

Co-operation in a Changing World.

**A Survey of Objectives and Methods
with Special Reference to the
Western Co-operative Movements.**

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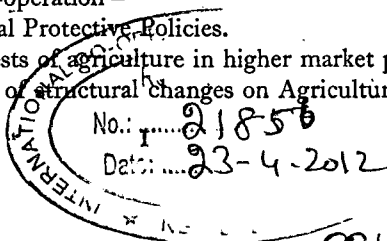
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By Dr. M. Bonow, Sweden.

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I. DEFINITION OF CO-OPERATIVE ENTERPRISE.

The co-operative system of enterprise is not an end in itself, but a means by which the co-operatively organised members safeguard fundamental social and economic interests. At the I.C.A. Congress in London in 1934 the basic principles of all real co-operative enterprise were defined. This definition, which was arrived at after a comprehensive investigation, is still valid, and is to be found in Article 8 of the I.C.A. Rules regarding Eligibility for Membership. It reads as follows—

“ Any association of persons, irrespective of its legal constitution, shall be recognised as a Co-operative Society provided that it has for its object the economic and social betterment of its members by means of the exploitation of an enterprise based on mutual aid, and that it conforms to the Principles of Rochdale, particularly as regards —

Voluntary Membership;

Democratic Control assured by the election of the administrative organs of the Association by the members freely and on the basis of equality;

The Distribution of the Surplus to the members, in proportion to their participation in the social transactions or in the social services of the Association;

Limited Interest on Capital.”

A few remarks must be made about this rule. The Rochdale Principle of Voluntary Membership is extended in practice by the principle of open membership, that is to say, Co-operative Organisations must be open to anyone who wishes to become a member and can contribute towards the realisation of the objects of the Co-operative Society as laid down in its rules.

The rule governing the distribution of the surplus to the extent the member has made use of the services provided by the co-operative enterprise requires some explanation. This rule refers to that part of the surplus of a co-operative enterprise which, according to the rules and/or the decision of the members, is not retained in the Society as the common property of the members in the form of reserve funds or other collectively owned capital.

II. THE ORIGIN OF CO-OPERATION AND ITS TYPES OF ENTERPRISE.

The co-operative system emerged during the eighteenth and nineteenth centuries in different countries as a result of the social and economic revolution caused by the growth of industrialism. The collapse of the old self-supporting household economy, the increasing division of labour and the establishing of money economy, the growing large industries in the form of private capitalism were all incitements to voluntary efforts towards self-help in a co-operative form, mainly among the large, but economically weak, groups of workers, artisans and farmers, who could not, individually, enter into competition. The co-operative enterprises were thus often created as a defence against economic exploitation. Common to all of these groups was their attempt to take their economic affairs in their own hands. During this process in the communities that were being industrialised one after another, particularly in Europe and North America, the co-operative system of enterprise was developed into an instrument for organised self-help in a number of branches of economy.

(a) Consumers in both town and country founded 'Consumers' Societies for the purchase of, first, the most important necessities – food and goods in everyday demand. The variety of appliances has grown with the economic development to include clothes, household goods and similar articles that are not part of daily household purchases. Nowadays the sales of the Consumers' Co-operative Movement include such durable goods as household machines, wireless and television sets, in many cases even building materials, etc.

(b) The co-operative system was also applied at an early date to provide better and cheaper insurance protection.

(c) The purchase of dwellings, particularly in towns and urban areas, was also organised at an early date in many countries according to co-operative principles.

(d) In some countries the consumers' growing economic interests in the motor-car, petrol and oil markets have been safeguarded by the creation of co-operative buying enterprises.

(e) The Co-operative Organisations created by farmers are, in many countries, specialised in some main types: besides Producers' Co-operatives, there are Buying Societies for certain essential goods required by farmers in their work, and Co-operative Selling Societies. The Agricultural Co-operative Buying Societies usually deal in seed, fodder and artificial fertilisers, machines and other implements. Loans on real estate, and working capital are often obtained co-operatively. The Agricultural Selling Societies are often specialised in different branches such as dairy produce, livestock, eggs, vegetables, fruit and so on. In some countries there are even Co-operatives organised for the sale of forestry products.

(f) Special co-operative enterprises that must be mentioned are those organised by fishermen, both Buying and Selling Co-operatives. In some countries this type of co-operation is very highly developed. There are also examples of Co-operatives organised jointly by consumers and fishermen.

(g) In some countries artisans and owners of small industrial undertakings have, like farmers, organised Buying Societies for the purchase of things necessary to their work, and Selling Societies for the marketing of their products.

(h) Finally, a special type of co-operation represents Producer Co-operatives often run by the workers in an enterprise.

(i) The co-operative system has been applied in some countries in the organisation of health services, education, road-building, collective transport services, collective agriculture, the common use of agricultural machines and so on. In the countries now developing rapidly, where the state and local authorities to a much smaller degree than in the western social welfare states provide for supplying the demand for certain types of collective consumption, co-operative enterprise has, and will have for a long time to come, a much wider field of action than in the old industrial countries.*

*This survey of the sphere of action of co-operative enterprise is not intended to be a comprehensive description of the present situation, but only a brief summary.

III. THE EXTERNAL MILIEU AND ITS DEVELOPMENT.

The development of the Co-operative Movement, implied in the different types of co-operative enterprises and their principal spheres of activities has coincided with and resulted from the successive transformation of the economic and social conditions in all the countries where co-operative activities are carried on, and at the same time it has been an important factor in the general social progress of many countries. The influence of the Movement on the general development should, therefore, not be underrated, even if its significance is limited.

While there is no question of giving, in a paper to this Congress, a comprehensive account of the great changes that have taken place in the rather more than a century during which the Co-operative Movement has developed, a brief survey of the essential features of the different social systems that have emerged during the present century is necessary, even though it must be very schematic.

The various economic systems, in which co-operation is now applied in different parts of the world may be roughly divided into three groups:

(a) Democratic Welfare States.

A large number of states in the western world belong to this group and their social order and economic structure may be described as follows:

Typical of these countries, which may be more or less industrialised, is a mixed economy in which the state and local municipal authorities are responsible for a large or small sector of the economic activities, while the remaining activities are in the hands of co-operative and private enterprises. In regions not represented by collective consumption administered by state and local authorities, and regions where state activities have, for fiscal or other reasons, a monopoly, there is, in principle competition on equal conditions between state, co-operative and private enterprise. The conception of a democratic welfare state includes another main criterion, namely, that the social order must be based on political democracy and an application of the fundamental human rights and privileges.

It should be observed that freedom of association is included in these rights, and that the right to establish Co-operative Societies is consequently intimately connected with the democratic system itself.

In the most economically advanced welfare states, development has obviously moved in the direction of what the American economist J. K. Galbraith called "the affluent society." A feature of these communities is that the elementary necessities - food, dress and shelter - are well supplied, and that demand is to a great extent aimed at things connected with people's tastes and interests, their need for amenities, variety, and leisure-time activities, their aspirations towards social prestige. The physiological needs no longer decide lines of production. Instead, it is the productive processes themselves that to an increasing extent determine the direction of demand, primarily, by means of mighty, scientifically applied advertising campaigns. In such a community the Co-operative Movement

must fulfil more complicated functions than at the time of the Rochdale weavers when the main task was to provide pure unadulterated necessities at reasonable prices. I will return to this problem later.

(b) Countries with a Central Planned Economy.

Since the first World War – in certain cases since World War II – very rapid industrialisation has taken place in a number of countries within the framework of a state planned economy. The chief of these is the Soviet Union. The rapid industrialisation process has made necessary a very high savings quota. In other words, it has been deemed fundamental, for a shorter or longer initial period, to restrict the demand for consumption goods in order to create the necessary scope for investments. It is self evident that the rapid and strong increase of the investment volume in these countries, as well as in other parts of the world, is not an end in itself but a means of achieving, in the long run, a higher standard of living.

In the strictly directed economy every kind of economic activity has had, and is, to be fitted into the framework of the central plan. This is also true of Co-operation, which in the Soviet Union and the European states belonging to the Soviet group has been subjected to great changes as a consequence of state intervention.

In these countries the state owns the most important means of production, and is responsible for by far the greater part of the total economic activities. The political order is based on the Leninist-Communist ideology of the dictatorship of the workers, and is characterised by a one-party system. Even if there may formally be more than one party in these countries, the state administration is in reality controlled by one party only – the Communist Party.

(c) Development Countries.

With the successive collapse of colonialism, new independent states have arisen in large parts of Asia and Africa which are often called development countries. A feature of these states – like some older ones in South America – is that their national economy is based to a large degree on the production of raw materials (90 per cent of their currency incomes are derived from the export of raw materials). Most of them are in an early stage of industrial development, and their political systems vary greatly. Some are well developed and relatively stable democracies, in others great concentration and centralisation of power, often under military leadership, is the order of the day.



This division into three main groups does not by any means give a complete picture of the infinite variety of economic and political systems in the different parts of the world. Several countries occupy a position mid-way between the three groups, or are such special cases that they cannot be included in either group.

The conditions for co-operation vary greatly in these three main groups. During the whole post-war period this problem has been carefully considered within the I.C.A. in connection with the question of membership. The remainder

of this paper will be mainly concerned with the aims and methods of the Co-operative Movements in the western democracies, with due regard to the changes in their economic and social structure that are taking place. This limitation of the subject is justified for two reasons. The special problems of co-operation in the development countries – with reference also to the economic and social changes taking place in the world – will be the subject of three papers at the Congress. In my paper, therefore, the economic problems of the development countries will be treated only as an integral part of the global changes in the economic and social structure, especially in connection with a survey of the situation and the trends in the development of international trade. The other reason is that I have not the knowledge necessary to enable me to make an analysis of the problems of development in the communist states. I shall, therefore, deal with this group of countries mainly in connection with the discussion of international collaboration, above all in the sphere of trade policy. Appendix A to this paper, however, contains some factual information received from the Co-operative Movements concerned in replies to a questionnaire.

IV. SOME STRUCTURAL CHANGES IN THE WELFARE STATES OF THE WESTERN WORLD AND THEIR INFLUENCE ON CONSUMER CO-OPERATION.

During the present century, a whole series of economic and technical changes, which are likely to influence radically the conditions of work in co-operative enterprises, have occurred in the western states. Obviously there can be no question of giving an exhaustive account of them here, but the following are a few of the most important factors.

(a) Changes in Distribution of Population.

In connection with the industrialisation still proceeding in most western states, a considerable internal geographical movement of population has taken place. A stream of people, particularly those in their active years, have gone from agriculture and the sparsely-populated rural areas to towns and urban districts. This trend is far from ended in many countries. This change in the distribution of population alone influences the basis of the network of shops belonging to Co-operative Organisations that are geographically widespread. In order to plan systematically the distribution of co-operative shops in both town and country, it is important to be able to judge in advance the probable development of population. For example, the Swedish Co-operative Movement in collaboration with demographers and economic statisticians has drawn up a forecast of the development of population in Sweden up to and including the year 1975 (see Table 1). This forecast gives a survey of the total population, its distribution according to sex and age, and its probable geographical distribution in rural and urban districts. The figures refer to about 100 areas. This population forecast, together with other economic data, makes it possible for Swedish co-operation to plan the future shops, also to influence the conditions for the creation of new Societies and the geographical boundaries between the successively declining number of Co-operative Societies as a consequence of the progress of amalgamation.

Table 1.

Population in Sweden in 1975.

Age	Estimated Population 1975 in thousands				Changes in per cent 1960-75			
	Regional Centres	Densely populated areas*	Rural areas	Total	Regional Centres	Densely populated areas*	Rural areas	Total
Under 14	920.4	277.5	488.0	1,685.9	+10	+6	-10	+3
15 to 39	1,644.0	445.6	727.8	2,817.4	+27	+12	-11	+12
40 to 64	1,417.5	393.9	693.6	2,505.0	+12	+3	-17	+1
65 and over	680.7	213.8	462.6	1,357.1	+69	+60	+24	+49
Total	4,662.6	1,330.8	2,372.0	8,365.4	+23	+13	-3	+11

* At least 500 inhabitants.

Source: Population in Sweden in 1975. Part 1.

(b) Motorism.

