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CO-OPERATIVES IN THE YEAR 2000

The Resolution adopted by the 27th Congress of International Co-operative Alliance, ICA

Co-operatives in the Year 2000

A paper prepared for the 27th ICA Congress, October 1980

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Co-operation of the Socialist Countries in the Year 2000

Joint Document of Central Co-operative Unions and Societies of Bulgaria, Hungary, GDR, Poland, Czechoslovakia and the Soviet Union

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Co-operatives in the Year 2000

Part I

The Perspective Of Congress 1980

1. Background and Purpose

Looking back over the history of co-operatives as they developed in various parts of the world, one can see them going through three stages of growth and change, each involving a crisis to be faced and overcome. **The first was a credibility crisis**. In the beginning, few people believed in co-operatives or had much confidence in them. To many people, the very idea of a co-operative was just too impossible. After all. business was for businessmen to own, run and direct and should be no concern of ordinary people. In some countries, appropriate legislation for co-operatives took a long time to get approval. Wherever they first took root, it required the necessary faith of a small band of pioneers to get co-operatives started at all. If they got any help or encouragement in pioneering times, it was often given in a patronizing manner by persons in high and influential positions, and some who approved of co-operatives in a

paternalistic way never thought they would amount to much anyway. But slowly and gradually the co-operative idea won acceptance. The credibility crisis was passed. Co-operation became a good and noble cause in the popular mind.

But then came **a second crisis, what may be called the managerial crisis**. Co-operatives were recognized as being good and desirable institutions, but how were they to be managed? or rather, who was going to manage them and provide the technical and business experience they must have ? Over a whole generation or two in many countries, co-operatives became almost synonymous with business failure, and many hundreds collapsed and disappeared. Or if they did not fail outright, they had chronic trouble with mediocre management and tended to be backward and second-rate in their performance. But gradually this crisis was overcome too. Many capable young managers began to be attracted to co-operative business and soon the image of the movement changed. Co-operatives could be as efficient, up-to-date and modern as other business systems and a growing number of experienced executives came to the movement for a satisfying life-time career. In most countries, especially in Western society, there is no longer a managerial crisis as there was a half century ago.

But now, where different co-operative systems are well established, they are faced with **a third crisis, what may be called an ideological crisis**. It arises from the gnawing doubts about the true purpose of co-operatives and whether they are fulfilling a distinct role as a different kind of enterprise. If co-operatives do nothing more than succeed in being as efficient as other business in a commercial sense, is that good enough? And if they use the same business techniques and methods as other business, is that in itself sufficient justification for the support and loyalty of members? Moreover, if the world is changing in strange and sometimes perplexing ways, should co-operatives change in the same way, or should they not strike off in a different direction and try to create another kind of economic and social order?

Part II

World Trends and Problems

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Part III

Co-operation: Theory and Practice

1. The Nature of Co-operatives

There is a strong tendency among co-operators nowadays to avoid theory and ideology and instead "get on with the business". But this is a mistaken attitude because **every organization or institution is built, first of all, on ideas and concepts of what people believe and are willing to stand for**. So in co-operatives we must see and understand the basic ideas on which they rest, for it is from these ideas they take their direction.

Co-operation as a social and economic system is not based on one specific concept or social theory but on a collection of many ideas and concepts, such as mutuality, the weak combining in solidarity for greater strength, equitable sharing of gains and losses, self-help, a union of persons with a common problem, the priority of man over money, the non-exploitative society, even the search for Utopia. Various people have expressed their views of co-operative organization with such mottoes as: "all for one and one for all", "not for charity, not for profit, but for service, "eliminate the middleman", "service at cost", "people in business for themselves". The great Japanese leader and reformer, Kagawa, called the co-operative movement "Brotherhood Economics". The overriding concept present in all co-operatives is this: a group of people, small or large, with a commitment to joint action on the basis of democracy and self-help in order to secure a service or economic arrangement that is at once socially desirable and beneficial to all taking part.

A further reason for clarifying our ideology is that people who are imbued with a missionary spirit, as many co-operators have been in the past, are not usually disposed to enquire deeply into the beliefs which they spread, for they assume they already have the true faith and need search no further. Some critics of co-operatives refer to them as a "system of presumed virtue".

