered by the fact that the society makes use of the advice and technical help of the Union. The basic assumption is that the whole develops best if each society strives, according to its ability and within its own sphere, to achieve a greater share in the market.

A decisive incentive for the federalistic approach was the realisation that the consumer co-operative societies could only assure their economic supremacy through concentration of their purchases in a central purchasing organisation. There were two important reservations, however: (1) The co-operative society should itself decide the merchandise assortments and sales policy, on the assumption that it would know best the needs of its members and the competitive requirements. (2) The society should retain the right to buy from outside suppliers if their offers were more favourable than those of its own wholesale society. This was based not only on the primary importance of profitable operation but also on the fact that only such a measure of caution would impel the co-operative wholesale society to maximum efficiency. Basically these reservations meant that private antagonism between buyers and sellers was also maintained in the co-operative system, although somewhat toned down by mutual commitments.

I have tried with a few bold strokes to show by two examples the essential characteristics of the federalistic system. The actual situation is different in each country, of course, because everywhere adaptations and additions have been introduced to take account of changed conditions and to improve the overall efficiency of the movement. Looking back we cannot deny that the system of the federalistic structure has proved itself in practice. Under it the movement has grown big and powerful and has proved itself enduring and flex-

ible even in difficult times. It is not surprising, therefore, that the old ideas were taken up again after the second World War, which involved a serious setback for many of our organisations and the end of which meant for many a new beginning. Since then two decades have passed, during this time the social and economic world around us has changed completely, and we find ourselves in the middle of rapid and radical changes in economic structure, the causes and results of which I can assume are familiar to all of us.

For some years past steadily increasing doubts have arisen as to whether the traditional structure of our Movement corresponds to the requirements of the present "welfare society" of the Western World. It is significant that for about a decade now increasing attempts have been made to streamline the old co-operative structural model. But the results are not convincing enough to banish an uneasy feeling that our movement has not yet found the right answer.

Thus this report arrives at just the right moment! It shows how everywhere the new problems are being tackled, and that courage is not lacking to embark on new paths. What appears to me as essential is the obvious fact that some of our member Organisations have embarked on a course of remoulding the structure of their movements according to entirely new principles, i.e., on the model of an integrated co-operative organisation.

Let me try to sketch here the characteristics of this new development in a few words -- as I see them! According to this model, sovereignty rests with the whole movement which exercises its will through the highest "legislative" assembly; this representative body of the whole of the membership, elected according to the rules of parliamentary democracy, sets the objectives of the movement and assigns the tasks to subordinate bodies, whether co-operative societies or central auxiliary organisations, which must carry out the orders of the whole. This does not preclude permitting subordinate bodies, for practical reasons, a large measure of autonomy the extent of which is determined by the whole movement.

Pushed to its limits, this model leads to the renunciation of the legal personality of the co-operative societies and to the constitution of a single national co-operative society, e.g., the planned Konsun Denmark.

As an alternative, or a temporary intermediate solution, there is the proposal to submit only certain functions to the sovereignty of the whole, for example, purchasing, central warehousing, sales policy, special sales, or accounting; these responsibilities are to be transferred from the co-operative societies to specialised sections of the apex organisations working independently of the individual control of societies but in collaboration with them on the basis of general principles, and with their activities synchronised within the framework of national plans for distribution, structural reform and finance - e.g., the K.F. concept.

The assumption underlying this integration model is described in a most instructive monograph compiled by K.F. for the purpose of the present inquiry. It confirms the principle that any structural reform must

be motivated in terms of the basic promotional task. It is the duty of the co-operative societies to promote to the utmost the interests of their members; at the same time the Report states that under present conditions this can only be done if the movement acts as a whole. The collaboration of all members must be achieved through an unambiguous, uniform, elastic organisational framework. The legal structure of the movement must be that which is most useful for the attainment of its aims. Naturally the democratic character of the movement must be maintained as an inalienable principle.

Clearly an attempt has been made here at a synthesis which tries to unite the undeniable economic advantages of a centrally-directed industrial and commercial combination with the moral values of co-operative democracy in order to achieve a new unit.

Side by side with these attempts at a more or less total integration there are other proposals which aim at only a partial integration of a particular sector, or of a single function. An interesting example is found in the recently published plan of the Joint Reorganisation Committee of the C.W.S. Unfortunately, this appeared too late for inclusion in the present Report. It aims at replacing the obsolete buyer-seller relationship between co-operative societies and the C.W.S. with a new one in which joint interests and common objectives will be decisive. Since, in the opinion of the Commission, a total integration of production, purchasing and distribution will not be possible in the near future through the creation of a national society, it aims at safeguarding, at least in the field of purchasing, the interest of the whole. This is to be achieved by having the consumer societies enter into a firm contractual relationship with the C.W.S., the basis of which will be laid down in the Rules, with the intention of replacing the daily squabbles over quantities and prices by a generally binding system of purchase orders. This will give the C.W.S. the possibility of utilising the potential purchasing power of the movement and at the same time guarantee societies the best possible supply terms.

In this way an attempt will be made to catch up not only with that which the large chain stores have practiced for a long time but also with that which the private retailers have been demonstrating through their voluntary chains for some time now. In private trade enormously strong "purchasing blocks" have been created, but amongst ourselves we find instead, in some countries, a disintegration of the purchasing operation. The emergence of large co-operative societies with purchasing staff anxious to demonstrate their efficiency and the realisation of private firms that they can conclude favourable transactions at marginal costs with such large purchasers have led here and there to a serious erosion of central purchasing, a process which should not be obscured by the rising turnover figures for wholesale societies. This danger must be combatted by combining integrated purchasing with new obligatory assortment and restocking policies in order to achieve convincing increases in efficiency which will more than counterbalance the small advantages acquired on the side.

What new perspectives for growth are opened up by the integration process? The so-called "organic growth" was adequate as long as it was a question of expanding step by step within the traditional structures of the co-operative movements. Such operations could be based on local considerations. Today it is a question of completely remoulding the movement on the basis of other concepts of size — with varying centres of gravity and considerable risks. Such a reconstruction cannot be carried out in terms of the conditions of a particular society, but only according to a universally binding development plan which takes into account future movements of population, distribution of income, and development of transport, and which stipulates growth targets related to the financial strength of the whole movement and the relative urgency of the various stages of development. Such planning means not only expansion into new and promising spheres but also a retreat from localities rich in tradition. The time has passed in which progress can be measured in terms of the increasing number of shops; fewer but larger, more strategically located shops — this is now the watchword! This requires not only general staff work but also the dedication of combined forces to the most important tasks.

I have tried to give an interpretation of integration by contrasting it with the federalistic concept in what is perhaps a rather personal manner. If you have studied the Report before you, you will see that with my concept I have diverged from that contained in the Report in one respect. The Report uses the concept "integration" in a very comprehensive manner to include both forms of concentration (sales concentration, enterprise concentration, etc.) and co-ordination. I believe that we should try as far as possible to give the word "integration" a more restricted unambiguous interpretation. In my opinion integration comprises only those measures which transfer decision-making authority from hitherto autonomous subsidiary organisations to the organs representing the whole movement, in order to lay down, on the basis of instructions from and the authority of the former, binding rules for the activity of all the members of the overall organisation. If this definition can be accepted then in my opinion we can take as a starting point for our discussion today the issue: Can future achievements and progress of the co-operative movement be assured within the framework of a federalistic structure by means of rationalisation, concentration and co-ordination; or can this only be achieved with the help of a progressive vertical integration on the basis of a complete or partial renunciation of local autonomy? Is only one or the other solution possible, or can we perhaps conceive a synthesis which combines the advantages of both systems?

I believe that this can be answered only by scrutinising the problems from all sides. This task can hardly be wholly achieved in the course of our first discussion here. But it will perhaps be possible to grasp the attitudes of the various sectors of our international organisation, and then to consider in what form a further exchange of opinion should take place.

You, my fellow co-operators, have certainly already been stimulated by the document before you to ask many questions and make many remarks. I do not intend to mention any of these points individually before you have had the opportunity to speak, or to give replies in advance. I shall only take the liberty of indicating a few considerations which might serve as guide-lines for the discussion:

1. the dependence of co-operative structure on the social and economic conditions of the individual countries which create differing prerequisites for structural reform;
2. the dependence on the legislation of a particular country which may considerably influence the application of new structural principles;
3. the relation of the structural problem to co-operative principles which will be dealt with in the near future by the special Commission;
4. the connection between organisational structure and the psychological structure and level of education of members and leaders; and
5. the relation of structural problems to the differing aims of member organisations.

I believe that all questions concerning details can essentially be fitted into this group of considerations, and that each of these headings is important. But already this compressed enumeration of the aspects to be dealt with shows how complex and difficult the subject is. It seems, therefore, all the more desirable to keep the discussion related to the objective without digression into other spheres. I believe that we must concede to each other the honest intention to do in our country the best for our movement, but that we are also willing to learn from our friends in other countries. We can only congratulate those member Organisations which are convinced that they have already found the right path into a happy future, and hope that the others which are still trying to find that path go away from here with constructive suggestions and increased confidence.

In this sense may I ask you, in the name of the Executive, to accept the document which lies before you. (Applause).

THE PRESIDENT: I wish to thank Mr. Korp for the masterly introduction he has given to our discussion. He has pinpointed a number of problems and also indicated some general guide-lines which I think would be very useful for us to take into account in the ensuing discussion. I have already a number of speakers on my list, which shows the vital interest these problems have aroused among the members of the Central Committee.

PROFESSOR LAMBERT (Belgium)(Interpretation): It is quite clear that we should not only accept but even promote concentration, for concentration is a condition of economic efficiency. We must not forget

superiority of the co-operative formula exists only when we are efficient in operation as those operating under other formulae. A capitalist enterprise which is well managed can distribute considerable benefits to its shareholders and directors and still furnish its goods and services at a lower price than a co-operative society which is poorly managed. We are therefore going to have in our movement a formula of concentration. We must not be frightened by this formula. But, as a young French co-operator, M.Lacroix, has said, whereas direct democracy is quite easily achieved in small-scale co-operation, when operations are conducted on a very large scale the problem of democracy is much more complex; but again, whereas the small co-operative is influenced by its environment in regard to prices, methods, etc., the large co-operative can influence these factors itself, even to the point of directly challenging the monopolies. There are countries where, as we know, this is the position today.

In a remarkable report presented to the Congress on Collective Economy in Berlin, Mr.Lars Eronn, who has had great experience in Sweden, mentioned that in what the economists call the "oligopoly" situation, it is only necessary for one of the competitors to be a co-operative in order to bring about much lower prices.

But the growth in concentration does create several problems, as has been well indicated by Mr.Korp in his introductory address.

Contrary to what is usually believed, the idea of selling to non-members has never been prohibited by the Rochdale Principles. The Rochdale Pioneers, in the second version of the statutes, in 1854, allude to their sales to non-members, and here the principle is that the economic benefits resulting from such sales must not be distributed to members but must serve as a reserve fund for further expansion of the co-operative.

