

Past Searches by the ICA

by Malcolm Hornsby

For the third time in its century-long history, the international Co-operative movement has the task of trying to define its essential nature through a review of its basic values. Two previous explorations of Co-operative principles have occurred, at times when the political world was in a state of flux, and Co-operatives were uncertain of their future. The third attempt, at ICA Congress this coming autumn (1992), is also taking place at a time of great political and economic uncertainty. This short article looks for parallels among these three occasions of self-examination in times of crisis.

1. In the Thirties

In its early decades, the ICA had the appearance of a British body. As the richest and most stable Co-operatives, UK retail societies and their federations contributed the secretariat, most members of the early Executive committees, and most of the income that kept the organisation going. This gave the British movement considerable influence, ensuring that the definition of membership was expressed in terms of conformity to "the principles of Rochdale".

Although nationalistic motives were also involved, this definition led the German agricultural Co-operatives to complain that:

... there could be no room in (the) Alliance, reduced as it was to a Union merely of Co-operative Stores, and that Agricultural Co-operators in Germany could not for the life of them be expected to join in an Organisation directed by an Executive Committee resident in England".
(*The ICA 1895-1970 pp. 84-5.*)

Secessions such as this were regrettable, but unavoidable in the run-up to the First World War. The ICA had the look of a British organisation, and its priorities seemed to be based rather narrowly upon the needs of urban, industrial consumers' bodies. Identifying criteria for admission, was, however, to become a central concern of the ICA. Predictably, perhaps, this process was defined in terms of clarifying the Rochdale Principles.

The Issue after the First World War

The urgent issue for the post-war ICA, was the status of Co-operative organisations within State-centralist regimes, of both left and right, Initially it was the issue of recognition of the Soviet Co-operative movement which

revealed the need for some clear defining characteristics; but the problem grew more urgent when other centrally directed States came into being elsewhere in Europe.

As soon as they were admitted into the ICA, Soviet Co-operative organisations began to demand that the world Co-operative movement declare itself socialist, and support workers' struggles. This led the ICA leadership to wish to clarify their own collective position, close to *laissez-faire* liberalism in its opposition to State-centralist economic systems:

Whether you go . . . from Soviet Russia to Roosevelt in the United States, from Italian Fascism to Hitlerism (which is only fascism under another name), or to intermediate systems which are found in Europe, in Poland and elsewhere, everywhere the important problem presents itself: new economic systems are being constituted within which liberalism disappears, either totally or partially: to what extent, in these countries, can free and voluntary Co-operative organisations exist? How can these organisations, continuing to function in the midst of State-governed systems, be maintained within the Alliance in conformity with the Rochdale Principles . . . (*Report of 1934 ICA Congress p. 118.*)

Thus, appealing to the Rochdale Principles became an encoded way of asserting a particular political position. The key issue in this construction was the definition of "political neutrality". However, the debate had necessarily to be widened after 1927, when the ICA set out to expand its membership to include agricultural Co-operative movements throughout the world.

At the 1930 International Congress, a motion from the French national Federation of Consumers' Co-operatives, proposed that:

The Congress of the International Co-operative Alliance asks the Central Committee to appoint a special committee to enquire into the conditions under which the Rochdale Principles are applied in various countries and, if necessary, to define them.

For Discussion - the Rochdale Principles

The special committee requested by the 1930 Congress met in 1931. It included the Executive of the ICA plus six representatives of other European countries and the USA. A questionnaire was issued to all ICA member countries, and a working definition of the Rochdale Principles was agreed. The following six points were accepted as central, defining the agenda of the discussion:

Voluntary Co-operation and Open Membership;
Democratic Control - one man one vote;
Cash Trading;
Dividend on Purchase - elimination of Profit on Price;
Limited Interest on Capital;
Political and Religious Neutrality.

To clear the grounds of any socialist aspirations, the special committee came to the conclusion that the essential principles of the Pioneers could be distinguished from certain "ulterior objects" inherited from their Owenite past.

Replies were received from 47 organisations, covering almost all the countries affiliated to the ICA. These organisations comprised 28 consumers' federals, 5 local consumer societies, 10 agricultural federals, 1 local agricultural society, 1 union of productive societies and 2 Co-operative banks.