In the western industrial countries there has been, and still is, an extremely rapid expansion of private motorism. (See Tables 2 and 3.) This probably means that in several western countries there will be in about 10 years or so a frequency of private cars equivalent to that now existing in North America, that is, an average of one car per family. This trend of development has already affected, and will affect even more in the future, the localisation of certain parts of the network of co-operative shops. A concentration of the sales of dry goods to urban areas will be hastened by this development. The reduction of the rural population, and the ease with which motoring purchasers can obtain their requirements of durable goods, combined with the larger variety of goods in towns and urban areas, will make the sale of dry goods in rural shops unprofitable and lead to an equivalent reduction of the variety of goods for sale in the remaining country shops. At the same time the rapidly expanding motorism will cause such grave parking problems in the old towns that large retail shops in the form of "supermarkets" and shopping centres will be necessary especially on the outskirts of the larger towns as a complement to the large shops and department stores in the centre of the towns. A complete transfer of department stores and large shops from the centre of the cities to peripheral areas is, however, hardly probable, since collective passenger transport by bus, underground, etc., is available in the largest towns.

Table 2.

Passenger cars in 1948-57 per 1,000 Population.

Region	1948	1957	1948-100 Index
Africa.....	640	1,500	234*
Asia	380	1,160	305*+
Europe	5,130	15,790	308*+
North America	35,160	60,120	171*
South America.....	640	1,190	186*
Oceania	910	2,190	241*
Total	42,860	81,940	191

*+Except Albania, Bulgaria, Czechoslovakia, Hungary, Rumania, U.S.S.R., China (continent), Eastern Germany, Northern Korea and, after 1954, Northern Vietnam.

*Includes estimates by U.N. Statistical Office.

Source: U.N. Statistical Yearbook 1958, Table 137.

Table 3.

Passenger cars per 1,000 inhabitants in 1957.†

Country	Cars per 1,000 inhabitants	Country	Cars per 1,000 inhabitants
U.S.A.	327	Belgium	60
Canada	203	Ireland	49
Australia	162	West Germany	49
Sweden	117	South Africa	49
France	90	Norway	44
Luxemburg	87	Netherlands	34
Great Britain	81	Austria	33
Iceland	72	Finland	29
Switzerland	68	Italy	26
Denmark	62	Venezuela	26

†Countries with more than 25 cars per 1,000 inhabitants.

Source: Statistical Yearbook for Sweden 1959.

(c) The Rising Standard of Living.

The great rise in the standard of living still going on in the western world has already influenced, and in the future will influence still more, the demand for consumption goods. The more the standard of living rises, the less, as a rule, will be the proportion of income required for purchases of food and other necessities of life. This trend will cause absolutely and relatively greater demands for such goods and services as fashionable clothes, equipment for sport and leisure-time activities, durable articles and capital goods such as furniture, wireless and television sets, gramophones, household machines. The development of private consumption in some western countries is shown in Table 4. The influence of the pattern of demand, corresponding to the increase in real income is illustrated by the example of Sweden (see Table 5). This demand necessitates an expansion of the present variety of goods at department stores and special shops. As far as the Co-operative Movement is concerned, this will mean the adaptation of stocks of department stores to this change, while traditional methods of trade will have to be complemented by some form of hire purchase as regards the more expensive capital goods.

Further, as a consequence of the continuous rise in the standard of living, consumer demand will be more and more directed towards the purchase of private cars and other motor vehicles. Unless the Co-operative Movement is to leave the motor market – the sale of fuel, spare parts, and services – out of future planning, special action is required. It will probably be difficult to fit sales of motor-cars and fuels into traditional co-operative retail trade as it exists today in the more highly developed industrial countries. A solution of this problem as a rule assumes the creation of specialised undertakings for the sale of motor-cars, fuel and so on, but owned by existing Co-operative Organisations.

Table 4.

Private Consumption in OEEC countries and U.S.A., 1948–57 (1953=100).

	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
OEEC countries	81	84	90	92	95	100	104	110	114	118
U.S.A.....	85	87	93	93	96	100	102	109	113	115

Source: OEEC: A Decade of Co-operation.

Table 5.

Development of Consumption in Sweden, 1931-65 (1955=100)

Year	Food	Housing	Clothing	Household utensils	Domestic services	Travel	Recrea- tion	Medical and personal care	Total 52
1931	68	50	47	43	94	26	38	37	
1939	77	60	63	68	95	44	58	59	66
1945	78	63	64	69	102	44	68	61	68
1955	100	100	100	100	100	100	100	100	100
†1965	125	136	155	167	(122)	160	150	(136)	139

†Estimated annual increase, 3 per cent *per capita*.

Source: Private Consumption in Sweden in 1931-65.

(d) Increased Leisure.

A very important structural change has taken place in the western world as a result of reduced hours of work. This process is still going on, and the extent of different leisure-time activities will create the need for contributions by the Co-operative Movement. In many cases this growing demand for leisure-time amenities can be met by special organisations established jointly by several popular movements. Examples are co-operative travel organisations that have been established in several countries, often organised jointly by the Co-operative Movement, the Trade Unions and other people's movements. In addition to travel agencies the Co-operatives often have their own hotels and restaurants. "Hobby" activities are also organised in some countries by several popular movements in collaboration. These amenities are often for young people, and in some cases attached to co-operative department stores. The Popular Movements also collaborate with regard to films and cinemas. With increased leisure and increasing real incomes, the provision of such services will become a more and more important task for co-operation.

(e) Full employment.

A basic change has occurred in the structures of the economy of a number of western welfare states during the post-war period by the present full employment policy. Full employment today and in the future means a long-term tendency towards a more rapid increase in incomes than was the case during the inter-war period with its more marked trade fluctuations. The consequences of this will be especially noticeable on the costs side, particularly in different kinds of service occupations, where labour costs are responsible for a relatively large proportion of the total. Distribution is an important example of such service occupations. As an illustration of this we may mention that in the Swedish Co-operative Societies the direct labour costs (including social amenities) comprise about 70 per cent of the total costs of the Societies. If indirect labour costs are included the percentage will be still higher. The possibility of replacing manual labour by machines is much smaller in distribution than in production, and other ways of neutralising the rise in costs must be sought. The results of full employment are, therefore, among the most important reasons for replacement of traditional service shops by self-service shops.

The effect of full employment on the structure of retail trade appears in two other ways, too. During great prolonged shortages of labour, several tendencies, due to other factors, towards the increased professional employment of married women will become more marked. This, in its turn, will have repercussions on, among other things, the direction of the demand for goods. The necessity for married women employed outside their homes to reduce the time spent on cooking and other housework creates a greater demand for ready-cooked or semi-cooked food for the rapid preparation of meals in the home, and also a certain tendency for families to take some meals away from home, which increases the need for cheap co-operative restaurants. It is also obvious that the professional employment of married women will tend to increase the demand for labour-saving devices in homes, particularly as the possibilities of paid help will be restricted to families with very high incomes. The professional employment of married women also means that the family income will be higher, and therefore the purchasing power of the family will be greater. Full employment also means that young people, too, can earn good wages, even before they have left home, in temporary jobs during school holidays and in permanent positions. This contributes towards making the family income larger, and therefore increasing the demand for goods. Both in North America and Western Europe the new rôle of teenagers as consumers, on account of their high wages, has been observed as a factor in the selling policies of both co-operative and private department stores.

(f) Important Technological Changes.

There are many technical developments of importance to the structure of modern distribution.

i. The advance of modern mechanised packing is in itself a factor that facilitates the change-over from counter service to self-service shops in which the customers themselves perform some of the tasks of the paid personnel. It is obvious that modern packaging also makes possible the rationalisation of wholesale trade and transport.

ii. A very important factor for both retail distribution and wholesale trade is the development of deep freezing, which is particularly significant to the sale of fresh goods from the aspects of supply, quality and price.

iii. The high degree of mechanisation, which is usually called automation, opens up greater possibilities of rationalisation, not only in the sphere of production but also of administration. The new accounting machines and the application of electronic technique make it much easier for the management to follow and control the whole of the economic activities within far larger units than was possible earlier. (Stock-checking, sales control, calculating results and so on can be automated and mechanised profitably in large enterprises.

iv. Changes in the sphere of transport techniques and the development of industrial techniques are playing a more and more important rôle for large-scale production. Large-scale production in branches in which small-scale undertakings were formerly economical is a very clear trend of development. In many cases this implies that if a factory is to retain its ability to compete it must be re-localised and manufacture must be concentrated in fewer and larger production units within a whole branch. This is also of importance to co-operative production of foodstuffs, where the co-operative form of enterprise is most widespread.

The technical changes mentioned under points i. to iv., and their economic consequences are, naturally, only a few examples of special importance to the structure of production and distribution and, therefore, to the conditions of competition for the Co-operative Movement.

(g) Private Distribution becomes Large-Scale Business.

When the Consumers' Co-operative Movement began it had to compete with private distribution, which might be described as then consisting of unorganised small undertakings. In North America and, somewhat later, in Europe, however, a development began rather early that was characterised by the creation of large-scale private enterprises. These are now keener competitors to the Co-operative Movement than were the unorganised small distributive units. Through the private chain-stores in the grocery trade, department stores and certain types of special shops (footwear and chemical-technical articles, for example), the growing Co-operative Movements in many countries have met with great initial difficulties, while in other countries, where Co-operation was established during the time of the small shops, competition has become gradually keener. Small units in private retail trade have been compelled, in competition with both chain-stores and the usually large Consumer Co-operatives, to rationalise in order to be able to compete. This has been effected by, amongst other things, voluntary purchasing collaboration in the form of either so-called wholesale sponsored chains or retail sponsored chains. Irrespective of whether the initiative of such buying collaboration originates with the wholesale or retail side, the effect is the same, namely that small private undertakings have gained at least some of the savings of costs which the integrated trade within chain-stores and consumer co-operation had obtained earlier. Certain more competitive types of enterprises, such as so-called discount houses with varying organisation in different countries, are also part of the picture.

The development tendency in the western world seems to be that the most effective competitors of co-operation, chain-stores, so-called voluntary chains and discount houses, will account for an increasing part of the retail and wholesale trade in the private sector of commerce. Thus Co-operation will meet more effective competition from private enterprise in the form of large-scale undertakings which, at the same time, form economically integrated units (integration between retail and wholesale trade, and in certain cases also production). That this change in the situation of competition for consumer co-operation must lead to increased efforts towards greater efficiency and integration between retail and wholesale trade and production is, in any case in principle, a conclusion which has already been generally accepted in the Consumers' Co-operative Movements of the western world.

(h) Legislation and other State Measures.

In western welfare states, the state influences economic life by economic and social legislation, which lays down, so to say, the general structure and rules of competition and collaboration between different enterprises and types of enterprises engaged in distribution and production. This legislation refers to conditions during times of peace, or what might be called normal conditions. During the war and post-war years, very detailed state rationing and regulating action was taken on account of the shortage of goods and war conditions generally, and this influenced competition. A few types of legislation relevant to peace time may be mentioned as examples.

i. General Economic and Social Legislation.

Such legislation has great influence on the conditions of competition between different types of undertakings. As regards taxation and general economic and social legislation, the representatives of co-operation in most western countries claim the right for co-operation to compete with private and, where they exist, with state enterprises in different spheres on as equal terms as possible. Thus in principle co-operation in these countries demands that, in relation to other competing types of enterprise, co-operative business shall be neither handicapped nor favoured. This refers to taxation, general commercial regulations and to the demands made by social legislation upon different enterprises. This fundamental aspect of legislation is also of great importance from the viewpoint of consumers and the general community. If the state favours or hinders one type of enterprise in comparison with other types competing in the same branch, the possibilities of measuring objectively and comparing the actual economic efficiency of different types of enterprises and their ability to produce or sell goods or services equal in quality and price, will be biased or non-existent. In welfare states where not only full employment of all the productive resources including labour is the aim, but also effective employment of all resources is a central objective, the possibility of making valid comparisons of the performances of different types of undertakings is of fundamental significance.

ii. State Control of Monopolies.

During the post-war period, in particular, new laws have been enacted or old ones amended to prevent the limitation of competition by means of cartels and monopolies and other restrictive methods of business being to the disadvantage of the community. The legislation of some countries includes definite prohibition of resale price maintenance, the creation of tender cartels and similar horizontal and vertical restrictive organisations. In several countries the Consumers' Co-operative Movement has endeavoured to strengthen this protection of the consumers by, amongst other things, the establishment of productive undertakings to compete with the great national or international cartels. Such legislation, which in principle favours consumer interests, does not imply, however, that different types of enterprise will be either favoured or handicapped. On the other hand, it increases the possibilities of effective competition on equal terms.

iii. Housing Policy.