With the growth of our organisations, and with our struggle against monopolies, very often it happens that the sales to non-members become a necessity. If the co-operative movement creates a gigantic factory in order to combat the activities of a trust, of course this factory has to work at its full capacity and all the potential for sales has to be brought out. What, exactly, is the duty of a co-operative? It is to put everything into motion in the best possible way, both for members and non-members.

As far as democracy is concerned, my feeling is that in countries which are relatively small, such as Denmark, we can conceive of a unified society. In the majority of cases it is the federal system which will probably survive, but with the difference that there will be a growing transfer of powers and contributions coming from the federated societies towards the federation. An evolution is taking place in several countries such as the United States, for instance, where more power is being concentrated federally.

I have a feeling that the national congresses of the movement will have to grow in power and importance. In many countries these congresses have only a consultative or advisory value, but gradually

as power begins to concentrate at the apex, they will have to take more important decisions.

Directors, of course, are a necessity, and I think it is a clumsy misuse of democracy to interfere in their work. Non-professional advice should not be forced upon them. This is not democracy. Democracy should consist in a policy where the guide-lines of policy are first of all set down by selected bodies, but where the actual decisions are left to the professional management. It was very rightly stated in the Report that it is necessary to create a career for the professional director. We do not want to have a situation in which our best people go into other forms of activity because they are frustrated in the work in our movement.

The problem of the director is, of course, bound up with education and the training of the director himself, and it is self-evident that this education should not be of a purely technical character but should also be truly co-operative in nature. Even the technical aspects must be taught in a different manner from capitalist society, where management is not by any means of the same nature as in our movement. In capitalist society it is always the maximum profit that is the principal target, whereas our management have to be inspired by a concern for the general interest; consequently the training and preparation of a director of a co-operative are not of the same character as in capitalist society. A director of a co-operative society should have a greater number of qualities than an ordinary director, for apart from technical competence he needs a sense of service to the movement. He should be able to understand highly technical problems and be able to convey the nature of them to the whole assembly of co-operators.

In the Report it is stated that the ardour of competition and the problems connected with prices, etc., are matters of great concern, and I would draw attention here to the danger of forgetting the ideals of co-operation. For, as Mr. Barbier has rightly pointed out, if we try solely to fight our adversaries by using the best possible technical methods, we are beaten from the start. This is a truth of great significance. Perhaps there is considerable apathy on the part of the members, but let us not forget that our militants, those who compose the force of co-operation itself, are first of all inspired by co-operative ideals. This work of explaining our ideals has to be continued and re-explained to each succeeding generation if our movement is to survive and growth is to be maintained. This is a very painstaking task that lies before us but a very exalting one.

MR. VOORHIS (U.S.A.): We all know that the future of co-operation depends upon co-operative business enterprise being the best in its field, the strongest, and in many cases the largest. What Prof. Lambert has just told us, however, is of deep significance. There is little doubt that we will do the job of training the management personnel that we need, but we will also need to train what we call in America the Educational Director, and his skills, in the circumstances of the type of enterprise we must have, and which Mr. Korp's address outlined, will have to be considerably greater than they have been in the past.

We have an organisation in America called the ACE, the Association for Co-operative Education, which is intended to promote the importance of this provision which, indeed, will be central to the maintenance of the basic concepts of co-operation as our economic enterprises grow and become integrated in the sense in which Mr.Korp has spoken.

The principal intervention on this question will be made for the United States by Mr.Koski, and I want to introduce here the thought that the success of the type of development outlined to us this morning will depend upon a certain type of person. It will depend upon a person who is sufficiently dedicated to the welfare of his fellow beings and to the advancement of the co-operative movement not to consider his own personal interest but to put the interest of the people and of the co-operative movement of the future ahead of his personal interest. The gentleman who will speak for us, Mr.Koski, is a living example of that. He was the general manager of one of our finest co-operative wholesale organisations and yet it was he who, more than anyone else, promoted the union of that wholesale organisation and another and larger one when he knew full well all the time that his own general managership would go when the merger took place. This is the man who is going to speak for us.

MR.VERLINSKY (Israel): In our rapidly changing world, agriculture faces a series of new problems essentially different from those it had to deal with only some 10 to 15 years ago. The rate and scope of change, economic, social and technological, is constantly increasing, with the result that these problems become more urgent and pressing. The basic facts of the situation of the agricultural producers in their changing circumstances oblige the whole co-operative movement to pay greater attention to agricultural problems and to step up its efforts to expand and to organise agricultural co-operation on a better basis. More structural and organisational changes must be made in order to keep pace with modern developments of industry and processing and marketing. The work must be concentrated and centralised more than it is now.

Organisational questions undoubtedly represent one of the most important problems of the co-operative movement, for on their correct solution largely depends the direction of future development. Under modern conditions the concentration of economic activities in larger units is essential, but great efforts must be made to uphold, in this situation, the main principles of co-operative ideology.

I would add as important questions the selection of personnel, the continuation and expansion of their training not only on economic grounds but also on ideological grounds, and the relationship between salaried managerial staff and the elected boards of co-operative institutions. It is most essential to secure adequate powers for the elected bodies in determining basic policy and safeguarding the social character of the movement.

Last but not least, there is the necessity to look for more efficient means of acquainting the general public with the achievements of co-operation. The younger generation knows little about the movement and is far removed from its social and ideological premises.

A greater effort in this direction is particularly important during the present phase of supra-economic integration. This process involves the transfer of many people from one country to another, thus breaking their ties with the co-operative organisation to which they previously belonged. In these circumstances it is especially important to have our information and educational services to the forefront in the national co-operative movements. To preserve its basic principles and combine them with the new economic developments the co-operative movement must be built on the basis of the maximum centralisation of activities and more actual power in the hands of the democratically elected central and area bodies.

MR. JACQUES (Great Britain): During the past six months the English C.W.S. has had a Reorganisation Committee consisting of five representatives of retail societies and five from the Wholesale Society. In our study of the problems of our retail societies we found that there were two problems that were outstanding. The first of these was the size of our food shops in urban areas. The evidence before us showed that at each stage of increased trade, up to £2000 per week there was a steep fall in the ratio of running costs, but after £2000 per week the fall was relatively small. The evidence also showed that only 23% of our self-service shops had a trade of more than £2000 per week, but our principal competitors, the national multiples, had 55% of their self-service shops doing more than £2000 per week. It was quite clear that in urban areas the amalgamation of our food shops was equally important as the amalgamation of our societies in the rural areas. We felt that this was not a matter that could be dealt with by any realistic proposal for structural change. It is something that can be dealt with only by propaganda, technical assistance and financial assistance to the societies concerned.

The second outstanding problem was the fragmentation of our buying. Our chief competitors, the national multiples, had national control of their stock assortment, centralised buying, and merchandising and publicity on a national scale, whereas our societies tended to buy just where they like, and our Wholesale Society simply purchases goods to sell to the retail societies in competition with other wholesales. We felt that that was a relic of liberalism which ought to come to an end.

But we have found, by bitter experience, that it is not sufficient to analyse the problem and to present the ideal solution. It may be useful academically but if the ideal solution is going to be thrown out it is clearly a waste of time. It is therefore essential to keep one ear to the ground and to keep in touch with current opinion to find out what is practical. Fortunately, our C.W.S. directors had already taken steps to find out what was practical. In one part of the country they had had some consultations with the societies and they found a willingness on the part of the societies to draw the whole of their food supplies from one regional warehouse which would have an output of £47 million per annum. That was an indication that regional warehousing, properly done, would be acceptable as a solution for the food trades.

At the same time, our directorate had experimented in non-food. In about six different groups of non-foods they had had marketing schemes, there had been consultation with the larger retail societies,

the stock assortment had been agreed, and there had been general agreement to channel all supplies on a national basis through the Wholesale Society. Dealing with carpets, for example, at the present time 94% of all our carpet trade is channelled through the Wholesale Society. In these particular commodities the Wholesale Society is ceasing to buy to sell in competition with other wholesalers; it is buying on behalf of retail societies.

We felt, therefore, that since there had already been some probing in those two methods it was wisest to recommend those methods and to make proposals to hasten the change. Consequently, this Committee is making two important recommendations. First, it is recommending a new rule. This rule will have three objectives. The first is to impose upon the Wholesale Society an obligation to co-ordinate the demands of the member societies and to buy on their behalf on the best possible terms. Secondly, it imposes upon the member societies an obligation to supply to the Wholesale the necessary information and to purchase from the Wholesale except where it can be shown that they can buy in total on better terms outside; and our experience in the marketing schemes is that it would be very difficult indeed for even the largest society to show that it could do so. The third objective is to appoint what I think our President might call an "ombudsman" to whom there would be referred any complaints that either a particular member society or a Wholesale itself was not carrying out its obligations under rule. The ombudsman would have power to call for evidence and to make a decision, and if the parties did not accept his decision he would have power to publicise that and to make it known to the whole co-operative movement. We feel that we can make our societies toe the line by publicity rather than by the force of law.

The second recommendation of this Committee is that there should be a clear distinction between deciding policy and implementing policy. For 60 years our Wholesale Committee has had a full-time board of 28 members. It is now proposed that instead we should have a part-time board of 30 members, and that part-time board will have three functions only: first, to decide policy, second, to approve the annual budget and the monthly checks upon it, and, third, to appoint full-time executives. We estimate that even in our Wholesale Society, with a turnover of £500 million per annum, the part-time board will be able to do this work in a minimum of one day a month and a maximum of two days. It is proposed that this part-time board will appoint a chief executive officer, and he will have three deputies, and each of these deputies, in addition to being in a supervisory position in relation to the divisions, will personally control certain internal services such as personnel, publicity, marketing and so on; and underneath the chief executive officer and his three deputies there will be 11 divisional executives, each responsible for a division of the organisation.

We considered very seriously whether we should have a formal management executive. We decided against that on these grounds. We are of the opinion that a formal committee is an excellent instrument for deciding policy, which is often a synthesis of what has been said on all sides, but after the policy has been decided it is then

a question not of talking but of action, and the responsibility has got to be individual and not collective. We decided against a formal executive, therefore, but we expect that there will be consultations so that we will have informal rather than formal committees. The people who will be called into consultation by the chief executive officer will depend upon the matter which is under consideration. We feel that it is better to work by informal rather than formal committees. We feel that formal committees can be an utter waste of time once there has been a policy decision.

Finally, may I say this. All history has show that the institutions which survive in the long run are those that are prepared to adapt themselves to changes in circumstances. Those which fail to do so become merely a place in history. The choice is ours.