Sometimes non-essential and extraneous factors are injected into the debate on the nature of co-operatives. For example, the argument is commonly heard that a small business undertaking may indeed be a genuine co-operative, but when it becomes very large it can no longer be considered a true co-operative. This paper will take the view that size is not the determining element, even though meaningful participation is more difficult in a large organization. Size alone is not the distinguishing element.

An ordinary corporation may exist and operate from its own detached power-base, but a co-operative cannot exist apart from a body of people who are its members.

The nature of Co-operation has been described and defined in countless ways. **One of the most satisfactory and useful definitions is given to us by Charles Gide: "A co-operative is a grouping of persons pursuing common economic, social and educational aims by means of a business enterprise".**

Part IV

The Performance and Problems Of Co-operatives

In this part, the aim will be to assess the weaknesses and shortcomings of co-operatives, to point out where they are falling short of promise and expectations, and to suggest where there is room for improvement.

1. The Commitment of Members

The foundation of a co-operative rests in a group of people with a common need which they undertake to satisfy by making a commitment to act together in a united way. This commitment must be especially strong when it touches on a vital part of life and living. Thus, in a workers' co-operative commitment must be total, or nearly so, because it means one's livelihood. So also in a housing co-operative--it is a family's home. Also, in many agricultural or fisheries co-operatives, the attachment of members to the organization tends to be strong because of income and livelihood. The individual person usually has to associate with others in order to survive.

3. The Neglect of Education

It is generally agreed that neglect of education is now fairly widespread throughout the co-operative movement in most countries, and it is safe to say that the majority of co-operative systems, except in some Third World countries, are guilty of default in this respect. In many co-operatives education has been mostly a one-shot affair: intense activity and high interest at the start, and waning interest thereafter. While the business speeds into the cybernetic age, education still lingers in a sort of stone age in many places. There is usually careful attention to the need for setting up reserves to take care of depreciation of physical assets, but often nothing to provide for depreciation of another kind, in human capabilities. A new generation of members will not understand what the co-operative is or why it came about. **Goethe says: "One does not possess what one does not comprehend".**

The prime responsibility for education should rest with the board of directors, and the education department or educational personnel should report directly to the board; and education is a particular function which busy presidents might delegate to a vice-president. In the first place, of course, it is the duty of boards to provide the budgetary funds for education, not spasmodically from surplus, but as an ongoing and continuing function of the organization. In the last century, the great political economist **J. S. Mill gave as his opinion: "Education is desirable for all mankind; it is life's**

necessity for co-operators."

But the picture is not entirely discouraging, and the neglect of education, though obvious enough, is not complete, for there remains a certain percentage of co-operatives in all countries where imaginative educational programmes continue to bear fruit in the form of dynamic organization, capable leaders and well informed members.

6. Laymen and Technocrats

In theory, co-operatives are administered and run by two quite distinct groups: on the one hand, elected laymen chosen by the members, and on the other, appointed managers and personnel selected by the board of directors. These two together make up the main leadership team of any co-operative, small or large, and in practice the concept of **two-pronged leadership, laymen and technocrats**, works well in many co-operatives. This is an important distinguishing feature of co-operatives, for other business tends strongly to single management and leadership of a small managerial unit headed by a dominant personality.

The great weakness in too many co-operatives, however, especially in large-scale organizations nowadays, is that the balance is tipped towards management, and technocrats gradually take over policy-making and board functions. In such a situation the directors become a mere "rubber-stamp" for decisions already made by the other half of the team. Thus the control structure that is a vital part of co-operative democracy breaks down.

Part V

Choices for the Future

This part of the study will concentrate on choices in four areas of fundamental importance and priority: food, employment, distribution of consumer goods and the community environment, and the possible roles that co-operative organization can play in each.

1. Priority Number One: Co-operatives for Feeding a Hungry World

Few people will argue with the statement that co-operatives have been most successful in the many fields touching upon agriculture and food. If there is any particular business in which co-operatives have proven skills and know-how it is in the

production, processing and marketing of food all over the world.