Analysis of the replies suggested that a seventh point, the Promotion of Education, should be added to the list. For consumer societies, it was clear that the Rochdale Principles were a close enough approximation to their practice, although some countries such as the USSR, Denmark and Switzerland, expressly disclaimed political or religious neutrality, and the principle of cash trading was no longer sustainable for a large number of retail Co-operatives. However, for agricultural, productive and credit Co-operatives, the problems of reconciling their structures and practices with Rochdale Principles were insurmountable.

The Outcome: Four Principles - and Three

The exercise must be recorded as a failure. On the one hand, the French effort to bring some realism into ICA counsels was unsuccessful. Despite the conflicts and anachronisms brought to light, the ICA Congress asserted that the Principles still held, but that organisations were lax in their practices. The use of the Principles as a mechanism for resolving the vexed question of defining membership, forms of organisation or types of activity, or establishing a test of ideological purity was clearly inoperable. What was left was a flawed document of questionable relevance, which, as stated in the *Report of the 1937 ICA Congress p. 167*, divided the Rochdale Principles into first and second divisions:

"The Committee are of the opinion that there should be some discrimination in the importance attached to these seven points in deciding the essential Co-operative character of any Society or

Organisation. They suggest that the observance of Co-operative principles depends on the adoption and practice of the first four of the seven principles, viz.,

- I. Open membership
- II. Democratic control (One man One Vote)
- III. Distribution of the surplus to the members in proportion to their transactions
- IV. Limited interest on capital.

In the opinion of the Committee the remaining three Principles viz.,

- V. Political and religious neutrality
- VI. Cash trading
- VII. Promotion of education,

while undoubtedly part of the Rochdale system, and successfully operated by the Co-operative Movement in the different countries, are, however, not a condition for membership of the ICA.”

2. The 1966 Formulation

The issue seems to have slumbered until the 1950's. Then as the breakup of colonialism accelerated, with independence movements growing in strength all over the world, the ICA became more active in its attempts to provide support to Co-operation in the emerging third world, and an increasing number of Latin American, Asian and African organisations were coming into ICA membership.

However, this support was accompanied by, and related to, the reopening of the Cold War. This era was reflected within the ICA by renewed controversy about political neutrality and the compatibility of Co-operation with State-directed economies. The problem was still the construction of the phrase political neutrality, and the split within the international trade union movement, and the invasion of Hungary brought international politics back into the ICA.

This resulted in a demand for another re-evaluation of the Principles. This time the initiative came from the Soviet federal Centrosoyuz, supported by eastern European and third world organisations. Despite the opposition of western European and US Co-operative bodies, the motion, at the 1963 International Congress, was supported by a large majority and a Principles Commission was appointed, whose report was approved by the Vienna Congress in 1966. Its list of principles may be summarised:-

- I. Voluntary Membership
- II. Democratic Control
- III. Limited Interest on Capital
- IV. Distribution of Surplus in a manner which avoids one member gaining at the expense of others.
- V. Promotion of Education
- VI. Co-operation between Co-operatives.

The Changes

The report of this commission revealed that the problem of defining universally applicable principles was still insoluble. The commission took one creative step in defining a new principle, Co-operation between Co-operatives, which had no obvious antecedents, and seems scarcely to have been debated in commission meetings. Otherwise the process was one of attrition.

In a polarised world in which state direction of economic life was ubiquitous, political neutrality was abandoned as unattainable. Cash trading was also discarded as obsolete. Even voluntary membership seemed no longer universal, and the commission offered examples of situations in which compulsory membership was justified. The remaining principles were cast in terms wide enough to allow unanimity among the commissioners, but so vague as to make them of little use in determining the validity of a claim for admittance to the ICA.

Even so, the process by which principles lose their applicability to the trading and legislative environments in which Co-operatives operate, cannot be seen to have ended even in the 1990's, as the principle of limited interest on capital is as anachronistic in advanced capitalist countries as cash trading was seen to be in the 1960's.

3. And Now in 1992?

The desire, to determine a set of principles applicable to all forms of Co-operative economic enterprise, within whatever form of economic or social system, has exercised the mind of W P Watkins, and shaped his recent book *Co-operative Principles - Today and Tomorrow*.