MR.COUVRECELLE (France) (Interpretation): The French Co-operative Movement during its 1964 Congress decided to elaborate a first plan of development for co-operative expansion. It set up a commission which in turn set up seven working sub-committees, and I would stress here the wide participation in this work on the part of retail societies and central societies. Hundreds of responsible people are working on the plan. We wish to work out a satisfactory network of distribution and to determine the desirable limits of concentration. It would appear that there is a need for a certain subordination on the part of retail societies. This commission will have to re-shape or re-design the French co-operative "map" and to propose as a matter of urgency the kind of contribution that can be made by what we call the "semi-desert" of co-operatives to the apparatus of distribution. The first commission will outline what is to be done and the next one will state in detail how it is to be done. In this way it is hoped to build up a picture of what the movement should be like in 1975, in regard to sales policy, commercial policy, etc., as well as the type of stores and organisation, management, and so on. The work of the commission will be facilitated by the use of scientific material and in particular by the use of computers.

Another commission will study the problem of concentration of industries. We must think anew on the question of our warehousing systems.

The fourth commission will deal with finance and the utilisation of co-operative finance, etc.

Our preoccupations are not simply of an economic nature, an industrial or an official nature. The plan must study and review the application of democratic rules in order to give a new concept of what is required of them. As Professor Lambert has said, we should not lose our soul when we are dealing with the problems of our movement. It would be unthinkable to review the structure of the movement without dealing with the mass of our people and with the trade unions, and the commission will have this well in mind.

We feel that it is important for us also to occupy ourselves with the question of insurance, credit, etc.

We shall not have a specialised commission to bring out the details of the reforms in the basic structure; this will only be attempted at the end of the work performed by these commissions of which I have been speaking.

The French movement is well aware of the need for a rapid evolution and is also aware of the high standards that will be required in the face of competition from capitalist circles. It is particularly concerned about the re-grouping of the younger forces in the country.

We know that there will be difficult decisions to be taken on all these questions, and the Congress of 1966 will probably give us the green light for the implementation of the first phase of the plan. In any case, we are happy that this question of structural changes has come up, and we hope that there will be a wide exchange of information on all the work that has been undertaken in the various countries and on the experience they have gained.

MR. JANJIC (Yugoslavia): The amalgamation of co-operatives requires great consideration if it is to be carried out efficiently and successfully. It is clear from the documents that the changes that have come about have been largely due to technological changes in the whole field of economic life. Just as there have been changes in the means of production and in transportation and economic development, so must there be changes at the same time in the co-operative movement in order to adapt to these new conditions.

In our country we are concerned with the centralisation of capital in the co-operatives, and we have to understand what is the implication for our co-operative movement.

We feel that it is necessary to consider the basic principles of open membership and voluntarism for every co-operative, as well as democratic control and self-government.

Centralisation involves also the question of centralisation of power in regard to management and government. With the centralisation of capital it is clear that we need special abilities on the part of the managerial staff. It is said in the material that the process of amalgamation and the integration of the co-operatives is very far from what is required. It is a question of how in the co-operative movement we can best secure the participation of the members in the governing of the organisations. Through the better internal organisation of the co-operatives it should be possible to have a better participation by the members in the running and governing of them. I think that this problem should be more deeply studied within the movement than it has been so far. We must ascertain what is the right scope of participation in the smaller units so that the members may take their part in the whole activities, with the possibility of taking direct decisions through their representatives. We have two methods of deciding. One of them is the making of direct decisions and the other is the making of decisions through representatives, and with a combination of these two methods it should be possible to have a much greater participation by the members.

In the case of the very big organisations there has to be a different scale of planning, even on an all-country basis, but again there must be an opportunity for the members to take part in the making of decisions and in the development planning. There can be bureaucratic planning and there can be democratic planning. Bureaucratic planning is based on the work of specialists; democratic planning is based on the ideas and thoughts of the general membership. The members can be involved in planning through their various meetings, held annually or more often, and also by means of referendums.

With regard to the election of the boards, this is very difficult to carry out at annual meetings without the full attendance of the people. In order to stimulate the attendance we have in the last two years held a discussion as to the planning programmes. As a result of the keen interest of the members we increased the attendance on the occasion of the last election from 84% to 93%.

In the case of the big organisations there is, of course, the danger of bureaucracy and technocracy. This is not merely a theoretical possibility; it is a reality in many cases. I think we are all aware that only the full participation of the members can prevent such tendencies.

We feel that the problems facing the movement can best be solved by means of the much greater participation of the workers in the running of the co-operatives. The members are sometimes very far removed from the managerial process. It is not, however, possible to have this degree of participation without co-operative education, which must include both political and social education.

Having reached what is undoubtedly a crucial stage in the development of the movement we have to work out solutions to our problems, and the whole future of the movement depends on our success in this direction.

MR.KOSKI (U.S.A.): We in America consider this to be the most urgent and most important subject with which the movement has to come to grips at this time. I would like briefly to tell you something of the background in our country, the climate in which our co-operatives are operating and the kind of climate we must fashion in the future; and then I will tell you what we are trying to do about securing a safe, continuous future for our co-operatives.

In comparison with many of the countries represented here today we are a very young nation, therefore we have probably had to experience much more rapid changes in order to keep up with the times. For example in the infancy of our nation it took 97% of our people, working long, hard days, to produce the food and fibre the people needed. Today it only takes 9% of our people to produce more than we need of food and fibre. This is a great tribute to our farmers. They, together with their co-operatives, have increased their productivity three times as fast as all the rest of our industry, and it is predicted that in the future - and not too far away - only 5% of our people will be needed to produce the food and fibre required.

In the course of this tremendous change from 97% to 9% there has been a transformation in agriculture in particular, and our nation is now a completely industrial one.

We have had concentration in many areas. For instance, in population we are experiencing a tremendous concentration into fewer and fewer communities. A study indicates that in communities of 2,000 and less there will be tremendous casualties in the next few years. That alone brings about a need for a different type of set-up on the retail level for any type of business, including the co-operatives.

We are going to experience a tremendous increase in population, and this brings problems but, on the other hand, great opportunities for those who are preparing for it today.

We are also experiencing a very serious development in another direction, and that is in the concentration of economic power. We have giant corporations today. For instance, one of our auto manufacturers is doing over ten billion dollars sales volume a year, and reaping over a billion dollars profit a year. We have a telephone company of equal size. Our largest food distributor does five billion dollars' worth of business a year. What is of more concern, and rather frightening, is the tremendous pace at which these big giants are acquiring more and more of the smaller companies. Great mergers are taking place. Government has been very concerned about it and produced a large book of all the mergers and consolidations that have taken place in the last eleven years. It is indeed frightening, and the Government is concerned about this, for, to be very candid, although these corporations say, "we have got a lot of stockholders" today these powerful corporations are controlled by professional management. The decisions made by these tremendous corporations have very serious effects on our entire country, and it could threaten economic enslavement for our people, and eventually threaten our democratic form of government. The Government is looking towards some other type of distribution programme coming into the picture as the counterbalance to control this ruthless concentration of economic power.

We are also experiencing very accelerated changes in products. The desires of the people are changing rapidly. We have in the food industry alone today 6,000 items in the grocery store. About 15 years ago we only had 3,000. We get about 400 new items every year, and great casualties in items that have to be dropped, so we must be in a position to determine what might be the new desires of the consumer in the future. There is a tremendous introduction going on of new items that we never dreamt of before, so we must keep on our toes in that respect.

There will be tremendous changes in the future. In the last 50 years in America we have experienced more changes than in all the rest of the history of the nation, and it is predicted that the next 25 years will see greater changes than in all of our history, including the past 50 years. We shall be facing some unknown situations and a lot of new, unknown competitors.

One large national drug store has made a very careful study of the tremendous increase in population that is expected, and the tremendous demand for food and fibre. The Mid-West, in my region, will be the bread basket of the United States and it will set up in this area a great big fertiliser complex. This is a drug firm. It is this kind of situation that we are facing and will be facing in the future. We do not know who will be our competitor tomorrow. This calls for tremendously effective research in order to keep abreast of what is going on and what is happening. This also calls, of course, for economic strength. There will be great technical changes and automation, calling in turn for enormous increases in the investment of capital. In order to face this challenge we need size and economic strength. Electronic data processing is very expensive but absolutely essential for the fast and effective control of operations.

The question has been asked many times in America: Do we need co-operatives really? Let us just take the food industry. We have some effective chain stores and effective voluntary private dealer co-operatives, and they are doing an excellent job. We find it very difficult in America to enter successfully into large metropolitan areas. Because of our agricultural background our co-operatives primarily were and are in the agricultural field, serving the farmer, but, as I mentioned, our future will not be secure if we expect just to serve the 5% - the farmers. We are going to have to come to a position where we serve all the population. Agriculture will need co-operatives - the 5%, the farmers - but it is too small a group to maintain strong co-operatives, so we must get the rest of the population behind the co-operatives. Actually we have no choice but to think in terms of one way or another - if we feel we need co-operatives - entering successfully into the large cities.

I will give you an illustration of the two types of very successful distribution system we have, and why they are not adequate, so that we need a third one. It is a sort of triangle. On one side we have the national chains. They are very powerful and very efficient and provide a good service. On the other side there are the voluntary chains, the independent merchants, who have formed their own co-operatives. They likewise are growing rapidly and doing a fine job. But their motives in each case are profit. There is the chain for the stockholders, the voluntaries for the private entrepreneurs, the merchants, and the savings from further consolidations and technological know-how and improvement will not all be passed to the consumer in the way they should be unless there is another link here to make this complete triangle. Then we will have the type of competition that will automatically determine what is the true value of the products that the consumer should pay; only then will the consumer get the benefit from the improvements in technical know-how and so on.

I feel, therefore, as do many of us in the United States, that there is no question about it: the co-operative is the type of organisation needed to make this complete triangle, and to provide an effective system for the United States and for the people in the future. As I have said, agriculture is too small, so we must join together to go to the cities and become successful.

The reasons why I say that the co-operatives are properly run are these. The co-operative makes available a service to everyone concerned; it makes it possible for low income people to become the owners of economic institutions through their investment, and at the same time to have as big a voice as any other large consumer, through the principle of "one vote one member".

It is important, we feel, for the co-operatives to accept this tremendously awesome responsibility of changing their structure in such a way that we can begin to serve all the people and grow big enough. If there are no co-operatives where they can become masters of their own economic destiny through the ownership of economic institutions, it may be very serious to have those wage earners not belonging to anything. Everything is big, and it could have very serious effects on the whole attitude of people, so that there too is a great contribution that we co-operatives can make.

We could, I suppose, have rationalised and said, "Sure, they are doing an excellent job. Why should we try to struggle and make our co-operatives strong enough to become this third link in a completely effective competitive system?" But we cannot evade the challenge in good conscience. We have to accept this responsibility, and it is a tremendous one.

I am happy to say that the first step was to recognise that we must become bigger faster. We cannot grow fast enough of our own volition. But neither did our competitors. They merged and joined and bought each other out. We must do the same, and as leaders be willing to rise above ourselves so that we can become bigger, in order to protect our people in the future and to maintain a democratic economic condition in our country.