In some western countries state and local municipal authorities have contributed towards providing a higher standard of housing on economically reasonable terms. Such state and municipal action has been partly aimed at helping the lower income groups, in particular, to obtain better living standards. The extensive population drift to towns and urban areas has also been a motive for this housing policy. In addition to local building enterprises, Co-operative Building and Housing Societies have contributed largely towards the practical realisation of the aims of the housing policy.

iv. Agricultural Policy.

In the great majority of countries different lines of action have been taken to protect the incomes of the agrarian population. If a number of countries in which agricultural production functions under the direct influence of world market prices

are disregarded, agricultural policy in the other countries has, by protective tariffs and similar measures, tended to preserve the price level for home-produced agricultural products as compared with prices on the world market. In some countries, however, this policy of protecting agricultural producers and workers has been accompanied by state action to combine very small farms into larger units to facilitate the more effective employment of modern agricultural machines. The aim of this rationalisation is to reduce costs, which may in the long run make possible the domestic production of food raw materials with lower protective tariffs or without any protection at all in relation to the world market. This national protection of agriculture may, naturally, affect both Consumer Co-operatives and other distributors of food, as well as the assembling, processing and marketing of the products of the individual farmers by Agricultural Co-operatives. In some countries Farmers' Marketing Co-operatives are entrusted by the state with some tasks in connection with the implementation of agricultural protection policy, for example, by means of marketing schemes.

V. SOME ASPECTS OF EFFECTS OF STRUCTURAL CHANGES ON OTHER TYPES OF CO-OPERATIVE ACTIVITIES.

So far this survey of the structural changes in individual welfare states that fundamentally alter economic life has dealt with the consequences which may be expected in those sectors of the national economy where consumer co-operation is already actively engaged (distribution, wholesale trade, and to a certain extent also production, particularly of food and other articles in everyday demand). It is obvious, however, that the structural changes in the national economy of different countries mentioned also influence to a greater or lesser degree the conditions of work for other forms of co-operation. A brief sketch will be given of the influences of some structural factors on certain other forms of co-operative enterprise.

(a) Co-operative Insurance.

The important branch of consumer co-operation represented by co-operative insurance is naturally greatly affected in various ways by the transformation of modern society caused by the rise of the social welfare state. A few examples of such influence may illustrate this complicated problem. The rapid rise in the standard of living is naturally reflected in the increase of the needs of families for higher insurance protection as regards both life and property, and, at the same time, the economic ability to provide such protection is growing. The enormous increase in the number of private cars, for example, has a very important influence on co-operative insurance. The effect of full employment is more complicated. Its significance as regards increased family incomes has already been mentioned. Full employment in the western welfare states has been achieved partly at the price of a continuous depreciation of currency. One effect of this has been reduced interest in forms of insurance (capital insurance and the like) which imply a considerable amount of saving. On the other hand, interest in life and accident insurance, that is to say, pure insurance against risks, has not been adversely affected by the inflation. Another structural factor must also be mentioned, namely, the extension of social legislation in the welfare states. By comprehensive state health insurance and old-age pensions covering the whole of the population, certain special types of insurance are naturally affected. The need for complementary protection to augment the basic security provided by the state social security system will, however, be of increasing importance to co-operative insurance.

(b) Co-operative Housing.

It is obvious that co-operative housing will have a greatly widened sphere of influence as towns and urban centres expand rapidly with the drift of population, also through the rising standard of living, particularly the increased family incomes. It has already been mentioned in connection with the state social housing policy that these state and municipal activities have been of fundamental importance to the work of Co-operative Building and Housing Societies in western welfare states.

(c) Petrol and Oil Co-operatives.

Among the more important structural changes has already been mentioned the enormous expansion of motorism. This change, combined with the rapidly increasing standard of living and the influence of the drift from rural to urban areas (private cars will no longer be a luxury in sparsely populated areas but a necessity) will, in many countries, create a large and, for consumers, important sphere of action for car, petrol and oil co-operatives.

(d) Agricultural Co-operation.

During the preliminary discussion of this paper in the I.C.A. Executive, the wish was expressed that it should not be confined to structural changes that affect the working conditions of Consumer Co-operation, and it was stressed that Agricultural Co-operation in different countries must also adapt itself to drastic changes in the economy of individual countries and in world economy. In view of the vastness of this subject the following must be regarded only as a general contribution to the discussion. Special studies of the adaptation problems of Agricultural Co-operation will probably be undertaken by the I.C.A. Committee on Agriculture.

i. Agricultural Protection Policies.

It has already been stressed in an earlier section (IVg) that in most countries the state authorities have applied special measures to preserve the income level of the agrarian population. The principal reasons for these state measures are –

During the inter-war years, in particular, many countries, for reasons of preparedness, wished to keep domestic agricultural production at a certain level in order to reduce difficulties of supply in case of war or international obstacles to trade. Since the end of World War II, however, this reason has become of secondary importance in several countries.

Another basic reason has been the tendency towards a deterioration of price relationships between agricultural products and industrial goods, which in its turn has been due to a whole series of complex causes in both industrial and agricultural production.

A third important reason has been that, in a large number of western countries, on account of varying conditions, agricultural goods are produced by a very large number of farmers who cultivate very small areas of land. Costs of production are relatively high on these small farms. For these and other reasons, in many industrial countries an agrarian policy is applied to protect agriculture. Even in some countries with surplus agricultural production where agriculture works under world market price conditions, state subsidies are made to support a few agricultural products.

As already mentioned, there are in some countries, in addition to a policy of protecting prices for farmers, state measures to improve the structure of agriculture (larger and more effective farms). The object is to raise the average income of the farming population without resort to high, long-term protective tariffs to shield agriculture from foreign competition, as has hitherto been the case.

ii. The Interests of Agriculture in Higher Market Prices.

In some countries, and also internationally, farmers as a professional group strive to obtain the highest possible prices for their products. The demand for certain agricultural products is not very sensitive to alterations in prices, while for others the elasticity of demand is greater. This must naturally be taken into consideration by farmers in their endeavours to influence the prices of the supply of agricultural products in order to obtain the highest possible prices. They must also pay attention to the fact that exceptionally high prices (and profits) may cause increased production, with a consequent decline in price levels. Associations of farmers in the different countries are engaged with problems of this kind, and sometimes have direct negotiations with state authorities and representatives of the consumers on the fixing of prices. On the international level, too, discussion and collaboration take place between the national associations of farmers. Much of the work of the International Federation of Agricultural Producers is devoted to these problems. A clear distinction should be made between these general problems, which affect farmers in their capacity as professional workers and income receivers, on the one hand, and the collaboration of farmers nationally and internationally in their capacity as agricultural co-operators on the other. The significance of structural changes to farmers as professional workers will not be dealt with in this paper.

iii. The Effect of Structural Changes on Agricultural Co-operation.

If the Special Agricultural Buying Co-operatives, which are in principle very similar to ordinary Consumer Co-operatives, are ignored, the problem mainly concerns the adaptation of Agricultural Marketing Co-operatives to the present situation.

The steady rise in the standard of living also affects consumer demand for goods in the foodstuffs branch. It has been pointed out earlier that with a rise in the standard of living the proportion of the total income spent on food as a rule declines. A rise in the standard of living in the western world usually causes a change-over from cereals to meat, and an increased consumption of vegetables and fruit. As, in some countries, Agricultural Marketing Co-operatives are responsible for between 50 and 100 per cent of the collecting and processing of certain of the most important agricultural products, it is obvious that this change in the demand for foodstuffs must affect the industrial plants for the processing of the raw materials which must be adapted to the alterations in consumption habits.

Another important aspect of the foodstuffs sector is the changeover to more and more finished products which, with the help of modern packaging, requires large-scale factory production. This development towards a greater manufacture of food raw materials, better packaging, more service in connection with the treatment of goods and delivery to the consumers implies that the share of the raw material in the price of the final product will be smaller. This phenomenon has been observed and studied in many countries, and is usually referred to as the "price spread." A detailed study of the factors influencing price spreads of food

products has recently been made in Canada. (Report of the Royal Commission on Price Spreads of Food Products, September, 1959). This investigation reveals that there is a whole series of factors that contribute towards causing a tendency for the difference between the average price obtained by the farmer for his produce and that paid by the consumer for the finished article to increase successively. Some of these factors have been touched upon in Section IV. In addition to the influence of the rising standard of living on consumer demand, the rise in wage levels in distribution and other service occupations must not be forgotten. Certain changes mentioned earlier, above all, perhaps, deep-freeze techniques, also cause the difference between the total costs of the finished product and those of the original raw materials to increase. A study (in the Canadian report just mentioned) of how large-scale organisation of trade (chain-stores and voluntary chains) affects the total margins of trade in such foods is of particular interest. This analysis seems to reveal that the net profits of certain large chain-stores during the investigation period 1949-58 were on a relatively very high level. The same was true of certain private food product industries. Both Agricultural Co-operation (in some branches) and consumer co-operation are not sufficiently developed in Canada, and the conclusion drawn by the Committee is that increased competition with private trade and private production by co-operative enterprises (both Agricultural and Consumer Co-operatives) is desirable.

In general, of course, it is of great common interest for agricultural and consumer co-operation that the total margin for the collecting, processing and marketing to the consumers of agricultural produce can be reduced by rationalisation to the advantage of both producers and consumers.

* * * * *

Hitherto in this paper an attempt has been made to explain the influence of certain structural changes within the framework of the existing national economies of the western welfare states, with special reference to the repercussions on consumer co-operation. Certain suggestions about the significance of structural changes to other types of co-operative enterprise have also been made.

Before discussing probable adaptation measures within the Consumers' Co-operative Organisations in the western world, however, it is necessary to widen the perspective beyond national boundaries. In other words, we must take into consideration the changes in the economic organisation of individual countries which will probably be a consequence of the establishment of large common markets for several countries together.

VI. THE ECONOMIC REGIONS AND THE GLOBAL PERSPECTIVE.

At present three large marketing areas are being created in Europe:-

(a) The Six Powers Union.

The so-called six powers market (E.E.C.) implies, as is well known, not only that the contracting countries intend successively to abolish tariffs, quantitative restrictions and other obstacles to trade between them. The E.E.C. is protected by outer tariffs which in principle are to be the same for, and common to, the countries concerned. By this conformity of outer tariff protection, certain countries

which formerly had low tariffs will have to increase them with regard to the outer world, while the contrary will be the case for countries that previously had high protective tariffs but must now reduce them to the common level for the market. The six powers market, however, also embraces far-reaching agreements in economic policy, including agricultural protection, collaboration in investments, certain conformity of social legislation, etc.

(b) The Free Trade Area.

The Free Trade Area (E.F.T.A.), which comprises the so-called Outer Seven, has, as is known, no item in its programme to bring about conformity of protective tariffs with reference to the rest of the world. The E.F.T.A. is aiming at a reduction of tariffs between the participating countries, so far with the exception of agricultural products. It is not the intention of the E.F.T.A. as regards economic policy, etc., to attain such far-reaching conformity as in the case of the E.E.C. When the E.F.T.A. was formed, one of its aims was to endeavour to extend commercial collaboration within the framework of the O.E.E.C. or in other ways to embrace in the first place the "Six," and preferably all the European countries that have hitherto collaborated in the O.E.E.C. At present several O.E.E.C. countries are not yet members of either trading group. Of these Greece is expected to join the "Six" while Iceland will probably attach itself to the "Seven." Finland will no doubt collaborate with the "Seven," too, but will also retain her extensive trading connections with, above all, the Soviet Union.

(c) Comecon.

Some European countries which, in their foreign policies, are closely attached to the Soviet Union, have, under the leadership of the U.S.S.R., formed a separate trading group which is generally known as Comecon.

Figures showing foreign trade and population in European marketing areas are given in Table 6.

Table 6.

Foreign Trade and Marketing Areas.

Country	Population in Mill.*	Total Import 1958 Mill. \$	Total Export 1958 Mill. \$
E.E.C. countries	165.7	22,950	22,740
E.F.T.A. countries	88.0	18,860	16,230
Soviet Union	208.8	4,340	4,190
**Eastern European countries ...	94.8	5,750	5,970

*1958 figures E.E.C. and E.F.T.A. countries; 1959 for Soviet Union; 1957 for Eastern European countries.

**Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, Rumania.

Source: Statistical Yearbook for Sweden 1959. Table 422.
Economic Bulletin for Europe. Vol.11. No.2.

(d) Other Regions.

It is not unlikely that the formation of these groups in Europe will encourage efforts towards similar regional trade collaboration in other parts of the world. Not long ago the planning of such an economic group began in South America. This is to comprise eight South American States. It would probably be advisable for the new African states that have recently gained their independence, or will soon become independent, to establish regional economic collaboration in order to reduce the risks that will be incurred if each of them acts as a commercially isolated unit.

(e) Collaboration between the Regions.

The advantages of such regional trading groups of countries are obvious in comparison with a situation in which each country in the world is a restricted area as regards commercial policy. In the present world economic situation characterised by a very rapid technological development, the small markets afforded by the smaller independent national states are an anachronism. In so far as trade groupings in different large regions are to be regarded as stages on the road to final economic integration covering the whole world market, the disadvantages of trade grouping in certain areas are not of too great a significance. If, on the other hand, the groups have come to stay and thus cause a permanent division of the world market, the advantages of the removal of trade barriers within each group will, from the point of view of world economy, be much less valuable than if a liberal world commercial policy is achieved by way of these groups in a reasonable period of time. The increase of tariffs by certain countries as a consequence of the creation of new groups may be disadvantageous from the point of view of commercial policy, particularly for the under-developed countries. From this aspect it is important that there seem to be some possibilities of a thorough investigation of the prospects of bringing about economic collaboration between the western European groups and between them and North America.

(f) The Regions and the Structure of the Economy.

The structural transformation of the economy of national markets will be affected in different ways according to the development in the methods for collaboration between the different western European regions and other commercial groups.

Assuming that the E.E.C. and the E.F.T.A. will, unfortunately, for the time being at least, develop parallel to each other without any close collaboration, the economic life of the countries of the E.E.C., on the one hand, and, on the other, those of the E.F.T.A., will enjoy the advantages of a greater market for their export industries only or mostly within each group. The keener competition which certain industries supplying the domestic market in each of the groups must be prepared to meet, as a consequence of the successively reduced protective tariffs, will also occur in the two separate regions. It may be assumed that, in spite of the fact that the combined population in each region is quite considerable (165.7 million in the E.E.C. and 88 million in the E.F.T.A.), the advantages of production in large series and also at the same time difficulties of adaptation owing to increased competition across the boundaries, will be less marked than if the whole of western Europe could combine in one trade unit. What effects could then be anticipated concerning the localisation of economic undertakings in larger regions ?

This problem is being studied intensively in both the E.E.C. and the E.F.T.A. by leading experts. A detailed analysis of the problem is naturally out of the question here, but in general the following may be advanced —

Within the separate regions the anticipated successive removal of obstacles to trade will be rapidly utilised for the establishment of large industrial undertakings, the production of which is based on the whole market area. It is true, of course, that the lowering of tariffs will, according to present plans, be spread over a number of years, but the economic industrial planning will undoubtedly be based rather soon on an anticipation of the situation that will arise when the obstacles to trade have been completely removed in the respective regions. By this, private industry will obtain considerable advantages in the form of production in large series and thereby lower costs. For co-operation this will mean, especially in the foodstuffs branch, much keener competition from effective production units. By international collaboration between private enterprises — partly in the form of international cartels — competition from large enterprises in one region will also be felt in the other; among other things by the establishment of new subsidiary enterprises. Such enterprises in both the E.E.C. and the E.F.T.A. can be expected to be of interest to large enterprises in North America. In the sphere of distribution (both of foodstuffs and dry goods) a parallel development may be expected. This is particularly true of chain-stores selling groceries, and department store chains. (Many examples of more or less advanced plans and actual establishments are known, but cannot be included here.)

In countries where co-operation so far is organised in small units, this competition will be particularly noticeable. It is difficult at this stage to judge what effect these changes in competition will have on consumer co-operation within the regions affected, but it would be unwise to underrate the possible economic consequences of this situation for the consumer co-operative type of enterprise.

VII. A PROGRAMME OF CO-OPERATIVE ACTION.

The technological and structural changes, which to a greater or smaller degree characterise the national economy of the western welfare states, and which are reinforced by the efforts now being made to attain greater common markets, demand far-reaching action to adapt the co-operative type of enterprise to the changing conditions. In part these actions may be restricted, to reformation and effectivisation within the Co-operative Movements in each country. In part this adaptation demands collaboration across national boundaries, regionally and globally between the National Co-operative Movements. When the phrase "adaptation to structural changes" is used, it does not, naturally, mean that co-operation should passively adapt itself to such technological and economic changes as have already become a fait accompli. On the contrary, in order to protect the economic and social interests of its members, co-operative enterprise must try to anticipate the development trends nationally and internationally and, as far as possible, take action earlier than competing private enterprise. In other words, co-operation should seek to influence and lead development in its spheres of activity.

The programme of co-operative action comprises two main types of measures—

The first aims at **A. Methods of increasing the Effectiveness of Co-operative Enterprises.** As already suggested, these measures should be applied nationally within every Co-operative Movement, and internationally to extend collaboration regionally and globally between National Movements.

The second should be aimed at **B. The Possibilities of Co-operation influencing other Social Institutions,** and affecting general social development in favour of co-operation. In this case, too, some of the necessary measures will be connected with the actions that each Movement must apply nationally. Another part of the programme refers to co-operative action to influence social development undertaken by several national co-operative movements on both a regional and a global basis.

A few points of view of the programme of co-operative action will be presented according to the above order –

A. Measures to increase the Effectiveness of Co-operative Enterprise.

(a) National Measures.

If an attempt is made to draw up a programme of action that is applicable to consumer co-operation in western welfare states, it will be found, quite naturally, that certain parts are not immediately relevant for all countries. There are great dissimilarities between these states both as regards economic and social structure and the extent to which the trends of the structural changes make themselves felt. There are also great differences between them regarding the extent to which Consumers' Co-operative Movements have entered into different spheres of activities, differences in economic strength and organisation. Nevertheless, the problems in most of these states are probably so similar that the following items of a programme of co-operative action are significant.

i. Rationalisation of Shops and Shop Structure.

Economical statistical investigations made by the Co-operative Movements of several countries indicate that economic and technical development requires larger shops, measured in turnover, than have hitherto been usual. This, in combination with the reduction in the density of population in rural areas which the progressing industrialisation and urbanisation is causing in many countries, necessitates the closing of small shops in rural areas. In some cases travelling shops may replace them. If this radical step is not taken, the uneconomic shops will prevent the co-operative societies from protecting the interests of their members in the best possible way. They will also be an encumbrance in competition with chain stores, which generally work with large units in the urban areas. In cases where small shops must be retained, a differentiation of prices between them and the larger and more economical units belonging to the same Society in the urban area may be necessary.

In urban areas, too, a successive conversion to larger and more rational units will be necessary to meet the growing competition of chain-stores. Statistical investigations show that the existence of small shops selling dry goods is not economically justified. The same is true of small grocery shops. With trends towards higher wages costs, the fixed costs of personnel and so on will be far too high in the small shops.

In countries where real wages are still rising rapidly and full employment prevails, experience shows that it is not sufficient to replace small counter service

shops by larger ones. (The expansion of self-service in Europe is shown in Table 7 with some additional facts given by Dr. Henksmeier, Chief of the Institute for Self-Service in Cologne.) A change-over to self-service, or at least to intermediary forms between counter and self-service, is necessary. But there is also a minimum size for self-service shops, which is determined by the fixed costs. The aim should, therefore, be to establish sufficiently large self-service shops.

The development towards a greater frequency of private cars and consequent parking problems for shoppers in centrally situated urban shops also encourages the establishment of supermarkets and shopping centres. A combination of large, so-called grocery and provisions halls with a strictly limited stock of dry goods in everyday demand is a special type of self-service shop which, in many countries, seems to have good prospects of development as far as costs are concerned.

Table 7.

Self-Service Shops.		
	1950	1957
Austria	6	60
Belgium.....	20	148
Denmark	26	623
France	—	663
West Germany	39	3,183
Italy	1	4
Netherlands	9	650
Norway.....	54	1,288
Sweden	217	3,515
Great Britain	600	3,750

“ In 1948 there were in Europe about 165 self-service shops—England 130, Sweden 22, Switzerland 5, Norway, the Netherlands, Belgium and Finland, 1 or 2 respectively. Against this modest number the number of 25,000 self-service shops in Europe ten years later, at the end of 1958, must be regarded as an almost revolutionary development. At the end of 1959 there will be 30,000 to 35,000 shops.”

“ In England, 60 per cent of all self-service shops are co-operative, in Sweden 56 per cent, Norway 36 per cent and Western Germany about 8 per cent.”

“ In Sweden there is a self-service shop for every 1,800 persons, in Switzerland for every 4,000, in Western Germany for every 5,600, in England and the Netherlands for every 10,000 persons.”

Der Verbraucher No. 37, 12th September, 1959.

ii. Rationalisation of the Structure of Societies.

In certain countries there are still, even in towns and other densely populated areas, Co-operative Societies competing with one another. Against the background of the structural changes now taking place, and the increased competition of private chain-stores, the time is past when such internal division can be defended. But population drift within larger geographical areas around large towns, changes in the buying habits of consumers and the influence of motorism cause large towns and the surrounding country to fuse into an economic unit. This development should lead to the amalgamation of Co-operative Societies working in such an area into a rational unit.

The inhabitants of the economic sphere of influence around a large town will tend more and more to buy only food and other goods in everyday use locally, while other, more durable goods, will be purchased in large shops in the middle

of the town. When a town and the surrounding district become an economic unit, it is only natural that a single Consumers' Society is responsible for the sale of all kinds of goods to the consumers within the area. Population statistical and economic geographical investigations can determine with a good degree of certainty what radius such spheres of action should cover. In Holland, a comprehensive plan has been approved by Congress for the amalgamation of the Co-operative Societies into a small number of District Societies. An account of this interesting plan, which is now being realised, will be found in a brief summary in Appendix A. reporting actions towards structural adaptation taken by certain Co-operative Movements. The "Independent Commission's Report" also recommended the amalgamation of Co-operative Societies in Great Britain into larger units and, as shown in the Appendix, a similar concentration is now being carried out in Great Britain under the leadership of the Co-operative Union. In Sweden, the National Co-operative Congress in 1960 decided unanimously to approve a long-term programme for the amalgamation of the Retail Societies in fewer units. A reduction from at present about 600 Societies to approximately 100 Societies is envisaged. The situation in certain other Co-operative Movements is also mentioned in the Appendix.

The efforts to create economically effective Societies will necessarily lead to some very large Societies in several countries. Geographically widespread, great Societies will be established side by side with the large Societies that now exist in the capitals and largest provincial towns of most Western European states.

iii. Forms of Integration.

Co-operation will, in some respects, find itself in an unfavourable position in competition with the highly integrated private chain-stores, unless it integrates the different branches of its activities to a far greater extent than at present. Owing to its democratic organisation Co-operation is, and must be, bound by certain social considerations, which are irrelevant to chain-store enterprises.

Integration between Wholesale and Retail Trade.

Wholesale and retail trade are highly integrated in the private chain-stores. A chain-store enterprise can place very large orders with manufacturers for different kinds of goods, and thereby obtain extremely favourable terms. By virtue of the integrated structure of chain-stores, their managers have not only complete control of the buying side, they also decide what stocks shall be carried in the shops, and direct the composition of the stock according to speed of turnover, etc. Further, they can centrally fix selling prices in their shops, organise common advertising, including prices, follow up joint advertising with simultaneous displays of the same goods in all shops and the like. In several of these respects the division of co-operative distribution among an independent wholesale sector and many retail societies, even if there is the best collaboration between them, is economically less effective than the integrated type of enterprise represented by chain-stores. As a result some National Co-operative Movements, as shown in Appendix A, have already begun to apply measures aiming at an integration of co-operative retail and wholesale trade. The steps so far taken are of different kinds, which may be illustrated by examples from Swedish Co-operation, since the rapporteur is most closely acquainted with conditions there.