Watkins' book has opened up a new debate about what philosophical principles, rather than what set of organisational features, are characteristic of Co-operatives. His conclusion bears little superficial resemblance to the ICA lists. He concludes that the guiding principle is that of association or unity, and that the principles of economy, democracy, equity, liberty, responsibility or function, and education, should inform the practices of all forms of organisation claiming to be Co-operative, although the forms of rule, or practice, which

arise out of these principles will necessarily differ according to internal and external circumstances. His warning in the final chapter that the success or failure of Co-operation as a system depends, not on economic success, but upon adherence to principles is a serious one:

"Where confusion prevails about the Principles, especially where they are controlled and appear to be falsified by practice, Co-operation has no safeguard against degeneration or perversion. The common bond that unites Co-operators everywhere and serves as a basis for their international collaboration would dissolve."

Response to Change

The changes in world politics since the mid-1980's can hardly have escaped the attention of any literate person in the world. The Soviet Union has disappeared, and its successor states and former satellites have been plunged into economic chaos. The Co-operatives which were so strong and such an active part of the world Co-operative movement are in disarray, and many are facing, or have faced, extinction.

In the less developed countries of Africa, Asia and Latin America, the changes have been no less dramatic, though almost unpublicised. The legacy of the world debt crisis has been a period of painful austerity, compounded of structural adjustment and privatisation of many state and para-statal sectors. Co-operatives in many of these countries are in a state of uncertainty, lack of direction and role confusion which parallels that of their Second World counterparts.

Events in the industrialised world have not moved so dramatically, but here too there is change. While Co-operative distribution has grown and flourished in Japan, now a very sizeable contributor to the ICA budget, in the USA and Western Europe these sectors are shrinking, often to vanishing point. The Co-operative map is changing shape and colour with the same frightening rapidity and unpredictability as in the 1930's and the 1960's. It is entirely in keeping with the history of the world Co-operative movement that, once again, the issue of identity is back on the agenda. The switch from "Principles" to "Values" is a positive change, which will make this debate more productive and beneficial than its predecessors. Every Co-operator must wish the ICA well in its deliberations.

The Author

See p. 72 for a biographical note of the author, who expresses his thanks to W.P. Watkins and Dr. E. Royle, who read and commented on the first draft, and Jeff Gardner, Geraldine Mousley and Sue Swain who helped so much with the final version.

1992 Interim Report to ICA

*Oh never star
Was lost but that it rose afar!
Look East*

Tokyo and the Japanese Co-operative movement, as we have already noted are hosts in October 1992 to the Congress of the International Co-operative Alliance and a major theme of the occasion is the definition, or redefinition, of Co-operative values and principles. In preparation the Alliance has promoted a project of analysis and assessment and Sven Ake Böök, director of the project, has prepared for the Congress an interim report "Co-operative Values in a Changing World". From it we print its Summary of Conclusions and Recommendations.

We submitted this Summary to Co-operators of varied perspectives and experience and invited their responses - essentially asking: "what would you say to the Congress?" Within our timetable, the contributors were operating, of course, under stern limitations: they had only the Summary, not the full report and their responses had to be brief and quick. Their 'first reactions' which we print below, are still a stimulating contribution to the further discussion which the Alliance seeks before, during and after Tokyo.

Summary of Conclusions and Recommendations

"The past two to three decades have seen an expansion of membership within the world-wide Co-operative Movement, combined with unusually far-reaching changes in the movement as a whole as well as in the individual organizations. Co-operatives have been formed in more parts of the world, in more spheres of operation and to fulfil more diversified needs. In terms of membership, the traditional European co-operatives, especially consumer co-operatives, have lost their dominant position in the world co-operative sector, being replaced by the Asian co-operatives. In economic terms, however, the European co-operatives keep their dominant position.

Currently, about 700 million individuals and/or households world-wide are members of co-operatives. The world Co-operative Movement has become more pluralistic and international in character during these decades.

A period of radical changes . . .

The environment has changed rapidly and radically during recent decades and this has necessitated far reaching changes to basic structures and ideas within the Co-operative Movement.