— Co-operative organizations of all kinds and at various levels ought to take the lead in bridging the gap between producers and consumers. Joint co-operative councils of farmers and urban people should take the initiative in a wide range of problems surrounding the production and distribution of food.

— Farmers' co-operatives on the one hand and co-operatively organized consumers on the other should develop comprehensive food policies touching upon everything from protection of farmlands from urban encroachment to long-term planning of supplies.

— As part of Priority Number One, national co-operative movements of the world should give first place to development programmes assisting the organization of peasants and small farmers of the Third World.

2. Priority Number Two: Co-operatives for Productive Labour

One of the most significant and far-reaching changes in the world co-operative movement in the last two decades has been the rehabilitation of the entire concept of workers' co-operatives. From a position of benign neglect during seventy-five or more years, they have returned to a place of high esteem in the mind of many co-operators. Here it is suggested that, next to food, employment in various kinds of workers' industrial co-operatives will be the greatest single contribution of the global co-operative movement to a new social order.

The late nineteenth and early twentieth centuries were unkind to workers' co-operatives and many of them collapsed and fell by the wayside. A particularly unhappy aspect of their decline in Britain was the treatment they received at the hands of two organizations, the trade unions and the CWS, which should have been counted among their friends and supporters.(22) Two generations of co-operators were brought up to believe that workers' productive societies were doomed to failure and would never amount to much.

It is not too much to forecast that the rebirth of workers' co-operatives will mark the beginning of a second Industrial Revolution. In the first, workers and artisans lost control of the instruments of production, while ownership and control passed into the hands of entrepreneurs and investors. Capital employed labour. Workers' co-operatives reverse the situation: Iabour employs capital. Developed on a massive scale, these co-operatives will indeed usher in the new Industrial Revolution.

The new workers' co-operatives, or the old workers' co-operatives revived, are

more than just another kind of co-operative: they become the basic structure of a new kind of industrial democracy, in which workers are owners as well as employees. And reports indicate they are becoming virtually worldwide, in several countries of both Eastern and Western Europe, throughout the Third World and in a few parts of the Americas.

But workers' co-operatives touch upon an inner need that is even deeper than employment and a feeling of ownership, that is, the connection between the human personality and labour. At a 1978 UNESCO conference on "The challenge of the year 2000", a professor of the University of Bucharest spoke of "the need to achieve a proper harmony between physical and intellectual labour, and to include in every model of supreme values the idea of work as an indispensable part of life and of a complete human personality."(26) The idea of a workers' co-operative, as compared to the conventional relationship between employees and the workplace, touches very close to the speaker's meaning.

However, enthusiasm for the concepts surrounding workers' co-operatives should not blind would-be organizers and promoters to the fact that they are perhaps the most intricate and difficult of all forms of Co-operation to run smoothly and successfully--and the high rate of mortality in the early attempts is evidence of this. Many of the underlying difficulties in connection with, for example, shareholdings, hired labour (non-members), distribution of earnings, distribution of residual assets, repayment of capital and creation of reserves, are discussed in a recent issue of the journal Public Enterprise by a prolific writer on the subject of Workers' Co-operatives.(*)

(*) Paul Derrick, "Towards a Co-operative Consensus". *Public Enterprise*, Journal of the Public Enterprise Group (British section of CIRIEC), Number Sixteen, April 1979.

3. Priority Number Three: Co-operatives for the Conserver Society

(a) *The Present Situation*

The global picture of consumers' co-operatives is spotty, with large grey patches and empty spaces between dappled areas. By far the largest concentration of them is in Europe, but even on the European continent they are relatively weak in the southern parts.

Many observers believe that consumers' co-operatives during the next couple of decades will have difficulty keeping their present share of the market and may encounter serious setbacks.

(b) *The Background*

At such a crucial time as this, it is important to review the philosophy and objectives of the Rochdale system. The Pioneers launched themselves into retail business with one general goal in view: to reform society by changing the business of buying and selling, and to replace the sales power and profits of private business with the purchasing power and savings of consumers. A rallying-cry addressed to the British working class during the formative period of the consumers' movement summed up its philosophy thus:

> "Your greatest weapon is your purchasing power, provided it is organized; unorganized, it is a weapon that is used to keep you in subjection".