Progress is being made. There are three big co-operative regionals which have merged. They are doing over 300 million dollars volume a year now, and further consultations are going on. The Illinois and Iowa state regionals have joined together and there is some discussion as to others joining them. The same process is going on with the Midland and Central Co-operatives, and in the Mid-West there are others going along similar lines. Midland were primarily in agricultural distribution and Central were primarily in food and clothing and printing, as well as other lines. But, keeping in mind that the future is going to be in concentrated, bigger communities, we felt that we should put these two together and be in a position to satisfy the needs of all people in all walks of life; to meet this tremendous challenge to become the strong third link in the triangle. So we merged and we are really the most complete distribution organisation in the United States today. There is no other single organisation with so many items to offer. We handle over 21,000 items today. We can meet the needs of suburban people, professional people, rural people and urban. We started out a year ago with 75 million dollars volume, we are aiming for 85 million this year, but we are confident now of hitting 90 million by the end of this calendar year.

We are now in a position to set up electronic data processing systems and are working on them. We can control all our inventory and buying and selling and warehousing. We can set it up so that it orders automatically from the supplier 80% of our items. We can set it up to control the filling of the orders to the percentage that we think is most efficient. In the large locals we can have equipment where they will just punch in the numbers and in less than a minute it will be ready to be filled in the warehouse.

If I want to know how a particular department is doing in this week I will have the answer in a matter of a fraction of a second.

This is the kind of equipment we are going to need to compete with the giants and it is very expensive, so we had to get big for that reason.

We plan to set up what we call local retail complexes on the edge of town, with a lot of parking, where we will be in a position to serve everyone. We are going to launch a study and prepare a master plan for Midland co-operatives by which we shall determine which are going to be the growing communities in our territory, which will have the future, what type and how complete a complex must we set up for that particular type of community, and all the economic requirements, and what sizes the different departments must be before they are successful operation-wise, and so on. We can also determine what relationship we shall have between the regional and the local.

Basically we believe strongly that we must maintain local interest and local ownership, but, as far as operations are concerned, through the electronic system we shall provide a complete accounting service for the local co-operatives, with fast, reliable information on their operations, and we can help them to control margins and expenses. This will automatically lead into a close-knit operational relationship but we want to maintain this feeling of ownership in the economic institutions that our co-operatives will be building in the future. This automatically means that we have got to have open membership before we can serve everyone, and the other important things like "one vote one member" and the return of the overcharge on the basis of contribution, that is, sales. This means that there will not be two camps of co-operatives, one farmer and another the consumer. There will be no such thing. It has got to be one, serving all people and serving them in different ways.

What we have done in Midland is not enough. When we went to our people and told them the conditions for combining Midland and Central we said that this was going to be only the first feeble step. There have got to be many more. Take the Mid-West as an illustration. We have with us here Mr. Cowden, who founded and managed and built up a tremendous co-operative institution, the Consumer Co-operative Association, in Kansas City, operating in nine states. We have another very successful one in St. Paul - a Farmers' Union. We have many smaller ones. It is my sincere desire and hope that I will live long enough to see all of these merge. It is needed desperately. We will then have an organisation which will have an annual volume

of over half a billion dollars, and we will be serving people from the Canadian border down to the Mexican border, through the heart of America. Just think what a tremendously effective economic institution we will have for our people! This is what we need and it is not only because there is going to be accelerated integration in the future but because we have a distribution revolution going on in America. It has been going on quietly for sixty years but now it is accelerating at a frightening pace, and that is vertical integration. We had before two groups involved in serving our people: one was the manufacturer, controlling the raw materials, and then there was the wholesaler and the retailer. Now the manufacturer has gone into retailing completely so that it is a complete step from the raw material to the retail, and therefore there will be savings from all steps. The manufacturer has done that. Now the national chains have done likewise. They have gone into raw materials and manufacturing, so that they have got all the savings. We must do the same in order to survive and in order to pass on the savings to our people.

MR.ZERKOWSKI (Poland) (Interpretation): In the report it is said that in Polish co-operation in the village there are no radical changes. There the attention is mainly turned towards the concentration of trade and industrial work. It is different from urban co-operation in the smaller tradition. A great deal of interest in this important discussion is being brought about by the concentration of the urban consumer co-operation, which encompasses about one-third of the total urban trade.

In September of this year there will be a meeting of the comrades of the "Spolem" co-operatives at which the delegations will make contacts with the new projected organisations. Participating in the work of the Congress will be a representative from the I.C.A. and delegates from the co-operatives of various countries.

As a result of the proposals made in July 1960 there will be only 22 co-operatives, unifying all the regions, including the capital, Warsaw. These united co-operatives, replacing the former 360 urban consumers' co-operatives, will be able to work directly with industry. People will be able to work more constructively and the surplus will be reduced. In Poland at the present moment there is an enormous process of concentration taking place and a large organisation such as "Spolem" must participate in this new process. There are only a few people who maintain that there is a danger that, due to smaller contacts between the member and the co-operative, there will be a development of bureaucracy. It is our belief that in fact the interest will not be any less, for in each one of our stores there will be a members' committee, and these committees will have great influence, making decisions, for example, when there are disputes between members and the workers in the store. They also decide questions of surplus and also represent the opinions of the workers in the stores and so on. We have 24,000 such committees and 140,000 active members work in them, the majority of them being women: there is a 60% feminine representation. A general assembly of the members elects the co-operative

councils which decide on the most important organisational and economic questions. In the new organisation of larger regional co-operatives there will be autonomous departments with a great deal of power and rights, and this is why we are not concerned that in these conditions of concentration the members' rights will be impaired. They will still be as interested in the work of the co-operatives as a result of the new structure. I think that in two or three years' time, after our reorganisation, you too, fellow co-operators, would probably like to see how the "Spolem" co-operatives are working in the Polish cities.

MR.NIJHOF (Holland) (Interpretation): This report gathers data from many countries and directs our attention to the essential question, which is what must happen now. Do we go on, as Mr.Korp asks, with the federalist structure, or will we arrive at a national structure? Mr.Korp goes on to ask whether there will perhaps by a synthesis, having the advantages of both. I would have liked him to deal with that question, having posed it.

We in the Netherlands do not see such a possibility. When we read about how in the different countries the co-operative movements have been organised, I think we must claim that so far in the Netherlands we have gone farthest in trying to form a synthesis between the nationalist and federalist structures. In order to delegate a certain function of sovereignty to the apex organisation we have tried to follow the example of KF, but the Netherlands is a relatively small country compared to Sweden, and all our neighbours are bigger countries. But perhaps others can learn a little from our experience in this respect. If the KF concept is that certain matters should be transferred to specialist organisations, I must say that we have been doing this in the Netherlands. We have submitted a report to you and it is set out in the Report before us. What we have stated is that certain matters are not delegated to specialist organs but that we decide on the whole. The co-operative movement in Great Britain, we are told, is still facing the difficulty that purchases are not centralised. As can be seen from page 5 of the Report, in our country almost all purchases are centralised. Excluded are perishable goods like fruit, vegetables and meat. Apart from that, all purchases are centralised, even brand articles from private enterprises. Coop Nederland takes care that we receive them. The central organisation of the 18 members deals with this, and with the investment plan, advertising, prices, sales campaigns, publicity. All these things are up to the 18 co-operatives to decide in co-operation with the central organisation, and the majority decision is binding on the minority. You might ask me, "What else do you want?" We want a smooth functioning of this system, but it only functions smoothly up to a certain extent. If you build a structure such as we have in the Netherlands you will always find a dualism existing between the regional consumers' co-operatives, being responsible for their own enterprises, and the central organisation. Even if everything is as it should be, this dualism will continue to exist.

I will give you an example. One of the first decisions taken by the new central organ was to centralise advertising in a few national newspapers. Before this every consumers' co-operative published its own advertisements. Difficulties have arisen from the centralisation of advertising, so that there are certain snags that exist. In practice then, we run into difficulties, but not, of course, in all matters. We are all aware of this dualism, not only in the central organisation in the Netherlands but also in each of the 18 individual co-operatives. I can tell you that we would like to grow into a national co-operative, for in our opinion this is the only possible solution to our difficulties. If we had one single image we would mean something to everybody, and we really need this one and only image, because our competitors are also building up their image on a national basis. We are convinced that unless we want to lose our influence on young people we must demonstrate that we are a dynamic organisation. This will only be possible by means of a nationwide co-operative movement.

MR. PODLIPNY (Czechoslovakia) (Interpretation): I should like to confine myself to emphasising one fundamental aspect of co-operative activity, that is to say, the aspect of ensuring maximum influence of the members on management and control of co-operative activities, even under the new conditions.

In the course of the whole long process of concentration of co-operatives, taking place with the participation of wide sections of members in recent years, for the purpose of increasing the efficiency of co-operative activities, our aim was primarily to create suitable conditions, allowing us to ensure that, even when the economic units are considerably increased, the influence of the members on the management and control of their co-operatives should not be weakened but that, on the contrary, it should be strengthened.

In the sector of consumer co-operatives, as has been emphasised in the documentation submitted, the issue was also to strengthen the rôle and function of the local shop level supervisory committees, that is to say, the committees elected by members at the level of individual shops in villages.

The co-operatives adopted and also embodied in their rules the principle that even such local shop level supervisory committees became statutory bodies with clearly defined rights and obligations. These supervisory committees at local shop level then bear the responsibility, in addition naturally to the responsibility of the management boards of the co-operative societies as a whole, for regular convening of meetings of members at local level, for the organisation of the social life of the members in the place of residence, as well as responsibility for cultural and educational work among the members and responsibility for permanent supervision where the aim is to see that the staff of the co-operative shop should really serve the members and the other inhabitants.

In a similar way it was also necessary in the sector of artisan and industrial producer co-operatives to strengthen and enhance the importance and function of the meetings held by the co-operative members at their individual places of work, the aim being that the members should be able to make their influence felt and to take part actively in deciding about the activities of the individual workshops and of the co-operative society as a whole.

Now, after a certain time has elapsed and we have been able to test this new system in practice, we can state that this new system, which enables every individual co-operative member to apply in practice or to use his influence on the management and control of co-operative activities, even under the new conditions of large economic units, leads towards the growth of initiative and also increases the co-operative members' interest not only in the achievement of positive economic results, and participating in these results, but also their actual interest in the everyday co-operative life and co-operative education and cultural work.

MR.SERBAN (Rumania) (Interpretation): I would like very briefly to mention the changes which have occurred in the structure of consumers' co-operatives in the Socialist Republic of Rumania, and the principles applied and the consequences of these changes. Experience has shown that the co-operatives with a great volume of activity reach a better economic and financial result. Thus the necessity arose that a number of smaller co-operatives, with a smaller volume of activity, had bonds between them so as to increase their economic strength. This was on the basis of the general agreement of members and co-operatives. Thus at the end of 1964 the number of co-operatives was 2,197 in comparison with 3,493 in 1953. The very same principle was used in a number of cases in the various regions, as a result of various decisions of regional associations.