- In highly industrialized countries the established co-operative organizations have usually expanded and become more large-scale in character. Their activities have become more specialized, with secondary and tertiary levels of co-operative organization. Many have also started to use applications which have increasingly challenged the traditional value point of view. The latter is particularly true for methods of capital formation, and for the increased use of the joint-stock company form of organization.
- In the developing world many of the new states of the 60's and the 70's have chosen the co-operative way for their economic and social emancipation, and have given co-operatives crucial tasks in their development strategies. Here, one may say that the co-operative way is in its early stages and is searching for its viable forms. In particular, there have been problems in establishing the correct relationship with the State in order to operate effectively as a co-operative.
- In the once centrally-planned economies of countries of Eastern Europe and the former USSR, co-operatives are in the process of developing a new identity as part of the ongoing transformation.

The starting point for the future is for the time being, and for the foreseeable future, characterized to an unusual extent by the processes of transition: the highly industrialized countries are approaching the post-industrialized types of society, more developing countries are entering the industrial stage of development and one-party political systems and state-planned economies seem to have become obsolete, being substituted by pluralistic market systems. It is certainly no exaggeration to say that we are living in a period of unusually radical change. Some observers even speak about a new epoch, the one that succeeds the industrial epoch.

.... but also of lack of changes

For some parts of the world this is definitely true. In others, however, in fact for a large part of the world population, the situation is still characterized by pre-industrialized stages and a relatively slow orientation towards more industrializing stages of development. Here, the world is much the same as it was some decades ago. This also applies to the distribution of wealth: the clefts between rich and poor parts of the world have even become larger during the 80's. Moreover, the present generation, especially in the rich countries, continues to exploit the Earth's resources with no regard for future generations.

The world Co-operative Movement carries out its activities in a variety of

contexts and to meet a variety of needs. This demands the application of different methods as appropriate for various contexts. Nevertheless, it is crucial to recognize that the actions of one country may have environmental repercussions for others. This makes the value of global solidarity crucial as a common denominator for the other basic values.

This report

Against this background, this report proposes a basis for the discussion of the long-term value guidelines for the future. It is my conviction that the worldwide Co-operative Movement needs to consider these more than ever, especially as the point of departure is marked by transition into a more "unknown" future than usual. The report has approached this task by firstly identifying the traditional co-operative values and then by discussing these against the experiences of recent decades and prospects for the future.

From that basis the report carries forward:

- Conclusions about the traditional basic co-operative values and their relevance for the future.
- Recommendations about global basic values for the future.
- Recommendations about some approaches for the revision of the ICA Principles.

During discussions it has been observed that some practical aspects need further examination with regard to the future. These have been carried forward as special recommendations (appendix to this chapter).

1. Conclusions about the relevance of traditional basic values

I have identified three types of traditional co-operative basic values: basic ideas, basic ethics and basic principles (chapter II).

It might have been expected from recent experiences, particularly among established co-operative organizations in modern industrialized countries, that co-operators and co-operative organizations are ready to change their traditional basic values, or at least to reinterpret these to quite an extent. Practice has come to "question" the traditional values and has even deviated from them. Moreover, some of the traditional values might be seen to be more-or-less accepted by society at large (chapters III, V, VIII). Before I started my work I also heard statements about "renewals" and "old fashioned values", stating that a revitalization of co-operative organizations should imply "new values".

However, I have seen no evidence of any move to abandon or radically change

any traditional values when it comes to identifying basic values for the future. In other words, those values that co-operators want to use as basic guidelines for their long-term applications. On the contrary, co-operators seem to be willing to maintain the original values, even if they might be expressed in different ways. Of course, my impressions are limited. Until further notice, however, I take this as a sign that the tendency to deviate from the traditional values during recent decades mostly reflects pragmatic adaptations to difficult environments, rather than an intention to permanently change the basic values.

It is not easy, probably not meaningful either, to make priorities in the basic values I have identified, because such priorities must, by their nature, be made in the various contexts of their application. However, some values seem to receive more emphasis than others. Among basic ideas this is true for:

- Equality (democracy) and Equity
- Voluntary and Mutual Self-help
- Social and Economic Emancipation

This is not surprising, since these have always been looked upon as the essential ideas and as eternal values of the very concept of Co-operation in ICA contexts. On the other hand, as previously stated, their interpretation will surely vary in different parts of the world according to the cultural, political and economic preconditions.