Within the Swedish Co-operative Movement, a system of district warehouses has been introduced which may be characterised as enterprises, jointly administered by the Co-operative Wholesale Society and the Consumers' Societies within a region. This system of regional warehouses implies in brief the existence of common stocks for all the shops situated within a natural geographical area. The buildings, fixtures and equipment of the warehouses are the property of K.F. The Retail Societies affiliated to a regional warehouse choose a Board of Management for the day to day control of the activities and for contacts with K.F. The member Societies also choose delegates to the General Assembly of the regional warehouse (though this is no legal entity) and auditors.

Within the Swedish Movement a chain of department stores is also being operated as a joint enterprise between the Co-operative Wholesale Society and a number of Co-operative Societies. This organisation may, with the agreement of the Societies concerned, establish new department stores. The activities are financed jointly by K.F. and the local Societies. In order to ensure satisfactory local influence over the activities of such department stores, the members of the Societies in each district choose representatives who together form a so-called department store council.

Integration of Trade and Production.

The same arguments which favour integration between co-operative wholesale and retail trade are also valid for an extension of integration to embrace co-operative production in certain branches. As a rule the private chain-stores, apart from the relatively few cases when they have their own industrial plants, have collaboration with certain private industrial undertakings by way of large-scale buying. Since co-operation, to a relatively great extent, owns food products plants, the co-operative integration should, in some cases, comprise all three sectors (production, wholesale trade and retailing).

(b) **International Measures.**

Just as private industrial enterprise and private distributive trade (chain-stores) are trying to adapt themselves to the development towards greater markets now going on in Europe; so, too, should consumer co-operation try to find out in what ways greater international collaboration between Co-operative Central Organisations in different countries can better equip co-operative enterprise to meet the new, changed conditions in the market. There are many ways leading to such international collaboration. In the first place, the Co-operative Movements in the regions now being created may establish common buying and producing enterprises. In the second place, specialisation and division of labour may be established between different National Wholesale Societies within the framework, or independent, of such collaboration. In the third place, collaboration may be aimed at augmented foreign trade between Co-operative Central Organisations in the regions in question. Finally closer collaboration may be established within the regions for the exchange of commercial and technical experience. Certain of these forms of collaboration neither can nor should be restricted to co-operation within a single region, but can be established to cover the whole world.

Conditions, however, are somewhat dissimilar for the different types of collaboration between the National Co-operative Movements.

i. International Co-operative Buying Agencies.

There has long been a desire to establish a common buying agency, based on the Rochdale Principles, for the Co-operative Wholesales in the western world. Certain practical attempts have been made, but with little economic success. One regional collaboration of this type, however, has been successful in northern Europe ever since the end of World War I—the Scandinavian Co-operative Wholesale Society (Nordisk Andelsforbund). By the creation of greater markets in Europe, by the establishment of the E.E.C. and the E.F.T.A., the obstacles to trade in the form of different tariff levels will be reduced or removed altogether. Then, for the first time, really favourable economic conditions will prevail for wider economic collaboration between National Co-operative Central Organisations working in the regions covered by the “Six” and the “Seven” respectively.

ii. International Co-operative Production.

The establishment of the E.E.C. and the E.F.T.A. will also create greatly improved conditions for really international productive enterprises on the basis of the Rochdale Principles. The prospects of joint industrial production on a co-operative basis will, in view of the great degree of economic integration assumed by the E.E.C. with regard to the economic life of the countries concerned, be relatively favourable in the “Six,” which comprises a much more contiguous geographical area. But in the E.F.T.A. region, too, the mutual reduction of tariffs between the participating countries should provide possibilities for the establishment of jointly owned co-operative industrial enterprises, located in one of the countries in the region. In certain cases, perhaps, a central factory in one country, and one or more subsidiary factories in other countries in the group, would be the most suitable. Within the framework of such collaboration, a certain degree of division of labour and specialisation could easily be established in the industrial undertakings. Quite apart from and independent of this, a certain amount of specialisation should be organised in different countries with more or less the same marketing conditions.

Against the background of the development that may be anticipated in the sphere of industry within the private sectors in the “Six” and “Seven” markets, the most urgent task of consumer co-operative enterprise is to explore the possibilities of suitable forms of collaboration in production. This is particularly true of the Co-operative Movements that now base the greater part of their sales on a home market which, according to international proportions, is very restricted (irrespective of whether it is purely a co-operative market or also includes sales to private enterprise in the country concerned, and in some cases also export). The rapporteur by no means underrates the difficulties which, even if commercial obstacles are removed within the respective regions, a realisation of such collaboration in production will meet, due to, among other things, national divergences in the structure of demand and differences in the organisation and economic importance of the enterprises. The increased competition of the private sector which must be anticipated, should, however, create a strong impetus to surmount the other undoubtedly smaller obstacles that may appear after the removal of the great barriers to trade.

iii. Foreign Trade between National Co-operative Wholesale Societies.

As already suggested, greater foreign trade between the National Co-operative Movements in different countries, above all within the new great markets, is either an alternative or (in my opinion most preferably) a complement to common buying and production, based on real co-operative principles, which has just been discussed. Some Co-operative Wholesale Societies are already finding it difficult to utilise their production capacity of certain goods effectively. Trade between the Co-operative Movements has already begun, if only on a small scale. It is clear that, with the progressive reduction of obstacles to trade within the two markets, conditions for increased trade between the Co-operative Movements should arise, particularly within these regions.

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In the hitherto divided economy, in which the different countries have applied tariffs of varying levels, and other obstacles to trade, practical economic collaboration between the National Co-operative Wholesale Societies has, in the main, had the character of commercial exchange. The prospects of creating jointly owned productive undertakings have been far too uncertain and risky.

It has been rightly pointed out that trade between Co-operative Movements in different countries where one co-operative factory sells to the co-operative buying organisations of another country is not really a co-operative solution to the problem in the true sense of the term. In such transactions, the same methods are applied, in principle, as within private economy which is based on profit. The foreign buyer has no possibility of becoming a shareholder in the co-operative enterprise from which he buys, and cannot, therefore, have the right to influence the enterprise and obtain a fair share of its profits. The progressive reduction of obstacles to trade and the creation of the greater markets will eliminate this difficulty. Conditions are now being created, that never existed before, for the building up of international co-operative enterprises in the real meaning of the term. Thus possibilities are also being developed for co-operation to intervene in branches in which it has hitherto been impossible to establish co-operative industries owing to the fact that the co-operative market was far too small and possibilities of export too uncertain.

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A special problem which should not be neglected, but which is only to a limited extent influenced by the establishment of the new great markets, is that of trade between the Consumers' Co-operative Movements in the old industrial countries, and the Agricultural Co-operatives in Europe and other parts of the world. From general co-operative points of view it is of great importance that direct business connections should be encouraged between Farmers' Co-operative Marketing Societies as sellers and Consumer Co-operatives as buyers. (This is naturally also true of buying and selling between the National Consumers' and Farmers' Co-operative Organisations on the national level.)

iv. Exchange of "know-how."

The appearance of the new great markets in Europe in combination with the general economic structural changes has already led to energetic action in the private sectors of trade and production to strengthen and extend the exchange of technical and commercial "know-how" which even earlier took place on quite a large scale. Since World War II, in particular, a similar exchange of experience has also occurred between different National Co-operative Movements, both bilaterally and regionally. Such an exchange of "know-how" has been greatly encouraged by the setting-up of certain Special Committees within the International Co-operative Alliance (Agricultural Committee, Co-operative Wholesale Committee, Co-operative Retail Committee, Co-operative Insurance Committee, etc.). The establishment of new great markets will probably bring to the fore the question of collaboration in the spheres of research and investigation. Still more attention should be paid to these problems by the I.C.A.

B. The Influence of Co-operation on Economic and Social Policy.

The co-operative type of enterprise, as mentioned earlier, is characterised by the economic and social surroundings in which it is active. At the same time, however, Co-operative Organisations, particularly when they have attained great size and economic importance, can influence other social institutions, and also economic and social policies in the widest sense. This reciprocal influence between the general social life and co-operation is perhaps most noticeable to a larger public in the national states. But when certain very important functions in the realm of economic and social policy are no longer only the concern of national governments but also one of the tasks of international organs which modern development has created both within certain regions and globally, the above-mentioned reciprocal influence appears also in international development trends.

The sphere of action in which co-operation has already affected to a certain extent the general social development, and where it can make its influence felt to a greater degree in the future, should, for reasons just given, be dealt with in three sections. A co-operative programme of action should, therefore, include certain measures on the national level, and action of a regional and/or global character. In the following a few aspects of these three main spheres of the influence of co-operative enterprise on general social policy will be dealt with.

(a) Action on the National Level.

Development in the democratic welfare states is characterised by the successive extension of the authority of the state over economic life by a series of actions intended to safeguard general and social interests. State intervention has, to a large degree, taken the form of legislation to provide a general frame within which economic and social activities can develop fairly independently. Examples of such legislation have been given earlier in this paper. In this connection it is sufficient to call attention to three spheres in which co-operation has important interests to protect.

i. Competition on Equal Terms.

Competition on equal terms in questions of taxation and economic policy has been stressed earlier. In some western countries co-operation has been hampered

in relation to competing private enterprise, and in some cases in respect of competing state enterprise – often unintentionally on the part of the state authorities – by taxation and economic legislation. Several examples of this from various countries have been revealed by investigations made by the I.C.A. To take one case as an illustration – In the legislation of some countries, economic associations are granted only restricted rights to function in other municipalities than the one in which they are legally registered. Such a restriction of the possibilities of Co-operative Societies to organise their activity within natural trading areas, irrespective of the administrative divisions, will obviously make it more difficult for co-operation in competition with private chain-stores to take advantage of large-scale organisation. In cases where the co-operative type of enterprise is treated unfairly in relation to competing types of undertakings, it is clear that measures are required on the national level to create more favourable conditions for the development of co-operation.

ii. National Control of Monopolies:

In a number of western welfare states during the inter-war period, and particularly since the end of World War II, legislative measures have been taken whereby increased control of cartels and monopolies by the community has been achieved. In many countries co-operation has worked for such legislation. In so far as legislation protects the interests of the citizens as consumers, and generally safeguards the communal and public interests in increased production and freer competition, such state intervention is a valuable complement to co-operative action in distribution and production. Some western welfare states have no such state control of monopolies, or the control is unsatisfactory from the consumers' point of view. It sometimes happens that state control of monopolies is designed to protect the economic interests of small private enterprises at the expense of consumers and the public. In such cases it is a very urgent task for co-operation to use all means at its disposal to influence the Government and Parliament to establish an up-to-date, effective control of monopolies in order to safeguard consumer and public interests.

iii. Co-operative Support of National Programmes to assist Development Countries.

A third example of the spheres in which co-operation can influence the national economic policy is the question of more effective bilateral support to the development countries. State authorities in several western countries, in addition to their contributions to United Nations action for technical, economic and financial help to development countries, have organised bilateral support for these countries. When such bilateral actions are organised in the individual countries, the Co-operative Movement should make its attitude to them quite clear. Special attention should be paid to the following main points:

In the first place it is important for co-operators to gain representation on the state committee, in the respective countries, responsible for the help to development countries. In the second place, the Co-operative Movements should use all means in their power to influence the programmes for the bilateral assistance so that they include help to co-operative and other popular efforts towards self-help in the development countries. In the third place co-operation should contribute

towards creating a public opinion to encourage Government and Parliament to increase both bilateral and multilateral support to development countries, in the latter case through the U.N. and its Specialised Agencies. In this connection, experience has shown that close collaboration between the Co-operative and Trade Union Movements, and other groups with similar interests, is a way of augmenting the effect of public opinion.

(b) Measures on the Regional Level.

The regional commercial and economic areas now being organised – chiefly in Europe, but also in other parts of the world – are quite different from each other in their internal structure. The internal economic integration within the E.E.C. has made necessary the establishment of a series of organs superior to the state. Within the E.F.T.A., where such thorough integration is not intended, the need for common institutions for the participating countries has so far been less marked and the organs of collaboration that have been created have been given less extensive functions than in the E.E.C. In spite of this difference, there should be some similarity between the programmes of action which the Co-operative Movements should attempt to realise in the commercial regions. A few examples will illustrate this.

i. Co-operative Influence on the Economic Policies of the Regions.