In our country we are able to avoid any moving away of the co-operatives from the members, by means of our basic organisational structure. The boards of management are all organised according to each separate region or locality. At the meetings there is a council of 10 to 17 members elected for a two-year period, and the delegates for the general assembly of the co-operatives are chosen for two years. The council is responsible to the members for the proper supply and management of stores. At the end of 1964 in our country we had 10,411 agricultural councils with approximately 83,000 members.

The decisions as to structural changes are being made on the co-operative level by the general assembly of members and delegates, while on the level of the region they are made by special district conferences, and on the central level by the central co-operative on the basis of the decisions taken by the conference of consumer co-operatives.

In addition to the changes of a purely organisational character I would like to mention the relations between the trade institutions and the various trends of the present period. We need to satisfy the consumers' demand and so the retail institutions come

into association with the district institutions for wholesale trade. The wholesale institutions base their operations on the orders made by the retail co-operatives. For each of these there is the necessary reserve for a given period. This system is effective inasmuch as the wholesale trade institutions are closely linked with the primary organisations. The wholesale institutions are interested also in the question of salaries and the dividends arising from the sale of the goods by the various organisations. The wholesale trade institutions use salesmen who come to the retail organisations and give them advice on the question of selling, etc. The wholesale warehouses supply about 80% of the total quantity of goods. We constantly try to widen the turnover. Goods are transferred directly from the production institutions into the stores, avoiding as many middle links as possible. At the present moment this sort of supply represents a significant volume of the general supply.

In order to improve the effectiveness from an economic point of view of the system, in 1964 the central organisation worked out a new standard for the development of retail trade networks, on the principle of concentric organisation. According to this, the maximum distance which has to be covered by the consumer in order to buy the necessary goods has to be decreased in direct proportion to the growth in the purchase of goods. Thus the goods are close at hand for the consumer due to this network of trade. Goods which are demanded only on a periodic basis are sold through a special communal trading centre and through zonal trading centres located in the principal areas of population. This has been done on an experimental basis since 1961 but will be expanded in the future on the basis of the results obtained, and there are bound to be improvements through experience.

Thanks to the social system in our country, where there is no competition either from trusts or monopolies, these questions are able to be dealt with simply as an economic necessity, with the aim of developing the responsibility of the consumers' co-operatives, so that they may have increased economic effectiveness, in the interests of the members.

MR.NEVSKII (U.S.S.R.) (Interpretation): The Report on Structural Changes which is submitted to the members of the Central Committee has as its goal the co-ordination of the changes in the structure in co-operative organisations of various countries so as to be able to meet the necessary changes in economics and trade and production of various countries. It is precisely from this point of view that we must consider all the facts presented by our Rapporteur.

The first decisive factor, which we cannot possibly ignore, is that at the present moment in the world there are various social and economic systems. There is the system of capitalism and there is the system of socialism, and it is precisely this fact that the author does not seem to keep in mind. He has said that during these last years there has been an enormous change in almost all countries in the number of members and so on, but the

reasons for such a process quite naturally depend on the economic system in which the co-operatives and the co-operators work. In the capitalist countries the reason is based on the competition of capitalist monopolies which very often push out co-operation from one or other branches of the economy. The author himself many times mentions this fact. In the socialist countries, as is well known, we do not have private enterprise, therefore there is no capitalistic competition with the co-operatives. The process of unification must therefore depend on another reason of an entirely different character. This is not brought out in his address.

The structural changes which have occurred in the U.S.S.R. movement are usually based on a rationalisation of the economy, on the territorial distribution of the population, and on the desire to have better contacts between members. With the unification of co-operatives we have to calculate to what extent it is taking place and what is the structure of the co-operatives that is resulting from it.

In the U.S.S.R., as a result of the growth of the co-operative movement, and this process of rationalisation, the number of societies has been reduced from 40,000 in 1964 to some 16,000 in 1965. This cannot be achieved without the proper technical basis.

The Board of Centrosoyus within the next five years will be constructing no less than $3\frac{1}{2}$ million square metres of industrial services, costing 2 billion roubles. In order to be able to supply our warehouses and stores with new equipment we have studied the experience coming to us from abroad, and we have built 27 machine-building factories which will fully ensure to us the proper trade and economic turnover.

This is all due to the fact that our Soviet Government gives enormous assistance to the development of consumers' co-operatives. At the request of Centrosoyus the Government has given a credit at 2% interest per year for the development of warehouses and bakeries and other institutions.

With regard to the training of specialists, Centrosoyus has four higher educational institutions, 150 technical institutes and several thousand trade schools for the training of salesmen, bakers, and so on.

As the Rapporteur has pointed out, we have to be concerned with the preservation of democracy in relation to centralisation of activities. Special measures have to be taken in order to avoid the danger of bureaucracy. In the U.S.S.R. there is no danger of the weakening of co-operative democracy. Soviet co-operators continually strive towards the development of co-operative democracy, taking all sorts of measures to increase the rights of members. Members of consumer co-operatives participate very actively in the work of the co-operative societies. The various commissions are chosen by the members, and the members are also active in the dissemination of propaganda for the purpose of increasing membership and unifying it. We have the position where almost 10% of all the members of

the Soviet consumers' co-operatives play an active rôle in the day-to-day work of the societies. It would take too long to detail this rôle.

As the Report stresses the value of the exchange of experience it would be very useful, I think, to give you a little further information.

In the Soviet Union there has been a gradual expansion of the powers of the elected co-operators. This in turn leads to a strengthening of co-operative management.

The Soviet Union and other socialist countries have a full system of co-operative educational institutions.

At the same time, there has always been an interest in the experience of the national co-operative movements of certain other countries, and the development of co-operative democracy. As a result of this, in the compilation of a report on any important co-operative topic a comparison is made of both the experience of the Western co-operative movements and of the experience in the socialist co-operatives.

If the Rapporteur considers that he is not sufficiently conversant with the movements in the socialist countries to make such a comparison, we could entrust the preparation of a report on this additional information to a representative of the co-operatives of the socialist countries.

MR.THEDIN (Sweden): I think I can be fairly brief because the Swedish organisation, K.F., has presented a very extensive report which I think gives all the relevant facts about the background of the structural problems in Sweden, about the various alternatives with which we are confronted, and about the rules we are trying to follow in the future.

As will be seen from this report, we have set up a so-called Structural Committee, which is now working and which is concentrating upon two main alternatives for the future. One is the creation of a unified co-operative structure in Sweden. The other is the creation of a structure of sovereign societies which together would own and run the co-operative union and wholesale society. But even in the case of the latter alternative we would get a very high degree of unification of the Swedish Co-operative Movement.

During this discussion much has been said about the problem of business efficiency, which is, of course, in the forefront also in our deliberations in Sweden. It is natural that this should be so. It is true that if we do not achieve a very high degree of business efficiency our problems will solve themselves: they will disappear in the long run, together with the co-operative movement itself! Therefore it is obvious that we have got to give the question of business efficiency, of high efficiency, an extremely high priority. But at the same time we must remember that the co-opera-

tive movement is not only a business organisation; it is an organisation, as far as the consumer co-operative movement is concerned, of consumers, by consumers and for consumers; and here we are confronted, indeed, with another aspect of our structural problems to which we must pay very great attention. This is alluded to in point four of Mr.Korp's introduction, when he refers to the connection between organisational structure and the psychological structure and level of education of members and leaders. When we are confronted with our two alternatives we may very well perhaps reach a conclusion that one of them is more efficient from a democratic point of view and the other is more efficient from a business point of view. It is for the Structural Committee, on which the majority are laymen, not employed by the co-operative movement, to make the final evaluation. I am quite convinced that, whichever alternative we choose, we can solve the problem of creating an efficient democratic structure, a good democratic form, so to speak. But, on the other hand, we must remember that the democratic form is not enough. It must be filled with a democratic spirit. The whole co-operative movement must be imbued by a co-operative spirit. Here we are confronted with a psychological problem, because, with the increasing distance between members, and with the central organ taking the final decisions and also the policy decisions, and with the increasing distance between members and leaders, there may be a growing feeling of lack of influence from the side of the individual member, and therefore a diminishing interest in the co-operative organisation.

The prerequisite for an efficient democracy and a real democratic spirit lies, I think, in three different factors. One is the problem of democratic co-operative education, to which our friend from Yugoslavia, Mr.Janjic, referred extensively in his remarks here. In Sweden we are discussing very much the problems of the recruitment of the future committee members, the problem of training the elected committee members, the problem of approaching youth, of approaching the women, who become to a larger and larger extent the members of our consumer co-operative societies. And here perhaps the old structure of the co-operative women's guilds is no longer efficient, because it seems that these organisations cannot attract the interest of the young.

The secondary requisite to which I would like to refer is one which may give us quite a lot of headache, and that is the problem of consumer information and education. The consumer co-operative movement, as we see it, is the organisation of the consumers, but in many countries we have seen emerging other types of consumer organisations, other types of consumer associations, consumer unions, etc., which in some cases do not even recognise the consumer co-operative movement as a consumer organisation but merely as a kind of business organisation.

We must look, in the consumer co-operative movement, upon our factories, our warehouses and our co-operative stores as instruments in the service of the consumers, with the purpose of promoting the economic interests of the consumers. We must look upon our educational activities in some way not only and in the first place as the servants of the business activities but as an independent activity

in order to train and educate the consumers to promote their own interests in the best possible way. That will mean - and this is what we have discussed in Sweden - that we must make the very best of the information that we can get from the Government-owned, the State-supported, and independent, research institutes; and if a research institute like the Consumer Research Institute in Sweden should state that this and this product is better than the co-operative product, we should be bold enough to publicise that, and we should be far-sighted enough to take the consequences of it; that is to say, we should act also in our information tasks as a true consumer organisation, working only for the interests of the consumer.

However, there is also a third prerequisite to which I would like to refer in this connection, and that is the old idea of co-operative idealism. We have heard and read a lot about the dreams of the Pioneers, the dreams of a "Co-operative Commonwealth". I would think that this belongs to the archives, to co-operative history; but, at the same time, I am quite convinced that we cannot attract the interest of the young people without having a co-operative federation.

When we discussed yesterday the problem of technical assistance, Mr. Ahmed from Pakistan said, "We do not want benevolent assistance, we want a kind of co-operation". I would think that that is our need, too. We are not out in order to give charity but when we talk about technical assistance to the developing countries it is because, among other things, we have a need to underline and to give expression to the co-operative idea of solidarity across all the frontiers.

The co-operative movement grew up against the background of social injustice and poverty and co-operative idealism had its roots in that. We still have the need for co-operative solidarity, and it is our experience that nothing could attract the interest of the younger generation more than the feeling that the co-operative movement is something more than a business organisation. It is a big organisation which still has in itself an idealism, the idea of a world of justice, and I feel that we must lay a very strong emphasis on that co-operative vision.

