



Newsletter *By Peter Clarke*

In other pages of this Journal I have my say – though briefly – about CWS/CRS relations, past, present and in prospect. Lifting my eyes and pen from that topic what other items do I discern from the Newsletter?”. Here is my hopeful selection.

The Scottish Co-operative Forum

Proposals are being put forward to put the Scottish Co-operative Forum on a sounder footing.

The antecedents of this Forum can be traced back to 1976, when annual meetings were begun. In 1984 a Co-operative Liaison Committee was set up and organised a highly successful information exchange.

Now there is a proposal to give it funds and allow it to provide a better service to its members. This enhanced service would include co-ordinating training of directors and staff and encouraging inter-trading between Co-operatives as well as assisting with increasing public awareness and education.

It is hoped that funding will be made available from the government’s post – CDA funds.

New Form of Share?

The Building Society Commission has issued a consultative document about a new form of share. Known as Permanent Interest Bearing Shares (PIBS), they would be quoted on the Stock Exchange and would be tradable. They would earn interest and would not be profit related, but, in the event of a society being wound up, the holders would be last in line to receive payment. The shares would confer no rights of voting in a society’s affairs.

The Commission is promoting this idea because it would allow building societies to compete with banks without having to convert themselves into companies. PIBS would count towards the society’s capital and thus determine how large a balance sheet it could have, but a society could only include PIBS

up to an amount equivalent to 50% of its reserves. For example, a society with £100m in reserves could raise an extra £50m in PIBS.

If PIBS caught on, several hundred million pounds worth could be issued. The scheme means that the affairs of building societies will be scrutinised very closely by investors who are not members. Trading will also mean that a price will be reached for the PIBS, and become a measure of the performance of the societies. If the price dropped this might induce depositors to withdraw their savings.

Should the PIBS succeed it might be something which Co-operative societies may have to consider.

A Co-op Shop at New Lanark?

The latest proposal being considered by the New Lanark Conservation Trust involves re-opening the village store as an authentic early nineteenth century Co-operative shop. New Lanark was the first site of importance to be associated with Robert Owen and has been developed by the Trust with insight and sensitivity to portray Owen's work in an imaginative and relevant way.

New Lanark was built in 1785 by David Dale and by 1799 it had become the largest cotton mill in Scotland, with 2,500 people living and working in the village. In that year Robert Owen married Dale's daughter and became manager of the mill. Thanks to Owen's managerial abilities the mill prospered. But profits were not an end in themselves, for Owen. He had a wider vision of society; Owen saw himself on a "quest for universal harmony." For Owen the ultimate objective of human existence was happiness. But not just happiness for a few, happiness for all.

In 1813 Owen opened a store (of 2,000 square feet) to serve the village. But unlike other company-owned stores of the time, both cash and company tokens were legal tender in the store. Many companies paid their employees in tokens rather than cash, tokens which could be exchanged for goods only in company owned stores. This meant that the employees' standard of living was controlled by the company both by the wages they received and by the exchange value of the tokens.

Owen developed a Co-operative system in the store to the advantage of the community. The quality of goods sold was high and profits were applied to the meet the cost of the school. The store was a source of inspiration to the Co-operative movement.

Getting It Right

With this in mind, New Lanark Manager, Jim Arnold is keen to ensure that the reopened store conveys that inspiration to visitors. Last year a quarter of a million visitors came to New Lanark, so this could be an important opportunity for the retail movement to project itself.

Jim, who is also a member of the local CWS branch committee, and his team have been looking for ideas of how to develop the store. The key question is: how would an early nineteenth century shop have looked and worked? In search of the answer Jim and his team have visited other historic shops. They have been to see the Pioneers' Rochdale shop and they have also visited the reconstructed Co-operative Society store at the Beamish North of England exhibition. Neither provides a good model; Rochdale was opened over 30 years after New Lanark and the Beamish shop is from the early twenty century.

"We are looking for the spark of inspiration", Jim told me. "We want to know how the retail system of the day would have operated to supply over 2,000 people in the village." Already however, they have ruled out the idea of simply asking CWS to open one of their stores on the site. "We will continue looking for ideas until early in 1991 and hope to re-open the store in full, in April 1992."

If you have any ideas, please contact Mr Jim Arnold, Director and Village Manager, New Lanark Conservation Trust, New Lanark Mills, Lanark, ML11 9DB. Tel: 0555 61345 or 65876.

Co-operatives in Hungary's New Economy?

In early October I spent five days with the Hungarian movement studying retail, agricultural, industrial and savings Co-ops at this time of rapid economic transformation. Until 1989 Hungary was a communist country, but since November of that year economic and political change has been rapid. Now, barely a year later, a right of centre coalition government is in power, which is rapidly dismantling the apparatus of a centralised command economy in which all capital assets were owned by the state.

Under the Communists Co-ops were big business. They enjoyed a privileged place in the Hungarian economy. Retail, housing, savings and industrial co-ops have flourished but agricultural Co-ops were always controversial. The government plans to introduce into Parliament a new Co-operatives and Land Bill. Co-ops appear to have popular support but the land issue arouses deep passions. Linking the two issues could damage all Co-ops.