It is very necessary for co-operation to be represented, together with civil servants and representatives of private enterprise, in institutions and organs of collaboration that are now being established on a regional basis. The Movements in the E.E.C. countries have already begun working together not only to safeguard the possibilities of co-operative representation in the organs of collaboration, but also to try to influence the drawing-up of the programme for the harmonisation of the commercial, economic and social policies that is typical of the work of the E.E.C. In the same way, but to a smaller degree, collaboration has been started between the Co-operative Movements in the E.F.T.A. countries with a view to protecting the interests of co-operation and the consumers. It would be of advantage if this regional collaboration between the Co-operative Movements with the objectives mentioned could be further extended, and contacts could be maintained between the Co-operative Movements in the two groups of countries.

ii. Regional and Global Trading Policies.

As regards the fashioning of the general policy within the new regions, it is natural for co-operators in the countries concerned to work for the realisation of certain objectives that are common to all co-operative action. A prime objective is the continued liberalisation of foreign trade. (The important but complicated problem of protection for agriculture, particularly in the western European countries, will be ignored in this connection.) The desired liberalisation of foreign trade implies, naturally, not only the successive removal of barriers to trade between countries within every region – which is important in itself – but it is also necessary to ensure that the average tariff boundary that is to be raised round the “Six” will be as low as possible in order to encourage trade between the “Six” and the rest of the world. The Co-operative Movements in the countries belonging to the “Seven” must each see that the tariff level in their own national market in relation to countries outside the E.F.T.A. group will be as low as possible in order

to encourage international trade in general. It is obvious that otherwise risks will arise that the countries in the new groups within each region will grant each other commercial advantages and preferences while trade with outside countries will suffer.

There is, unfortunately, much evidence that the ideal expressed in the Havana Charter cannot possibly be realised at once. If this judgment is correct – i.e., that a very extensive, practically global, liberalisation of foreign trade cannot be achieved at once – it will be all the more necessary to bear in mind the aspects just mentioned when the commercial policy of the new regions is being laid down. Co-operation in the regions in question must endeavour seriously to extend the areas of the markets. From a practical point of view there seem to be prospects that an amalgamation or co-ordination of the “ Six ” and the “ Seven ” in Europe, preferably in collaboration with North America, should occur first. Another desirable end is that the third group in Europe, Comecon, will gradually attain more extensive commercial relations with the rest of Europe.

iii. Trade of the Regions with the Development Countries.

In the commercial negotiations now taking place in both the E.E.C. and the E.F.T.A., partly in collaboration with North America, increased attention is being paid to the question of how European collaboration will affect commercial relations with the development countries. It is of the utmost importance that the Co-operative Movements engage themselves energetically in this question so that, in the planning of regional collaboration in Europe, the development countries will not be subjected to the effects of economically unfavourable commercial policies. A rapidly expanding foreign trade between Europe and the development countries is of the greatest necessity. Efforts should, therefore, be directed towards at least liberalising to the greatest possible degree imports from the development countries. At the same time it is natural that the development countries, during a period of transition, will be allowed to protect their own growing industries by imposing tariffs. Such a commercial policy on the part of the western states will be of prime importance to the economy of the development countries.

iv. Co-ordinated Economic Expansion.

A necessary condition if such a liberal commercial policy is to be applied successfully by the western world in dealings with the development countries is that the western industrial countries can continue an economic expansion policy based on full employment. It is easy to understand how important this condition is. A liberal import policy in the western world in favour of the development countries will undoubtedly be attended by difficulties for certain European home market industries owing to greater competition from the development countries. Such difficulties may, in some cases, make necessary a reduction or cessation of some kinds of production in the western world. By continued industrialisation and a rising standard of living in the development countries, however, the western industrial countries will be compensated by the increased possibilities of exporting to them machines and other products needed for the industrialisation. The consequence for western industrial countries, however, will be that extensive structural adaptations will be necessary (reduction and closing down of certain industries, balanced by expansion in other branches). Naturally, such structural changes can

hardly be made if they cause great permanent unemployment in important industrial undertakings in the western world. On the other hand, if the western world can pursue an effective co-ordinated expansion policy which, except for temporary unemployment, keeps up full employment, it will be possible to carry through this structural adaptation without general unfavourable effects – on the contrary, it will contribute towards a more rapid rise in the standard of living in the western industrial countries themselves. From this aspect it is extremely important that Co-operation, as is already the case with the Trade Union Movement in many countries, works energetically in the European common market regions and globally to encourage such co-ordinated full employment policies.

v. Regional Control of Monopolies.

In both the E.E.C. and the E.F.T.A. great attention has been paid to the problem of creating at regional level an extension of the national control of monopolies, which now exists in most of the countries belonging to the regional groups. The aim of such regional control of monopolies is, naturally, to try to prevent the mutual reduction of trade restrictions between the countries concerned being neutralised by international cartels and other international combinations. Such monopolistic practices, e.g., with the help of contracts to divide the market, might reduce or even nullify many of the advantages that can be gained by the removal of trade barriers. It is, therefore, extremely important that regional control of monopolies which, according to the plans, is to be created in both the E.E.C. and the E.F.T.A. will really be effective so that international monopolistic practices will not hamper international trade in the countries concerned. An urgent task of co-operation in countries in the E.E.C. and the E.F.T.A. is to hasten the development of the regional control of monopolies.

(c) Global Action.

Technological and economic development during the present century, especially since the two World Wars, has created the conditions required for a common world market. The ability of modern means of communication to change radically our opinions of the significance of distances has not, unfortunately, been accompanied by a sufficiently widespread knowledge that economic nationalism is now a closed chapter in the history of mankind. However, the endeavours made in certain regions at least to reduce the effects of the elements retarding economic progress have met with some success. The economic risks to which a new division of the world market may give rise must not be underrated, however. As regards the creation of all-embracing international collaboration, the United Nations and its Specialised Agencies are available as instruments for a global policy in the real meaning of the term. The International Co-operative Alliance enjoys Category A Status in the U.N. and in the most important of its Specialised Agencies. This improves the prospects of the work of co-operation on a global plane for the principles professed by co-operators regarding the forms of international collaboration in the economic and social spheres.

Collaboration between the I.C.A. and other World Organisations.

Experience from post-war years, however, shows that representations to the United Nations and its Specialised Agencies on matters of prime importance to

world co-operation, in spite of the fact that they are based on well-documented evidence, have not been given the consideration they deserve. With this in mind it may be worth while contemplating whether or not the I.C.A., when making certain representations, should to a greater extent than hitherto seek contact with other popular international associations which, in essential points, have aims similar to those of International Co-operation. The organisation that first comes to mind is, naturally, the International Confederation of Free Trade Unions. The interests of the I.C.F.T.U. in a number of world economic questions are so similar to those of the I.C.A. that collaboration in representations to the U.N. and its Agencies seems quite natural. The same is true of a possible collaboration between the I.C.A. and the I.F.A.P. Particularly with regard to questions concerning the co-operative type of enterprise as such, collaboration with the I.F.A.P. is suitable; this has recently been realised to a certain extent by a special agreement. Collaboration on a global plane between the I.C.A. and the International Chamber of Commerce is possible and appropriate in certain respects. Contacts between these two world-wide organisations should be especially fruitful in questions concerning efforts to encourage a freer international commercial policy. To a certain extent contacts between them may also be of value for a purely technical exchange of experience in, primarily, the sphere of distribution, even if the ideological foundations of the two International Organisations are very different. An extended collaboration between the I.C.A. and the other world organisations just mentioned is a practical proposition, *inter alia*, because they all enjoy Category A Status with the U.N. and its Specialised Agencies.

World Economic Aspects.

The general orientation of world economy, which the International Co-operative Movement by its influence in the United Nations and its Agencies should strive to realise, is, in accordance with earlier I.C.A. Congresses, mainly as follows:

A successive liberalisation of international trade embracing all the countries in the world, is an essential objective for co-operative opinions. The great common markets are acceptable because they, in any case, cause a regional reduction of trade barriers, in spite of the fact that they may also be attended by grave disadvantages. But these regional groups are acceptable only in so far as they form stages on the road to what must be the ultimate goal: a world-embracing, greater and freer commercial exchange. For the I.C.A. it must always be a fundamental task to work in all possible contexts in the U.N. and its Agencies for a wider and more powerful opinion with this aim in view.

One item of the programme of action of the Alliance according to the most recent Congress decision is, no doubt, the most important of all its tasks - 'To Promote Co-operation' in the Development Countries. This problem, to which the present Congress will also devote much attention, will not be dealt with in this paper. For the I.C.A. as a World-Wide Organisation, however, it is of prime importance to strive for increased multilateral support through the United Nations and its Agencies to further the economy of the development countries. This should be done - not only by forming opinion for freer international trade - through actions in the U.N. in favour of augmented multilateral technical aid to

development countries, insistence on their being granted long-term credits, and energetic demands for the establishment of international control of monopolies and the drawing-up of price-stabilising agreements for raw materials. By these concerted actions the terms of trade between the old industrial countries and the development countries would be influenced considerably in favour of the development countries. These measures form, indeed, an ambitious international economic programme for our Alliance. For the development countries this programme is of such fundamental significance that the Alliance should, with all means in its power, strive in the U.N. and its Agencies for its rapid and effective realisation.

VIII. DEMOCRACY AND ECONOMIC EFFECTIVITY.

The structural changes in the economy and markets outlined earlier, bring co-operation, in its capacity as a popular democratic movement, face to face with new problems. This paper has tried to show that the structural developments make it necessary for co-operation to work with larger units than formerly. The days of the small Co-operative Societies and the small shops are gone. Adaptation by consumer co-operation to the new conditions demands that larger and more mechanised shops than hitherto must be provided, that the new demand aimed at different kinds of dry goods and especially durables must, to a much greater extent, be supplied by centrally organised department store chains, and that the Societies cover wider geographical areas, and thus function as larger units than formerly.

These changes are inspired by the desire to make co-operative enterprise as efficient an instrument as possible in the service of the members. There can hardly be two opinions about the necessity of pursuing such a policy, for it is obvious that if co-operation does not function at least as efficiently as competing enterprises, the inevitable consequence in the long run will be a decline of the Co-operative Movement.

It is equally clear that the small Co-operative Societies, working within a strictly limited sphere of action, and with a relatively small number of members, are comparatively easy to survey and control. The organisation of an effective control by the members involves no difficulties. The problem is different in the large Societies whose activities cover very wide spheres and whose members number tens of thousands. These problems can be solved technically and without much difficulty by applying democratic methods of representation. But there is no doubt that the large Societies are more complicated, especially if, as a link in the necessary effectivisation, forms of integration of the type suggested earlier, by which intimate connection between co-operative retail and wholesale trade is achieved, are applied.

The problem of the influence of the members in the modern Co-operative Movement has been the subject of thorough discussion in many countries, and the question of the interest of the members has been given the greatest attention. The growing passiveness of members of large Societies has been stressed, and the question has been raised as to whether it is not necessary, in view of the interest of the members, to preserve the small-scale Societies.

The natural reply seems to be that the type of enterprise must be determined by the demands of efficiency. If co-operation were to lag behind in efficiency, the problem of members' interests would be solved gradually in a simple way: there would be no Co-operative Societies left over which the members could exercise an influence.

From that viewpoint the solution of the problem of the control of the members has three aspects –

(a) Such democratic forms must be found as allow, in every section of co-operative activities, an effective influence by the members and/or their elected representatives.

(b) Co-operative action must be so effective and so energetic that it can continuously hold the attention and interest of consumers and producers. For this reason it is important for consumer co-operation that the Movement actively protects the interests of consumers also in new spheres which structural development has brought to the fore, and which have been touched upon earlier in this paper. In other words, co-operation must keep up with the times and thereby continuously create the conditions to arouse the interest, especially of the younger generation, in its aims.

(c) Co-operative information and propaganda must also be adapted to the new conditions. Not least important is to awaken the interest of young people and new families in the great advantages offered by co-operation. This is important, because in modern welfare states we no longer have the drastic examples of the necessity of co-operation which social need and economic injustice provided. For that reason, much greater demands are made on modern co-operative information services. In this connection it must be stressed that it is very important for co-operation to be actively engaged in forward-looking cultural activities. The modern commercialised amusements industry has many elements that tempt people to fly from reality to a mechanical killing of time. One of the great tasks of cultural work in such times is to activate people, to make them conscious of the great, burning problems of the day. All such action serves the interests of the popular movements, for they, like all living democracy, must be based on actively conscious members and citizens.