There is a death which is probably more tragic than any other, and that is the death of the spirit. Let us be sure, when we discuss our structural problems, that we keep the co-operative spirit alive, that we keep the co-operative vision alive; and I am quite certain that, whatever the future structure of the co-operative movement, we shall be able to retain our co-operative spirit.

MR.CHARBO (Holland): Larger units are necessary. This is a thesis supported by almost all of us, whatever our difficulties.

It is often said - and it has been pointed out in this Report too - that the interest of the members in their society will diminish or will even be lost if co-operatives grow larger and larger. Such a development, of course, would seem to be a strong argument against amalgamation, however useful in other respects such amalgamations might be. But is this counter argument as strong as it seems to be? I doubt it. What percentage of members are interested in

any society nowadays? I am afraid that the percentage of participation in elections, for instance does not provide an encouraging picture of members' interest in their society as such. And what will happen to the still remaining interest if the small co-operatives deteriorate because the necessary amalgamations have been postponed or even rejected? What is the participation and interest? Is it in going to the poll, going to meetings, sitting on committees, or is it perhaps more being interested in and taking part in the co-operatives' economic activities? If this is the case - and I think it is - then every improvement in the economic position resulting from an amalgamation will stimulate this kind of interest and participation. In my opinion the statement on page 9 of the Report, therefore, is in line with this - that new and larger shops should seek new customers and try to convert them into active co-operators.

What is an active co-operator? An active co-operator, in my view, is the one who to the highest possible degree makes use of the shops and other economic facilities and of the consumer information of his or of her society, and who draws the attention of neighbours and friends to the co-operative shop - a shop which is so attractive, so well-run, so modern. This, of course, presupposes a high standard of co-operative performance, and it is obvious that in larger units only can such a situation exist.

The co-operative member must be interested in the economic activities of her shop - not so much the shop being a part of a larger society but much more as the province where the co-operative and the housewife meet every day. Maybe such members are less interested in the co-operative organisational machinery, but there is a possibility that in the past we sometimes have been paying a bit too much attention to meetings and committees and not enough to economic and business co-operative activity. In this respect I think we can conclude that the partial loss of members' interest in the organisational set-up and its working certainly would be a regrettable loss; but we cannot afford to sacrifice the necessary amalgamation to this with a view to safe-guarding this organisational interest.

We must try to restrict that loss of interest as much as possible. But it would be lost, in my opinion, the faster if we tried to maintain it by sticking to the old type of small and inadequate co-operative.

I do know that in many national movements many people do try to stimulate interest and to promote education amongst members, and we should never forget to do that, but at the same time, and in no less degree, perhaps, we should try to promote a direct interest by many many housewives in the shops and in the other economic and information activities which can only be organised and performed really well in large societies.

MR.LOPPI (Finland): In his report concerning this question Mr.Korp very clearly described the difference between the old and new way of thinking and how the co-operative development could be promoted in the best way.

The traditional structure of the co-operative movement, which he calls "federalistic", was based on the idea that our development could best be achieved when every co-operative society in its own field of operation did its utmost to promote itself. But the rapid change of circumstances in the economic life of almost every country has shown that the best total result cannot be obtained in this way; that on the contrary the development will remain unsatisfactory and uneven because the power and means are usually lacking to carry it out. For proper development and growth in these days centralisation is necessary; only in this way can capital be applied where it is most urgently needed. This was realised in Finland immediately after the war, when our devastated North had to be re-built. This would not have been possible without the strong capital contribution and the guidance of the central organisations.

The problem became still bigger when it was found that the whole commercial service had to be re-arranged in the whole country. The old shops no longer corresponded to the changed purchasing habits and requirements. The ordering, warehousing and transportation of commodities had to be rationalised. Bigger operational units had to be created. The collaboration between the central organisation and its member societies had to be made more effective as the competition was no longer of a local nature but became national, between big organisations.

Within the co-operative organisation of S.O.K. it was realised, for example, that in order to found self-service shops it was necessary to establish first of all model shops in every province through the support of S.O.K.; only after this could development begin to take place.

Already before the war the co-operative societies had acquired land in the large centres of population. Often these lots were, however, too small for department stores, or when the traffic routes were changed they were out of the way. Thus the central organisation was forced to acquire lots in many many localities, especially in the bigger ones. Further, S.O.K. has been and is still forced to build bigger department stores, whereas the middle size and small ones are constructed by the retail societies.

Thus the central organisation has been forced to guide the development very strongly and to invest capital in retail trade. According to the traditional opinion, however, these organisations should not have developed in such a way.

To illustrate what is involved in this new development I would point out that the question whether the co-operative societies can operate successfully in shopping centres is one for the decision of the central organisation. Further, the biggest department stores of our organisation are directly managed by S.O.K. Some specialist shops, such as those selling ready made clothes, footwear and furniture, have been taken over by the management of S.O.K.

This development has taken place as a matter of necessity. The only goal is the development of our activities. It has been and

will be asked whether this kind of development is in accordance with the principles of co-operation. Can it take place without the individual members of the movement losing their significance; without the local co-operative interest dying away?

I should like to emphasise especially the fact that in the co-operative organisation of S.O.K. we have carried out all these measures in the best possible understanding with the local co-operative societies, many times even on their own initiative.

The structural changes have been made in the course of organising trade on modern lines in our movement, and there are still many steps to be taken in order to strengthen our capacity and to unite the sources of power, wholesale and retail, as well as co-operative production.

The old sovereignty of societies is not possible in the circumstances of the present day. Nevertheless, we try to maintain the local interest in the management of affairs as far as possible; we try to maintain the democratic rights of the members and their possibilities of affecting the course of development. We are not building a national society, S.O.K., to which co-operatives should be amalgamated. Our goal is that co-operative societies should be merged into larger units corresponding to the natural boundaries of each economic area. This must not take place compulsorily but through advisory work and by developing the economic way of thinking.

As we know, this way is difficult and requires much work, much information, much education, but I believe that by working in this way we can best maintain our members' interests in co-operation; that is the power by which co-operation has up to now achieved its greatest results.

MR.MORAND (France) (Interpretation): In studying the excellent Report presented to us on the change of structure, each one of us hopes that decisions will be taken quite swiftly, for time is really pressing us now. We know that the international trusts and monopolies and big concerns are gaining ground every year by means of absorption and integration. Their means of publicity, as we know, are enormous, quite apart from their economic power. We need to undertake concerted action on an international scale in order to defend the true interests of the consumers.

Among the possible measures I would stress common action on the part of co-operative movements in various countries. Until now in Western Europe the 15 countries forming the Committee on Wholesale Co-operatives have directed their energies mainly towards the exchange of information and experience, but this no longer suffices. We must today consolidate against our common enemy and not only exchange ideas but goods, and organise ourselves in order to produce certain key products in giant co-operative factories, financed and managed in common. In order to do this we must overcome prejudice and cease to live in an isolated way. In this respect I think we should take as our model the courageous initiative of our

Scandinavian co-operator friends, who for many years now have had the organisation NAF which brings in from various parts of the world the necessary products for Scandinavia. This concentration has allowed them to get better prices and to get the better of the merchants who in the past have dictated the situation. The other wholesale societies should follow their lead in order to buy overseas important products such as coffee, tea, grain, fruit, vegetables, fish and other things. The wholesale organisations should also exchange on a large scale the products of the respective factories, and also group their purchases in some non-food products such as household equipment. Some rather encouraging efforts have been made in this direction by EUROCOOP, a body recently created to group the wholesale stores of the Common Market area. Let us welcome this event and hope that those responsible for it, and their experts, will put all this machinery into motion in order to promote this movement. Let us hope that it will grow into action on an international plane, with rigorous integration.

DR.VUKOVICH (Austria) (Interpretation): I would like to look very briefly at these special problems. The definition of integration given to us by Mr.Korp is very practical, and it would be useful to use it in our future discussion. He uses the term "integration" in contrast to the federal system in which powers are delegated by co-operative members to a joint organ of the type which meets as a national congress or a regional congress. This kind of integration can, as Mr.Charbo has said, be pushed in various ways. There are several possible degrees of integration. Complete integration would take some time, but, even if we integrated completely, local co-operatives would still have certain powers of decision. I think that integration as expressed by Mr.Korp has nowadays become a very realistic thing. As we know, the agricultural population is decreasing and that of the towns is steadily increasing. Great masses of people are concentrated in a few urban areas. Our social order requires different measures to be taken in the co-operative field, as well as in others, in order to meet the new situation. This goes without saying. But every integration in this sense, and every concentration, always entails disadvantages as well, so that the "functionability" of the co-operative should not be the only aim to be considered. We have to ensure that the modern methods are indeed the best for us. In this sense it is very difficult to compare our various countries on an equal footing.

Let us consider Austria and the Netherlands. The geography of these two countries raises at once completely different problems. On the other hand, there is a common factor, and it is this. We should not ignore the fact that the more integration, the more concentration, in our co-operative movement, the more concentration of power there will be in the hands of relatively few people. The problem is to make sure that this power is in the hands of the best representatives of the movement.

I would like now to consider the important question which arises from this: how to have democratic organisation and to keep the members' interests alive. Mr.Charbo was very optimistic in this respect

and I think that essentially he was correct. On the other hand, we should not ignore the significant fact that the bigger the enterprise the more difficult it is for the individual member to have a clear view of the overall activity of the enterprise, and the more difficult it becomes for the individual member to look upon the organisation as being his own. Efficiency is important but more important still is the feeling of ownership, of participation. Members should still have the feeling that they are co-owners and that the co-operative organisation is their own affair.

The majority of the members, of course, look at co-operation as they look at any other enterprise - as a commercial matter. It is more difficult to get them to have the right outlook on their co-operative than to get them to make decisions upon integration and concentration.

We should not overlook the significance of this task. We should try to ensure that a just balance is reached between the need for efficiency and the need to maintain our idealistic background. We are not just a commercial enterprise, we are a movement, and if we want to keep people's awareness of this - that we are a movement with higher aims than just commercial advantages - then we must appeal to the idealistic side in man, to his feeling of solidarity and his willingness to make sacrifices, and to his altruistic qualities. I believe that integration is necessary but that we can have integration and at the same time retain our fundamental idealism in the movement. In order to do this we must pay greater attention than in the past to the question of members' education. In the co-operative movement, as in other organisations, only a small proportion of the members can be induced to take an active part, but we must make sure that we always have enough of them to serve the true interests of the movement in the future.

MR. NAKABAYASHI (Japan) (Interpretation): I would like to give some examples of the structural changes in consumer co-operatives in Japan. The recent rapid economic growth in Japan has brought about the mass production method in industry and the evolution of new methods in the field of commodity distribution. But the main purpose of Government policies is to make the consumers buy more commodities for the benefit of private concerns, without regard to the consumers' real interests. It is therefore nothing but the exploitation of human nature. The consumers' co-operatives, therefore, have the important task of promoting a movement which is based on the recognition of human dignity; but we know that in this competitive situation we must do everything possible to strengthen the economic power of the movement.