(c) *A New Orientation*

The suggestion that there may be an inherent weakness in the consumers' co-operative as an instrument of social and economic change is nothing new. Writing some years ago, Martin Buber drew this conclusion:

> ". . .the Consumer Co-operative Society is least suited in itself to act as a cell of social reconstruction. It brings people together with only a minimal and highly impersonal part of their total being. . .the Consumer Co-operative is concerned not with consumption proper but with purchases for consumption . . .as soon as common purchasing becomes a business, responsibility for which passes to the employees, it ceases to unite people in any significant sense. . ."(*Paths in Utopia*, p.77)

Further he says:

> "Common production of goods implicates people more profoundly than a common acquisition of goods for individual consumption. . . Man as producer is by nature more prepared to get together with his kind in an eminently active way than man as consumer. . ."

If Buber is right in his analysis, the consumers' co-op must be connected to its membership in a more intimate and organic way than through the mere purchase of goods. This statement does not question the validity of Rochdale. The consumer co-operative needs a new orientation as well, and a setting in which it will be only one of a wide range of community services, as will be proposed in the next section.

In addition, the following are some of the major points about consumers' co-operatives that need to be carefully examined and researched:

— Where a high volume of non-member business is carried on, it should be regarded as a source of weakness rather than of strength. The conventional consumers' society is the only type of co-operative that comes to depend on a

substantial proportion of non-member participation.

— The entire concept and practice of paying dividends needs to be reconsidered. Marking up the price of goods and later reducing it by payment of a dividend is purely a mechanism, not a co-operative principle. The principle lies in the non-profit nature of the co-operative itself, and this can be achieved in a number of better and more equitable ways than by patronage refund. Furthermore, issuing trading stamps as dividend is only jumping from frying-pan to fire and should have no place in co-operative business.

— In their effort to be as much like conventional private business as possible--or "as good as private business", as is often heard--many consumers' co-ops have failed to see the great advantage in being different. In other words, co-operatives may be losing a battle because they try to meet a foe on his ground using his weapons--costly advertising, loss leaders and sales gimmicks, for example--when they should be concentrating instead on serving members in a simpler and more economical way, as co-operative ideals would dictate.

— Many consumers' co-operatives the world over suffer from lack of capital. They might take a leaf from the book of successful farmers' marketing co-operatives everywhere: financing by check-off on the quantity of goods or products handled. A group of consumers' co-ops in North America is doing this, with considerable success.

— Some boards of directors might be encouraged to test the arrangement whereby the present employee function in the Consumers' Co-op would be turned over to a workers' co-operative under contract. This would mean creating a completely new relationship between the work force, on the one hand, and the board, management and the workplace, on the other.

— The time has come to re-examine the concepts and assumptions of an earlier age directed by the philosophy of "the primacy of the consumer". The simple rule that the consumer should get value for his money is, of course, sound commonsense; but where concern for the consumer is extended to absurd and extravagant lengths to satisfy every whim, love of conspicious consumption and waste of precious resources, the co-operative society should have none of it. If the world has to be run on a leaner mix, let consumers' co-operatives, by emphasis on economy and frugality, abondon the frills and waste of the post-industrial consumer society. In an affluent and surfeited society, a consumers' co-op may be judged on its impressive sales. In a less indulgent and perhaps saner society, it may be judged as well on what it refuses to sell.

4. Priority Number Four: Building Co-operative Communities

(a) *Three Certainties*

In a world full of doubts and uncertainties, there are still some things one can be quite sure of, if not absolutely sure, and at this point we shall consider three. **The first is the certainty that the world of the future will be mainly urban.** The great majority of mankind in the next century will be living in large towns and cities, even though there is a noticeable movement back to the land in some countries. Demographers predict that sometime before the year 2000 the point will be passed when the rural population of the globe will no longer be in the majority. In the countries that are highly developed industrially, the urban population will be over ninety per cent of the total, and the tendency will be for people to be concentrated in a relatively small number of very large cities. This is already an established fact in many countries. Thus, if co-operatives are going to be of any importance in the economy of the year 2000, they must operate by serving both urban and rural people.