Co-operative information services must, finally, widen their scope. They must not devote themselves exclusively to purely co-operative problems. They must be planned in the consciousness that co-operation is an international movement. Consumer co-operation – if we take that as an example – is fighting for a great ideal, which can still captivate the minds of people, the ideal of social justice in a world without boundaries.

IX. THE REALISATION OF THE CO-OPERATIVE PROGRAMME OF ACTION.

The principal items in a programme of co-operative action, which have earlier been outlined from the angle of actions on the national level, must depend entirely, naturally, on the National Movements concerned. As regards regional action, the realisation of the programme will depend mainly on what initiatives the National Co-operative Organisations in each region are prepared to take.

It is obvious, however, that both nationally and regionally, the International Co-operative Alliance can play a very important role in the realisation of a programme of co-operative action. The Alliance should contribute primarily through its Auxiliary Committees for special tasks. In so far as Congress approves the resolution in which certain main items of the proposed programme are included, the different elements of this programme should be referred to the Auxiliary Committees of the Alliance for further study and implementation by concrete proposals. The structural problems of retail and wholesale trade and the problems of integration brought into the foreground by modern developments should, therefore, be studied jointly by the Co-operative Wholesale Committee and the Co-operative Retail Committee. Investigations of this type have already been commenced in these Committees separately. The special structural problems with which Agricultural Co-operation is faced should, in the same way, be studied in the Agricultural Committee. There is also an Auxiliary Committee for Co-operative Insurance. The multilateral and bilateral aspects of aid to the development countries should be the province of the Technical Assistance Sub-Committee, etc.

Regarding measures to be taken to realise the programme of co-operative action on a global level, the Executive Committee and the Secretariat of the Alliance should be given general authority to assert, as hitherto, the international economic recommendations of the Alliance in all suitable connections in the U.N. and its Agencies. Such activity on the part of the Alliance and its Auxiliary Committees, however, requires a considerable augmentation of the present personnel and financial resources.

X. CONCLUDING REMARKS.

The views, presented here, of the aims and methods of co-operation against the background of current economic and social changes cannot be complete unless the question of peace is considered. A peace which not only, as at present, is based mainly on a so-called balance of terror between a few great powers, but which has its roots in real international understanding is, in the long run, the fundamental condition for the realisation of a programme of co-operative action in a progressive spirit. It is, therefore, only natural that at every International Co-operative Congress, appeals and recommendations in the form of Peace Resolutions have been approved and presented to those wielding the political power in the world. The possibilities even of a World-Wide Organisation like the International Co-operative Alliance inducing the political leaders in the world to negotiate agreements in the interests of peace are necessarily very restricted. Co-operation can, however, by mustering all the large groups of citizens, and by collaborating across national boundaries, regardless of differences in political and religious questions, and of racial differences, make a constructive contribution towards lasting peace. Co-operation can, by its activities, contribute towards creating the economic and social equality, and the will to peaceful collaboration between all countries and peoples which are, in the long run, the only reliable and durable conditions for permanent peace – that is Peace based upon International Understanding.

RESOLUTION

The 21st Congress of the International Co-operative Alliance -

having regard to the rapid progress of technological and applied science today and its effects upon the structure of economic enterprise;

also the widespread acceptance of the welfare and prosperity of all as the true object of economic activity;

and recognising the necessity of adapting the activity and objectives of the Co-operative Movement to the changes now taking place with a view to employ all resources in materials and personnel in such a way as to ensure their most effective utilisation -

Recommends the Affiliated Members of the I.C.A. -

to co-ordinate the activities of their organisations at all levels so as to obtain the maximum of efficiency in the fields of production, distribution and finance;

to utilise co-operative resources and methods in all countries to the fullest possible extent, by expanding the activities and thereby increasing the influence of the National Co-operative Movements, by the rapid promotion of increased international co-operative trade, including trade with developing countries, and in all possible ways to combat and overcome the monopolistic exploitation of labour and materials;

to take advantage of every opportunity of promoting international enterprises jointly owned and operated on co-operative principles;

to apply throughout this process of adaptation, the fundamental principle of democratic control by providing the maximum of opportunities for the active participation of the members;

to exert all their influence upon economic policy, legislation and social development so as to secure to the Co-operative Movement freedom of action and expansion and the application of the co-operative idea to economic and social problems.

The Congress -

Instructs the Central Committee to support, through the I.C.A.'s Auxiliary Committees and the expansion of its own services, the efforts of the affiliated Organisations to implement these recommendations; and

since the necessary adaptation to social, technological and economic development cannot be fully attained without co-ordinated international action -

Urges the Central Committee to take the initiative in promoting closer contact with the United Nations Organisation and its Specialised Agencies, as well as with other International Non-Governmental Organisations having similar aims to those of the I.C.A., with a view to united efforts to liberalise trade, and to develop unused economic resources to the betterment of living standards throughout the world.

Appendix A.

Development Trends in Consumer Co-operation in Certain Countries. Summary of Replies to Questionnaire.

As will have been gathered from earlier parts of this Paper, the author has been helped by replies to a questionnaire sent to Organisations affiliated to the I.C.A. Since these replies were very detailed, they are greatly abbreviated here. The summary is in the same order as the headings of the questionnaire.

Replies were received from Belgium, Société Générale Coopérative; Co-operative Union of Canada; Denmark, Faellesforeningen for Danmarks Brugsforeninger; Finland, Suomen Osuuskappojen Keskuskunta and Kulutusosuuskuntien Keskusliitto; Sweden, Kooperativa Förbundet; Great Britain, Co-operative Union; the Netherlands, Co-op Nederland; Western Germany, Zentralverband deutscher Konsumgenossenschaften; Italy, Lega Nazionale delle Cooperative e Mutue; Yugoslavia, Glavni Zadružni Savez FNRJ; Soviet Union, Centrosoyus; Czechoslovakia, Ustredni Rada Druzstev; Bulgaria, Union Centrale Coopérative.

In the last four countries, which have a communist economic organisation, Consumer Co-operation occupies a position differing in many respects from that in the other countries. Neither is it identical in the four countries. Co-operation in Yugoslavia is almost entirely devoted to production. Consumer Co-operation in the Soviet Union and Czechoslovakia is restricted mainly to rural areas and small towns, while in the large towns distribution is the task of state-owned chain stores. Bulgarian Co-operation, on the other hand, covers the whole country as regards retail trade, but wholesale trade and production are in the hands of state-owned enterprises. This should be borne in mind when studying the replies to the questionnaire.

Otherwise, development trends are much the same in all the countries and differences seem to be due chiefly to the degree of industrialisation and urbanisation.

Types of Shops.

General Trends of Development.

In all countries, there is a tendency towards larger retail units, in which endeavours are being made to apply labour-saving methods. The development in Sweden is illustrated by the following table -

Year	Number of Shops		Shops with less than Sw. Crs. 200,000 turnover
	Self-Service	Counter-Service	No data
1949	59	7,037	No data
1954	1,140	5,889	1,820
1959	2,647	3,275	1,040

The following data from Denmark show clearly the rôle of towns and agglomerations in this development –

	Self-Service Shops		Turnover	
	Number	% of all shops	Million D. Crs.	% of total
1953	59	3	60	7
1958	222	10	222	22
1958				
Copenhagen	62	26	115	56
Other towns	127	49	89	59
Rural Areas	33	2	18	3

In Great Britain the official view of the Co-operative Union is that Societies should concentrate their trade in foodstuffs and open shops of the supermarket type. This type of shop, which in 1950 was practically unknown to British Co-operation, was represented in 1960 by about 300 shops. Similar tendencies are present in the Netherlands and Western Germany, where new self-service shops are being established and old shops reorganised according to the following programme –

(a) Counter-service and bargain-trade shops are being converted into self-service shops.

(b) In connection with this, possible removal to better business sites.

(c) Extension of assortment of goods (preferably with fresh goods).

(d) Closing unprofitable shops.

The change-over to self-service shops has been restricted in Finland and Italy, and has been most marked in large towns. In Finland the small shops that have been closed have been replaced by mobile units (buses) and mail order sales. Development in the Soviet Union has been characterised by extensive new constructions since the war. Thus, within Centrosoyus, 100,000 shops have been built; of rural and provincial department stores 80 per cent are new, of special shops (for agricultural produce in towns) 50 per cent, and of rural shops 33 per cent. According to a seven-year plan, 60,000 new shops are to be built, of which 20,000 will be rural department stores. Modern methods of work are being developed simultaneously. Thus, 2,000 shops are self-service shops, 5,000 apply the self-choice principle, and 8,000 are without selling staff. In addition, “sample-selling,” mail order and delivery service sales exist. Self-service and self-choice methods are not applied to any great extent in Czechoslovakia, but within five years they will be introduced into 50 per cent of all shops. In Bulgaria the Societies have just begun to open self-service shops.

In countries where co-operative trade in special goods exists in large towns, centrally situated department stores are becoming of increasing importance.

Differences in Costs.

Several countries report significant differences in costs between large and small counter-service shops.

Information was given from Sweden on a selection of combined counter-service shops (with complete assortment of foodstuffs) in 1958. Shops with a turnover of Sw. crs. 100,000 to 199,000 had wage costs approximately 2 per cent (of turnover) higher than shops with a turnover of Sw. crs. 600,000 to 799,000.

From Finland, S.O.K., the following costs have been reported for 1958

Turnover Mill. Fmk.	Costs in % of turnover in	
	Towns	Rural Areas
Under 10	12.8	16.3
Between 10 and 20	11.2	14.0
20 and over	10.2	12.5

Similar experiences were reported by K.K., Finland, the Netherlands and Italy.

The following data from Denmark shows costs in counter-service and self-service grocery shops -

	Counter-Service			Self-Service		
	Turnover in Mill. D. Crs.					
	under 0.5	0.5-1	over 1	under 0.5	0.5-1	over 1
Number of shops	39	30	18	29	47	27
Turnover per shop - 1,000 crs.	338	727	1,323	372	752	1,345
Costs in % of Turnover -						
Wages	8.4	7.4	6.9	8.0	7.1	6.3
Packing	0.6	0.5	0.4	0.7	0.6	0.5
Transport	1.0	1.3	1.1	0.8	0.9	0.9
Rent and fittings	1.5	0.8	0.6	2.6	1.5	0.8
Other Costs	1.1	1.1	0.8	0.8	1.0	1.0
Total Costs	12.6	11.1	9.8	12.9	11.1	9.5

Great Britain - data is available on wages costs in percentage of turnover in co-operative shops and private chain shops, both counter-service and self-service -

Turnover (£1,000)	Wages Costs in % of Turnover			
	Counter-Service		Self-Service	
	Co-operative	Chain	Co-operative	Chain
Under 10	9.2	10.0	9.2	11.3
10 to 25	7.5	8.5	7.5	8.1
25 to 50	7.2	7.7	6.8	6.8
50 to 100	6.8	7.3	6.4	6.1
100 and over	6.3	7.1	6.2	6.2

Source: 1957 Census of Distribution.

Sweden reported the following wages costs in self-service shops for 1958 -

Turnover 1,000 Sw. crs.	Wages costs in % of turnover
Between 100 and 199	10.3
„ 400 and 599	8.1
„ 1,000 and 1,499	7.5

Trends similar to those in Denmark were reported by Finland, K.K., the Netherlands, and Western Germany. The German reply stressed, however, that while personnel costs were lower in the large self-service shops than in small ones, such items as rent, energy and depreciation were higher. The lower personnel costs are most important.

The reply from the Soviet Union stated that when a counter-service shop was converted into a self-service shop, the turnover increased by 20 to 22 per cent without adding to the staff.

A comparison between self-service and counter-service shops shows that costs are consistently lower in large self-service shops than in comparable counter-service shops. There is little or no difference in the small shops. The reply from the Netherlands states that costs are higher in small self-service shops than in counter-service shops, while Finland, K.K., reports the difference to be insignificant. On the other hand, information from Sweden shows that the differences in costs are in the region of 2 per cent of turnover, and in Great Britain they are 1 per cent. In the reply from Belgium, it is said that in self-service shops costs are not much lower than in service shops; possibly this is due to the fact that the self-service shops are not big enough and in some cases are not well located.