Issues of Law – and Land

Much needs to be done to provide Hungarian Co-ops with a legal framework based on the Rochdale Principles. To begin with, there is no concept of membership based on share ownership. The notion of open and voluntary membership was not applied fully in agricultural Co-ops. In most Co-ops, at best, the members shared control with their national federations which were part of the economic command apparatus of the state. There is also no concept of a “secondary Co-operative”, such as our Co-operative Wholesale Society. In Hungary Co-ops have had to set up share companies to run wholesaling and manufacturing activities.

All this is seen as the necessary reform of Co-ops for the new market economy. However, for the Smallholders Party within the government coalition it misses the main point. They are not concerned with Co-ops as such, but with the ownership of land used by agricultural Co-ops. Already their senior partners in the coalition, the Democratic Forum, have conceded that the land issue will be linked to the new Co-operatives Act. During the summer they also refused to agree to EEC aid being given to Co-ops under the PHARE programme.

Agriculture in Hungary is the source of more than 10% of the country’s economic wealth and of 28% of its hard currency exports. Nearly 20% of Hungary’s 10.6 million people still live on or close to the land, so agriculture is high on the political agenda.

Aims of Smallholders Party

The Smallholders Party is the reincarnation of the Party which won the first post-war General Election in 1945, and began breaking up the large estates to form peasant farms. In 1949 the Communists stopped the land reform, seized the land and collectivised the peasants. After 1968 Co-ops were organised but the farmer members still had little impact on decision making.

In 1989 the government began a more radical reform of agricultural Co-ops. Individual members were said to own 50% of the assets previously held as “indivisible assets” by the Co-op. This has created some “Forint millionaires” but few members have worked out the meaning of a personalised share.

Not surprisingly the political platform of the current Smallholders Party is revenge against the “green barons” who run the more than 1,250 Co-ops and farm 70% of the land. They say Co-op land must be given back to the former peasant owners, but the government’s plans to allow members to reclaim their land from their Co-op have stalled.

Plans for Privatisation – and Difficulties

The government's three year plan, published in late September, makes privatisation the crucial source both of economic growth and lower inflation. The Constitutional Court has ruled that privatisation cannot involve returning the land, or any other asset, factory or stately home seized by the communists, as a free gift to their former owners. Instead the land must be offered for sale to current users, and the former owners will receive only partial financial compensation. This may have helped the Government over one political hurdle, but it has caused two more.

The first is *economic*. With average monthly earnings of only £90, farmers will not be able to buy their land without relying on bank loans, financed by foreign banks, or higher prices for their produce. Both will add to inflationary pressures.

The other difficulty is *political*. Another part of the Constitutional Court's ruling insists that the government must treat the owners of *all* the assets which had been seized in exactly the same way as former farmer landowners. In other words the Government cannot deal with the farmers in isolation. They must announce their plans for all former owners. This could mean further delay. Whilst the government is almost ready to pronounce on the land issue it does not appear ready to announce its plans in other sectors.

Challenge for Co-operatives – and Opportunities

However, the government has not yet acted to stop the passions of the land issue from hurting all Co-ops. Co-ops run 35% of the retail sector, 20% of banking and 7% of housing, as well as over 30% of the high earning engineering sector, 49% of textiles, 38% of leather and shoes and 80% of handicrafts.

The government cannot afford to wreck Co-operatives whatever scores the Smallholders want to settle. Co-ops are well positioned to make a key contribution to the economic transformation of Hungary. Whatever the complicity with the old regime of individual Co-op managers, Co-ops represent a major source of entrepreneurial expertise. As the Hungarian economy emerges from the centralised grip such expertise is in short supply. Co-ops also have excellent contacts with the west through the Co-op trading groups, such as Inter Co-op and through the International Co-operative Alliance.

Another line of development, of course, is that of "joint ventures" with foreign firms. No one, however, worker or farmer, is going to thank the government if wholesale takeover by foreign firms is the result of shortsighted policies on

Co-operatives. And, in particular a Hungarian agricultural sector in the EEC with no Co-ops is inconceivable. Destroying such infra-structure to gain political revenge would be regarded with blank amazement in Brussels.

The Author

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In Passing and Re-passing

"... an important feature of Lenin's Co-operative Plan was the organic combination of the personal interests of the members of the Co-operatives and the interests of the society as a whole."

*A. Klimov in Review of International
Co-operation Vol. 63, No. 5.*

"The question that preoccupies us all – in university speculation, in political analysis, in trade union assessment or in Co-operative reflection is whether the record of Owen in thought and action still has a relevance for our present situation . . . One of my remote students who was brought to my attention recently had a firm answer. A local examiner seeks from time to time to relieve the tedium of my days with quotations from examination papers and he sent forward one recently from a young employee who was asked to write a short essay on Robert Owen. It was certainly short, consisting of two sentences. The first was "Robert Owen was born in Newtown in 1771". The second sentence was "This experiment was a great success".

*R.L. Marshall at Robert Owen
Bicentenary Meeting*