The second certainty concerns the influence of co-operatives, based not on a prediction of the future but on what has already taken place in the past. The certainty is that no one type of co-operative alone is capable of bringing about substantial change in the prevailing economic system and social order unless it be the rural multipurpose co-operative, and that is not a single co-operative but a conglomerate of co-operative services combined in one.

There is ample evidence that any one kind of co-operative by itself is a weak reed on which to depend for the reform and improvement of society.

In India, nobody today believes that credit societies alone can do more than scratch the surface of rural poverty. Similarly, in North America nobody can claim that credit unions have brought about fundamental economic change in the dominant pattern of North American finance.

Many other examples of dashed hopes and lowered expectations could be cited all over the world as a result of people imagining they can do wonders with just one facet of the co-operative idea. The fact is manifest and clear: people must employ a variety of co-operative instruments and a whole spectrum of organizations in order to benefit fully from Co-operation and make a strong impact on the economic and social environment. The countries where Co-operation is in the ascendancy or counts for something are those in which it appears in various forms and with many functions.

The third certainty concerns planning and organization, and the level at which planning takes place and organization is formed. In the past several decades,

especially since the end of the Second World War, there has been strong emphasis on planning, but mainly national planning and regional planning, all at a high level. Co-operative movements have been planning too, again mostly at national and state levels, but much less at district or local level.

Nowadays, however, because of the pile-up of current problems and general disillusionment with high-level planning, Iess attention will likely be given to macro and much more to micro-level planning. Many of the big changes and new ventures start in the little places. Arguing in this vein, a strong case can be made for planning for co-operative development at the community level.

Putting these three certainties together suggests that co-operative development in the future must involve great numbers of urban people and planning for community organization of a wide variety of co-operative services. The end of the planning should be the creation of co-operative communities, not in the sense that Robert Owen would understand community, but in the sense of typical urban groupings, neighbourhoods and districts using many kinds of co-operatives to the extent that the co-operative way becomes a very important, if not dominant, factor in the lives of those involved. It is this line of reasoning on which Priority Number Four is based: Building Co-operative Communities.

(b) *The Co-operative Community*

The large city is essentially an agglomeration of human beings who, in the average or typical situation, have only casual relationship and are often total strangers. The great objective of co-operatives should be to build community, create villages, many hundreds of them, within the larger urban setting. Around many economic and social needs, co-operative organizations can be formed which will have the combined effect of creating community. Co-operatives of all kinds will have the effect of turning a neighbourhood inward to discover its own resources and start the services required. The co-operative idea, of self-help, sharing common interests and needs, can be the social adhesive holding an urban area together and transforming it into community.

To make a strong impact on the urban population, to the point of creating what would be regarded as a co-operative community, the approach must be comprehensive, in a way comparable to that of the rural multipurpose co-operative in Japan, for example. The conventional consumers' co-operative will not be enough, for it leaves the city-dweller exposed or untouched on so many sides.

It is not suggested that a broad range of services and activities in an urban area could be administered under a single multipurpose society, but many of them could be housed in a co-operative services centre within easy reach. The general objective

should be to help create an identifiable community served by many types of co-operative organization: housing, savings and credit, medical services, food and everyday household needs, daycare, baby-sitting services and nursery schools. Thus many co-operators in the area would be engaged as producers or workers as well as consumers.

To some extent, dependence on the automobile would be reduced and people would find many of the daily necessities of life within walking distance or close to public transport. The aged, elderly and handicapped would find themselves in a living and working environment. Within the city a village would be created to which people could easily relate and feel attached.

The main concrete proposals and recommendations of the study are contained in this part. To recap them:

1. In the years ahead, co-operatives everywhere should concentrate especially on the world problem of FOOD, all the way from farming to consumer. It is an area of great human need in which the co-operative movement is in a position to give world leadership.

2. Workers' productive and industrial co-operatives are the best means to create a new relationship between workers and the workplace, and to bring about another Industrial revolution.

3. The traditional consumers' co-operative should be oriented in such a way that it will be doing something more than merely trying to compete with a capitalist business. It will be known as a unique and different kind of business and will serve only members.

4. To serve the urban population, there should be a cluster of many different kinds of co-operatives that have the effect of creating villages within the city.

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