No country reported differentiated prices as a consequence of differences in costs between self-service and counter-service shops. In Sweden, however, there are special shops with a limited assortment of factory-packed goods, where consumers are allowed a discount of 10 per cent on ordinary prices on purchases above a certain sum. In Finland, reductions are occasionally allowed on purchases of factory-packed goods, and in Italy monthly deliveries are at prices from 3 to 6 per cent lower than in shops.

Structure of Societies.

Programme for Amalgamation.

Although most countries report tendencies towards the amalgamation of small societies into large ones, only three, the Netherlands, Sweden and the Soviet Union, have programmes or resolutions on which this development is based. Great Britain and Western Germany are investigating this problem.

The most far-reaching programme is that of the Netherlands. According to a resolution passed by the Congress of 1959, the number of Societies will be reduced during a three-year period from 230 to about 20 District Societies. Each District Society will be represented on the Board of the District Societies by two members. To ensure a uniform policy this Board will have extensive powers and can, with a three-quarters majority, give binding instructions to the Societies as regards - general development of the Movement, depreciation and funds, dividends, administrative and statistical methods, recruitment and training of staff, purchase of goods and the utilisation of the services provided by the Central Organisation, general policy of sales promotion, stocks, prices, advertising and the organisation of buying.

In Sweden the 1960 Congress of K.F. took a unanimous decision to the effect that the number of local Societies should be reduced. It is intended that the range of activity of Societies should be adapted to the consumers' buying regions. In the investigation on which the Congress resolution was based, the number of

buying regions is estimated at about 100. The present number of Consumers' Societies is 638 (end of 1959). Of course, the realisation of the proposal is dependent on the decisions by the local Societies.

In 1958 the Soviet Union Co-operative Congress, and in 1960 the Council of Centrosoyus, passed a resolution that Co-operative Organisations shall strive to improve the Movement by the amalgamation of such small organisations and enterprises as lack the economic conditions required for further development.

Trends of Amalgamation.

All the organisations that replied to the questionnaire report tendencies towards amalgamation.

Strong tendencies are reported by the Netherlands, Sweden, Soviet Union, Bulgaria, and Western Germany. In Great Britain for the past few years, approximately 30 successful fusions have been effected each year. In Sweden, the reduction in the number of Societies by amalgamation was 5 in 1957, 10 in 1958, and 25 in 1959. In 1960-61 about 70 amalgamations will take place according to decisions already taken by the local Societies concerned. The Soviet Union reported the following changes in the number of local Societies and District Organisations:

	1948	1954	1958	1960
Local Societies	28,489	23,240	19,247	18,063
District Organisations	3,676	3,574	3,132	2,846

In Bulgaria, the number of local Societies decreased from 3,736 in 1951 to 1,799 in 1959, and in Western Germany, 48 small Societies have become affiliated to larger ones, 15 during 1958-1959.

Arguments in favour of Amalgamation.

Different arguments in favour of amalgamation are advanced for the Movements in which amalgamation has taken place. A common feature is that an important advantage of large Societies is a more highly qualified management and a more efficient administration. Otherwise it is stated that advantages may be gained by rationalisation (primarily stocks and transport), possibilities of more advantageous purchases, better balanced capital resources, also better opportunities of staff training, and better personnel policy.

Support to Weak Societies.

As a rule no special organisations exist for the support of weak Societies that run into difficulties. Only in Sweden is there a special organisation (Svenska hushållsföreningen). The Societies needing support join this Organisation, which takes over the administration. The necessary organisational and economic measures (e.g., the re-organisation of investments and stocks) are taken. The costs of these measures are regarded basically as a loan to the Society; when the loan is repaid and the Society functions normally it leaves the SHF.

From Finland, S.O.K. and K.K., Great Britain and Western Germany, it is reported that, whenever necessary, the Central Organisations intervene in support of weak Societies. In Great Britain the present tendency is to solve the problem by amalgamation, or in England and Wales to refer it to Co-operative Retail Services, Ltd., and in Scotland to the S.C.W.S. Retail Trading Section. In Western Germany, Zentralverband has a special advisory section.

Co-operative Integration.

Integration between Wholesale and Retail Trade.

In some countries, integration between wholesale and retail trade in the food-stuffs section seems to have begun primarily by part of the stocks of the Societies being taken over by the Central Organisation. A system of central warehouses has been developed in Sweden. This implies that regional warehouses (38 central warehouses, 3 special centres for frozen goods, and 2 special fruit and vegetable centres) serve practically all Societies. The warehouse buildings and equipment are owned by K.F., but each warehouse is administered by a Committee elected by the Societies affiliated to the central warehouse. This system has made possible considerable savings in the form of lower handling costs and a reduction of stocks, together with a better assortment of goods. In the Soviet Union wholesale trade is administered by regional or "republican" organisations of local Retail Societies. A board consisting of representatives of the Societies served by the central wholesale warehouses manages each central warehouse.

Wholesale distribution in Denmark is passing through a great transformation phase. Of the existing 16 wholesale warehouses, 15 are to be closed and replaced by 7 new ones, and integration may be said to take place by the standardisation of orders and transports.

Integration between wholesale and retail trade seems to be somewhat greater in the dry goods section, where the establishment of chains of department stores and special shops is realised by the central organisation or special enterprises founded for this purpose. In Sweden a development of the chain of department stores is proceeding by means of Varuhusföreningen (Department Store Society) Domus, of which Societies owning department stores are members, and which is wholly responsible for the running and administration of the stores. The Department Store Society, together with certain large Societies owning department stores, not members of Varuhusföreningen, belong to Kooperationens Varuhusorganisation, which works for the co-ordination of statistics, grouping of goods, assortment of goods, buying, certain common advertising, recruitment and training of staff. The two Central Organisations in Finland both have chains of shops for dry goods, and S.O.K., which has large department stores at Helsingfors and Abo, is planning a chain of department stores.

In Denmark there is an organisation of F.D.B. and local Societies, Varuhusföreningen, founded in 1957, which runs department stores also textile and footwear shops. There are also some large department stores established by F.D.B. and a small group of local Societies. In Great Britain, S.C.W.S. has contracts with a number of Societies, which means that S.C.W.S. supplies and controls goods of certain special shops and also provides them with window-dressing and advertising material. It also supplies the fittings for footwear shops. In accordance with the decision of the 1960 Congress Co-operative Chain Stores for dry goods will be organised, beginning in the footwear branch. In the Soviet Union district department stores and large special department stores are run by district associations of local societies.

Integration in Production.

Tendencies towards integration in the sphere of production are not of any great significance. In Sweden part of the meat processing and bakeries have been concentrated into large units owned by K.F., and in Great Britain, C.W.S. has taken over bakeries in England and Wales. In Belgium, S.G.C. endeavours to induce Societies with less good production plants to close them down and to buy from neighbouring Societies equipped with better plants.

Collective and Standing Orders in Wholesale Trade.

In several countries steps have been taken to make possible collective orders to manufacturers and thereby obtain lower prices. In Sweden collective and standing orders occur particularly in the dry goods section. Experience in Great Britain of national selection panels and regional buying groups has not been very encouraging; instead co-operative producers are recommended to open discussions to achieve specialisation and larger or standing orders. In Finland the purchases made by OTK for its chain of special shops imply a kind of collective buying, which has also occurred for artificial fertilisers, agricultural and household machines, and building materials. In the Soviet Union the local societies make annual contracts with the central warehouses. The contract contains data on the total volume of goods, a specification of goods required and terms of delivery.

Other Methods of Rationalisation.

Among other measures aimed at increasing efficiency, several Organisations mention steps taken in the spheres of advertising, book-keeping and statistics. Common advertising is mentioned in Canada, Sweden, Finland, Denmark, the Netherlands and Western Germany. In some cases it is financed by the Central Organisation and the local Societies together. It may also be organised by the central bodies making proposals and supplying matrices. Posters, placards and window-dressing material are also supplied to local societies.

Steps have been taken in several countries to standardise book-keeping and statistics. There is a book-keeping service in Canada, and in Denmark advice is given regarding costs control, statistics and book-keeping, etc. Sweden, the Netherlands and Western Germany report uniform plans for book-keeping and statistics.

It may also be mentioned that Denmark has a special guarantee and wages fund for the financing of Societies; that in Great Britain there is a special "TV maintenance pool scheme" in which the local societies can insure themselves against the maintenance costs of TV sets that are hired out.

Hire Purchase and Credit Trade.

Owing to the fact that consumer capital goods have begun to occupy a greater part of the budget of consumers, hire purchase and similar buying have become of current interest to the Co-operative Movements. Credit trade is reported from Canada, Sweden, Finland, K.K., Denmark, the Netherlands, Western Germany

and Great Britain. In Sweden, and to a certain extent in Finland, purchases are financed by the buyer taking a loan in a savings' bank with help from the Co-operative Society, with which the bank has a special agreement. In Great Britain TV sets are hired out, and in the Soviet Union the same applies to washing machines, gramophones, sewing-machines, vacuum cleaners, separators, gardening and agricultural implements and other household articles.

Democracy and Change of Structure.

Since changes in the structure of the different Movements take place comparatively slowly, and the Movements in which amalgamation of Societies is planned on a large scale already have experience of the organisation of very large Societies, democracy is not expected to cause any problems.

In the Netherlands, a special plan has been drawn up for the Regional Societies, and in Sweden a study of the functioning of democracy will be made in the large Societies.

Information to the members on questions referring to rapid changes in the Movement is given through the usual channels (the press, meetings, conferences, the election of representatives). In this connection it may be mentioned that in Denmark the representatives are informed by personal letters from the President of F.D.B.; that in Sweden a special course has been planned for group studies of the programme for the concentration of Societies, which includes material for investigations and discussions round the problem of concentration in the districts where the members of the group live. An interesting point in this connection is the relatively very high number of representatives in the Soviet Union – 1,000,000 of 40,000,000 members.

Appendix B.

Community of National Consumers' Co-operative Organisations of the Common Market.

In June, 1957, the National Organisations of Consumers' Co-operatives of the countries interested in the Common Market created a Community with the following organs:—

1. A Political Committee of representatives of the National Co-operative Organisations concerned, having as its purpose – to examine the consequences for consumers and their Organisations resulting from the application of the Treaty; to define and co-ordinate the tasks to be undertaken to further the development of Co-operative Organisations within the Common Market; to decide the policy to be followed to this end, also appropriate measures to be taken to protect consumers' interests; to obtain consumers' representation in the Economic and Social Committee envisaged by the Rome Treaty.

2. A Permanent Secretariat, having the task of documenting the members of the Community on the general problems arising from the coming into force of the Treaty, of publishing an Information and Documentation Bulletin, of collecting,

by investigations or otherwise, economic and social elements relating to the different problems which confront the members by the application of the Treaty.

By the intervention of the Belgian Government, the Community is represented in the Economic and Social Committee by its Secretary, W. Serwy.

The activities of the Community are pursued in two main directions – one has a general character in liaison with the activities of the Economic and Social Committee; the other has a special character concerned with problems of the members and considered as a function of the application of the Rome Treaty.

Through the collaboration of the Community within the Economic and Social Committee, the view-point of the Consumers' Associations on the following problems has been made known –

Harmonisation of trade policy between member and non-member states;

Right of establishment in overseas territories;

Elaboration of regulations of competition within the E.E.C.;

Elimination of discrimination in the transports system within the E.E.C.;

Elaboration of a common agricultural policy within the E.E.C.;

Social security for migrant workers;

Right of establishment of corporate bodies, particularly Co-operative Societies, in the countries of the Common Market.

Consumers' Associations are represented in the specialised sections of the Committee concerned with economic questions, unsalaried services and activities (commerce), nuclear economic questions.

The Community has formed a group of about 20 members within the Committee to safeguard consumers' interests in the solution of problems arising from the Rome Treaty.

Contacts have been established with certain groups in the European Parliamentary Assembly, also the European Secretariat of I.C.F.T.U.

In the sphere of its own activities, inventories have been made of the importance and nature of commercial exchanges between the Co-operative Wholesale Societies of the Common Market, also the variety and volume of their productions. These inventories should enable new methods to be introduced with a view to wider and more fruitful economic collaboration. Each Wholesale Society of the Common Market has been invited to organise a permanent information bureau for the development of mutual exchanges.

The Community is now considering the position of Consumers' Associations in relation to the E.E.C., particularly as regards – the fiscal system in the member states, especially the turnover tax; legislation concerning the manufacture and sale of products; contribution to compiling a food codex.