We have experienced similar problems to those mentioned here today by other speakers. Our story will be written and sent to the I.C.A. for the information of all members, but I would like at this stage to say a little about what has happened in Japan.

The first matter is amalgamation. We have decided to amalgamate the national union and the wholesale organisation at national level and also to connect the wholesale organisation at national level directly with the primary societies.

The second matter is the expansion of primary societies. Here we have many examples of successful amalgamation in order to bring this about. However, we have many difficulties to overcome in doing so.

As to the pattern of our stores, as a general tendency the small stores are going to have the self-service system, and the supermarket system will be applied to the big stores.

The next point is that in order to do this we shall need more capable personnel, with a knowledge not only of modern management methods but also of co-operative principles.

This means that the education of our members is essential in order to maintain the democratic nature of the co-operative societies.

In our countries various programmes are discussed by the co-operative women's guild at many small group meetings in order to keep the members sufficiently informed about the management of the society. Most of those societies which have put too much emphasis on modernisation, leaving educational matters out of account, have failed.

Finally, we are inaugurating new pricing policies. When supermarkets are established they have a tendency to make less use of the wholesale society, so that we need to have a new policy in this respect, to the benefit of all concerned.

MR. TAYLOR (Great Britain): It is difficult at this stage in the proceedings, when so many of the problems we have discussed have been covered in various ways, to say much that is original, and I am quite sure that all of us have benefited in some way or another in sharing the experiences of co-operators in the various national movements. The fact that every representative who came to this rostrum confessed that in his own movement they were engaged in a measure of reorganisation is indicative of the awareness of a crisis in the co-operative movement - particularly a crisis in the movement in Western Europe. This is a crisis not only because our organisational structure has not matched up to the environment in which it operates but I detected in many of the speeches today a crisis in confidence in the co-operative idea.

What we are facing is not merely the question whether our organisation is right. We are also facing the question whether the co-operative idea is relevant to the contemporary problems of mankind. In facing this situation I would, as other delegates have done, like to tell you just a little about how we have tried to deal with it in the very small country from which I come.

A delegate this morning, talking about the C.W.S. Reorganisation proposals, I think claimed to speak on behalf of the United Kingdom. Scotland is that small part of the United Kingdom which lies to the north of England, with a population of some five

millions. It is, however, the most intensively developed co-operative community in Europe, after Finland. It is more intensively developed than Denmark and Sweden and England, and I think that probably it is about the same size as S.O.K. or O.T.K., but certainly not together.

When we faced this problem of reorganisation - I say this not to boast but to give you some idea of the size of our co-operative structure in our country as a whole - we felt that we ourselves were so much involved in the problems of reorganisation that it was difficult to be objective about some of the needs. It is sometimes difficult even for the most disinterested persons to legislate for themselves, and so at the present moment we have turned loose on our organisation professional consultants of very high standing and have asked them to look at our movement in the light of their commercial experience and to come up with a picture of what a well-run organisation should look like in modern terms. We have not yet received that report but I am quite sure that we shall be happy to share its findings with any European co-operators who might be interested. These consultants will conduct a detailed survey of what is needed, but it is quite clear already from the discussions we have had, and from Mr.Korp's admirable summary this morning, that there are three basic problems.

The first is the problem of integration - the fact that our competitors are substantially vertically-controlled organisations, which makes them more effective.

The second is the problem of managerial efficiency - the fact, too, let us admit it, that in many sectors private industry is more efficiently managed than we are.

Thirdly, there is the problem of democratic government within a co-operative structure.

I have no doubts on the question of integration, and may I say here that the retail societies in England will approve the document which Mr.Jacques mentioned in his admirable comments this morning; they will support the reorganisation of the Wholesale. The real test of the seriousness of the intentions will be when they agree to sign a contractual obligation to draw their goods from the Wholesale. That will be the test. It is very easy for us to legislate for other people or to say where they are wrong. The real test of the seriousness of our intention is when we accept the obligations imposed upon ourselves.

The question of efficiency is linked up with the question of size. Managerial efficiency will be secured in the movement if we create an atmosphere in which good management can operate; and good management requires administrative skills which cannot be exercised in small units. So an essential prerequisite for the reorganisation is that we think in terms of larger units. But when we think in terms of larger units we come up against some serious democratic problems.

It has long been the boast of English co-operative societies that they had in their midst the largest co-operative society in the world, the London Co-operative Society, with a million members. It is very significant that, while London Society now has the largest membership in the world, it has not the largest trade of the societies in the world. It has a smaller trade than Konsum, Stockholm, with far fewer members. And - let us face it - a co-operative society of a million members can be a travesty of democratic practice. We have to face the fact that we have not yet worked out the technique (Mr.Nielsen will probably deal with this in relation to Copenhagen) of democratic control in large economic units, and it will be very helpful to the co-operative movement if Mr.Nielsen, in the light of his experience and that of Denmark, can guide us in this direction.

I think sometimes that when we are talking of democratic control by members in a large unit we think exclusively in terms of the right to elect a board and sit on committees. I believe this conception is rather out of date. I am impressed (I say this with Mr.Barbier present) with some of the things that are done in Switzerland, where the co-operative societies, and also the pseudo-co-operative society of Migros, have recognised that member participation does not necessarily mean attending the quarterly or half-yearly meeting but involves creating as a by-product of your business-efficiency an organisation, an atmosphere, in which the members can feel part of a social institution. The members nowadays for whom we cater are not the economic men of the 1850's but a new kind of man with some degree of leisure and with needs stretching beyond bread and butter and tea and coffee - the needs of a full man to leisure, to the arts, to the things that make life real and exciting; and, in so far as the co-operators can contribute, as a by-product of their business efficiency, for the whole of man, so will they establish a degree of democratic belonging which our old structure of simply attending half-yearly meetings does not provide.

We have spent a good deal of time talking about structures, about the patterns of organisation. Basically what we are talking about is men and the ability of men to adapt themselves to the new situation in which we live; the ability of people to give up power, to be less selfish, to accept the need of the greater whole rather than their individual need. This is what we are talking about, and if we are to discuss and to achieve a degree of reorganisation in the co-operative movement it must be on the basis of the preservation of the spirit of co-operation.

It is said somewhere that "the letter killeth but the spirit giveth life", and if we are going to generate a new atmosphere in which this crisis in confidence is going to be overcome, and we are to go forward, it will be necessary for us to generate within our members, as well as within ourselves, this new spirit that co-operation is relevant, that it has something to say, and that democracy can in fact act responsibly.

MR.NIELSEN (Denmark): My country has been the only one so far that has been bold enough to make out a total plan for the future development of the movement.

During the 'fifties the need for adaptation to a change in the conditions was widely felt within the movement in Denmark; especially it was felt by the urban societies. The feeling was that if we are not as efficient as the best of the private retailers we risk that the members will lose faith in the co-operative idea itself.

During the last five years the Danish urban societies have been convinced that only through concentration can this efficiency be gained. From concentration they hope to gain strength in various fields - buying, finance, technical know-how, prices, merchandising methods, assortments, types and standards of shops, advertising, and the important question of recruiting staff, especially the people at the top level. Their belief in the necessity of concentration was so strong that instead of waiting for a report or recommendations to come out, the urban societies just acted, and within two years 32 societies amalgamated with the Copenhagen society, HB, so this society became a national one. This creates a very peculiar situation in our country. Fifty per cent of the total membership of the consumer movement are members of this one society; almost 40% of the total trade of the movement is done by this one society. It is the biggest retailing unit in Denmark, and I am happy to report that the rate of growth since these amalgamations took place has been bigger than that of the rest of the movement, and far bigger than that of private trade.

It is the declared intention of this big society that it will partake in the shaping of the Coop Denmark, which is our final aim, and it is generally supposed that the procedure will be a merger between our Co-operative Wholesale and HB at some stage. So far the plan is quite clear and quite easy to conceive.

While this has been taking place the movement as a whole has completed its plans for the further development. These plans are outlined in a report called "The Road to Coop Denmark".

The activity of HB covers roughly 50% of the movement's activity; the rest is based on 1800 individual societies, 1750 of which have only one shop. Under the leadership of the Co-operative Wholesale we have strived during the last 10 or 15 years through collaboration to achieve efficiency by various channels, trying to copy the mode of working which is characteristic of the voluntary chains but without sacrificing any part of their independence.

The relationships with the Wholesale have been altered as a result of this plan for the formation of Coop Denmark. The plan outlines development by stages. The first stage is that the voluntary association between the Wholesale and the retailers will be based now on contract. The societies will have an obligation to buy their goods from the Wholesale. They will be under an obligation as far as their assortment goes. They will have to follow certain commissions; a lot of retail prices are nationally fixed; also they cannot invest in further development without consulting with the Wholesale, who have created a staff of some 55 consultants who are constantly at the disposal of and following the development in the local societies. It is just a year ago that this was started but already 700 societies have signed the contract with the Wholesale.

The next and decisive stage will be when the Wholesale create a retail sector which is equipped and built up and has such staff at its disposal that it can take over the total responsibility for each retail society. That, of course, will be a very difficult problem, and here we reach the crucial point of how to safeguard democracy and how to build up a member organisation that can manage this kind of operation. Today each member holds a share in his society and the society holds shares in the Wholesale. I do not think I can elaborate on it any further now but the idea is to make a conversion so that the individual members have their shares in their society and the first society's share in the Wholesale is converted into personal shares for each member.

This will be a very difficult stage. We have some 2400 shops, and that is too large a number for a small country like ours. Many are old and obsolete but they all belong to individual societies, and when we come to the problems of which shops should be amalgamated and which should go we will certainly run into big difficulties.

The only way is by education and argument, and we have summoned a congress for the latter part of November which has the sole purpose of giving the board members of all societies the possibility to discuss these things and to form an opinion of their own. It will be quite a long way for us to go but there is no other way that we can see.

It is generally accepted that small societies automatically have a higher degree of democracy than a big one, and there was a challenge in Mr. Tom Taylor's remarks in this respect, but I do not agree that it follows at all; I think it is a matter of how we organise our societies, not a matter of their size. In other words, we can have an indirect democracy, so to speak.

The image of Coop Denmark is not yet quite clear. We have a feeling that integration means that wholesaling in the future will be considered a function, not an aim in itself. We feel that the historic rôle of wholesaling has come to an end. Our image is a new form of co-operative society where all activities are totally integrated, not one in which the wholesale has simply taken over the retail operations.

Much more will be said in the Central Committee and in the national meetings and congresses in the days to come, and I agree that these discussions are necessary, because we should certainly give these matters full consideration, but it is also necessary to act.

MR. SCHUMACHER (Germany) (Interpretation): I think it is part of the task of an introduction to raise questions and to clarify them. It is not so much the task of an introduction to give an answer to those questions. One or two speakers thought that Mr. Korp should have given answers. I agree with Mr. Korp that today's discussion will not be able to provide final answers to the questions raised by the Report and raised by changing conditions.

The Germans do not, regrettably, belong to those organisations that were congratulated by Mr.Korp for having already found a solution to the problems posed by changing conditions. We are among those who are still engaged in the search for such solutions.

In order to improve competition and efficiency and put the co-operative organisations in Germany into a better position to do their work, in the spring of 1964 we instituted a so-called "reform commission", which has been working since the summer of 1964. In June 1965 a progress report was submitted in Karlsruhe during the national congress, and the commission hopes to have its work concluded by June 1966. We are discussing possible solutions but I would be saying too much if I said that solutions were already in sight.

The legal position in Germany is still very traditional and corresponds to the traditional image of a co-operative. This image is characterised by the autonomy of local co-operatives and by the federalist structure of a co-operative organisation. This legal system is an additional obstacle in the way of a solution to our problems. What we have to find is a modern organisation adapted to modern economic and social conditions. A few years ago and even quite recently the opinion was frequently voiced in Germany that the co-operative law as it is today would not need any reforming, but I do not think that this is true. I think the co-operative law does need certain reforms. However, our Ministry of Justice envisages reforms which are quite different from those I would have in mind.

The basis is clear. The traditional structure of co-operative organisations is obsolete. There have been adaptations for a few years, and amalgamations have decreased the number of consumers' co-operatives. At the same time, the turnover has increased, and a process of rationalisation has become clearly discernible. The Report before us today, as well as our own report, indicates this. (I would like to say here that if there is interest in it we shall be pleased to submit our report in the English and French languages as well. Anyone who is interested has only to address himself to me). But this rationalisation is not sufficient to solve the decisive problem confronting us and which was dealt with by Mr.Korp on page 5, where he asks: "Can future achievements and progress of the co-operative movement be assured within the framework of a federalistic structure by means of rationalisation, concentration and co-ordination; or can this only be achieved with the help of a progressive vertical integration on the basis of a complete or partial renunciation of local autonomy?"

I am inclined to say that only a continuous integration will lead to a promising structural change in the industrialised world of today.

The idea of a "Coop Germany" has been under discussion in my country but after long consideration we have arrived at the conclusion that this is unrealistic and impracticable for us, for a very important reason. We have 58 million inhabitants in our country and an area of 540 square kilometres. In setting up a Coop Germany we should find ourselves faced with a giant body that would be very inflexible and not very competitive. We are also con-

vinced that public opinion in Western Germany, and our administrators and legislators, would discourage and even refuse the setting up of such a giant body; that we would get into difficulties from which there would be no way out. We feel, therefore, that we must consider solutions on the lines of creating a small number of large societies, and in this context the question of local autonomy becomes very important. With consumer co-operatives increasing their size, the preservation of complete local autonomy will cause difficulties, and might even lead to tensions which could decisively influence the development of the overall organisation.

For these reasons we feel that integration in the sense that Mr.Korp mentions is the task of the co-operatives in our day.

Referring to page 4 of his introduction, I agree with Mr.Korp when he says that we must find a synthesis between the advantages of a centralised organisation and the moral values of co-operative democracy.

In considering the maintenance of what we call the spiritual values of the co-operative movement, or, in other words, the maintenance of a viable co-operative democracy, there are two aspects in particular which come to mind. Integration leads to a concentration of power of a very special and extensive kind. Every concentration of power, even if it is basically of economic power, essentially requires very effective control against that abuse which is always possible with human beings. On the other hand, the psychological aspect must not be ignored. Our co-operatives will only be prepared to limit their local autonomy when they are promised sufficient participation in control. I think this is an essential feature, and, judging from the discussion in Germany, I would think that solutions will be found along these lines in our country.

I hope that on both the national and international level the efforts to solve the difficulties arising from vertical integration and the preservation of co-operative values will be successful, and that together we shall be able to bring this great debate to a proper conclusion.

DR.LAIDLAW (Canada): I should like to put on record the outstanding fact in the situation in Canada which I think will be of interest to this meeting. It is simply this: that integration in a co-operative structure is not a new thing in my country. It is an old thing. As a matter of fact, it is a long-established structure in the agricultural co-operatives. So what you are speaking about for the consumer co-operatives is not alien to the co-operative movement but is a well-established set-up in Canada.

I can best describe the situation by giving you the example of the large grain marketing co-operatives, which sometimes boast of being the largest marketing co-operatives in the world. I do not know if it is still true. But let us take the largest of these, the Saskatchewan Wheat Pool. It covers an entire province; it embraces probably 60,000 to 70,000 farmers. It is certainly integrated in

its structure and organisation under one board of directors and centralised management, covering more than 1,200 operating units, with many subsidiary services in the fields of processing, marketing, publications and so on.

This is well established. The Saskatchewan Wheat Pool was organised in 1924, and that pattern runs right through the whole agricultural co-operative movement in Canada. It is true that one of the wheat pools is not an integrated structure but they do have the equivalent of an integrated structure through contractual arrangement between central and locals; and so it goes for milk, vegetables, fish, and practically every other product handled by the agricultural co-operatives.

There are two questions that are paramount. The first is this: Is the integrated system successful? I can best answer that by telling you that the Canadian economy is based on the export trade, and that for the last two years the largest item in our export trade has been wheat - and 60% of all the wheat grown in Canada is handled by the agricultural co-operatives. So there is the answer to your first question.

The second question is this: What of democracy and member participation? Our observation is that participation and democratic control are exercised as fully and better, perhaps, in the large integrated organisation than in the small one. You may be surprised at this statement.

Mr. Taylor said that we have not yet worked out the techniques for the large integrated society. That is not true of agricultural co-operatives. They have worked out the techniques. They are well established and they have been operating successfully for many years. Through the delegate system, local committees, and so on, the techniques, the methods, of democratic participation are well worked out, and it is significant that one of these large grain marketing co-operatives was the award-winning organisation for adult education in Canada just a few years ago. So what we are talking about here in consumer co-operatives is an established fact and an accepted fact, and also a successful fact, in the co-operative movement in my country.

THE PRESIDENT: I now have pleasure in calling upon Mr. Korp to reply to the discussion.

MR. KORP (Austria): I will try to speak very briefly. I hope it will be understood if I do not enumerate all the speakers or try to answer all the questions and respond to all the remarks. I think that it is my task essentially to summarise the discussion or to find out whether this day of discussion has been profitable to us or not.

I would like to express my gratitude to all the speakers for having tried to go into this essential problem from various aspects, and I include in this a word of gratitude to my friends from the planned economy nations, because they have contributed very objectively

and factually to the discussion. In my opinion that is a reason for celebrating this day and for making it a holiday in the calendar of the I.C.A., for this day has proved that we are able to speak about a very significant topic most impartially and to deal with it from the common co-operative aspect. I think we can say, therefore, that every one of us has profited from this discussion; that everyone has deepened his insight into the big problems which concern us today.

I was glad to find that there was no objection to my definition of integration, and I hope that this definition will be followed in future discussions as well.

When I tried, somewhat brutally, to contrast the so-called federalist system with the so-called integrated system, I expected some speakers to get up and passionately defend the federalist system, and to say, "It is quite possible to harmonise the federalist system with the other new systems and to save this federalist system". Well, at least today I have not heard any such intervention, but I guess that in our own national movements we shall have to deal with opinions in that direction.

Many speakers, however, did point to the dangers of an exaggerated integration. There could be an alienation of the members and a great distance created between the leading members and the ordinary members, resulting in an over-concentration of power in the hands of the few leading members. But, on the other hand, Mr. Schumacher pointed to the danger of continued concentration forming more and more powerful and large co-operatives, and I understood him to mean that this might be a source of actual disintegration. I would even go as far as saying that there could arise from this development the danger of renewed federalism. But I leave it to you to find a definition for this concept.

Mr. Nijhof asked me why I did not try to bring about the synthesis between federalism and integration. The answer was given by Mr. Schumacher. My personal view is the following. Every co-operative movement, on the basis of conditions prevailing in the particular country, should have a very clear idea of an integrated co-operative system, and every national co-operative movement should strive in its daily work to approach this co-operative ideal of an integrated system gradually; and Mr. Schumacher pointed to the significance of geographical and population differences. I would add the factor of the development of infrastructure as well as circumstantial reasons and legal obstacles.

This brings me to the conclusion that there can be no uniform European "master plan" for an integrated co-operative movement in the foreseeable future. There will, however, be the necessity to integrate as much as possible in order to adapt the movement to the new conditions prevailing in our economic surroundings.

In this respect the discussion has fulfilled a useful purpose. It has pointed our attention to the process of conversion of the ideological changes with which we are surrounded - changes that have taken place in all our movements and which go down to the roots of our movement. This is a process of change that we must closely observe, and Mr.Couvrecelle said that is very important to have extensive information and to have an extensive exchange of information about the happenings in the various countries of our movement, so that we can make use of each other's experience.

Mr.Jacques very pointedly told us that we must adapt to changing conditions or else the co-operative spirit will die. Other friends said the same - especially Mr.Thedin. But what do we mean by adaptation? We have been adapting for decades. Today adaptation must not mean half-hearted measures that are taken too late. We must not lag behind the development half-heartedly. On the contrary, as was said in the discussion, we must look ahead and act. I agree with that.

Mr.Koski gave us an insight into the economic future of the United States, but the United States is not the only country with a prognosis of this type. In "The Times" of September 15 I read an interesting article by Mr.John Davies, Director-General of the new Confederation of British Industries, entitled "The future economic shape of Britain", in which he forecast the economy of Great Britain in the year 1990. Mr.Davies is certainly far from being a Jules Verne (who really did correctly forecast many things, so that I do not want to deny him justice), and I think we can rely more on Mr.Davies. In any case, his prognosis was deeply moving, and I said to myself that much of what we have said today will be more a matter of fact five years from now, and much of what we have said will be out of date ten years from now.

The co-operative movement for a long time has acted on the old motto, "Labour and Wait", which obviously means that if we are good workers we can be sure of a good wage. But today we should choose a new motto: "Foresee and Act".

I would like to conclude with a quotation from a recent article by Professor Henzler: "The danger of a strong traditionalism on the part of the co-operatives, standing in the midst of competitive economies, is that they do not recognise the extent to which strong competition demands that they should have done yesterday what will be necessary tomorrow". (Applause).

THE PRESIDENT: My first and very pleasant duty is to thank Mr.Korp once more for his splendid introduction to our discussion, and also to thank him for the very illuminating points he made in his reply to the discussion.

I do not think that I exaggerate when I confess that I have never been at a Central Committee meeting, during the period in which I have been taking part in this work, which has shown such a constructive spirit or been of such absorbing interest to all of us because

of its exceedingly great importance for the future development of our co-operative movement. Many most valuable points of view have been expressed and I am sure that they will be the subject of further consideration at a later stage.