Close to these, and partly embedded in them, are the basic ethics. These are less discussed, since they are more connected with the hearts and minds of committed co-operators. Nevertheless, I have the impression that the most important are the values of

- Honesty
- Caring
- Pluralism (democratic approach)
- Constructiveness (faith in the co-operative way)

These might be interpreted as personal qualities. It is more relevant to identify them as part of the “co-operative spirit” and the “co-operative culture” for co-operative organizations as a whole. In other words, as values which should be encouraged to characterize the relation between members, between members and their societies, and between co-operative societies and the community at large.

Finally, we are faced with the more instrument-oriented values, which I have called basic principles and characteristics of the co-operative organization. These concern building up viable co-operative organizations from the members’

point of view. To some extent they are also based on a mixture of experiences and ideas. I have the impression that these are the values to which co-operators most frequently refer when discussing "basic values". among these the most important seem to be:

- Association of persons
- Efficient member promotion
- Democratic management and member participation
- Autonomy and independence
- Identity and unity
- Education
- Fair distribution of benefits
- Co-operation, nationally and internationally.

These basic principles and characteristics are the most relevant when it comes to revision of the ICA Co-operative Principles.

2. Recommendations on basic global values

The relevant way to express the basic values at the global level is to give them an action-oriented context for their application. For these reasons, I have identified some common and crucial perspectives for the coming decades, which I have called "basic global values". These reflect the basic values as a whole, give some overall priorities to the individual values at the global level, and might be considered as a basis for the development of a global co-operative profile. They might also serve as a basis for the development of a long-term programme at the ICA level.

With such intentions, I have recommended that the co-operative organizations should consider themselves as organizations for:

- Economic activities for meeting needs
- Participatory democracy
- Human resource development
- Social responsibility
- National and international co-operation

These are the essence of the co-operative way, in its organizational basics, its purposes and its community relations. They also reflect the basic ideas of peace and global solidarity, as well as a movement for international economic democracy. To comment briefly on them:

- Economic activities for meeting needs means that the world-wide Co-operative Movement should continue to plan its activities to meet the needs of the common people as farmers, workers, consumers, producers, fishermen, savers, etc. This has always been the main orientation, and the emphasis on needs makes the co-operative way significant. It also includes a responsibility to economize on scarce human, economic and environmental resources, which is particularly influenced by the fact that

co-operatives are mainly funded by the savings of relatively poor people. It also emphasizes the main aim worldwide: to help to improve the standards of living of the least wealthy.

- Participatory democracy is part of the role of the world-wide Co-operative Movement in contributing to democratic relations between people, and in developing the roles of a “school of democracy” and “an instrument for economic democracy”. This is in its early stages, in some parts in the very early stages, and the task is as important as ever. In many co-operative contexts these roles should be refined by paying attention to the participatory aspects of democracy, and in doing this special attention should be paid to finding new forms of organization and to involving women, young people and co-operative employees.
- The development of human resources is basic to the world-wide Co-operative Movement, and is as important as ever for the future. The Co-operative movement is in its infancy in many parts of the world, and the need for social and economic emancipation is urgent: to raise people to human dignity and to give them a voice, individually and collectively, to influence living conditions and the community at large. This, among other things, implies that the co-operative way seeks to mobilize the human economy based on co-operation rather than on exploitation by capital.
- Social responsibility is implicit in the co-operative way. Groups of people have established co-operative societies in order to take responsibility for their own condition and for the community at large. This social responsibility has always been reflected in the basic Co-operative policies, within the co-operative organizations as well as in their relationships with society in general, and should go on to characterize the co-operative future. The current emphasis on individualism and the market economy looks likely to continue for some decades. In such circumstances, it is vital that we have organizations which are able to express the views of the weaker members of society and to act in their interests.
- National and international economic co-operation is the main way in which the world Co-operative Movement can expand and become more influential. This has become even more important in a “shrinking” world. The possibilities are numerous, and in future years the world-wide Co-operative Movement may become a people-based alternative to the capital-associative way of internationalization.

3. Recommendations for the ICA Principles

The ICA Principles are the basic guidelines as to how these values may be put

into practice. My task in this regard has been restricted to recommending some guidelines for the revision of the ICA Principles following the Tokyo congress. I have thus decided not to go into details, nor to recommend ready reformulations of the Principles, since such recommendations might reduce our discussions of the basics. In approaching the revisions, I have considered two approaches, one modest and the other more ambitious.

For the more modest approach, I recommend that the existing Principles should be changed as follows:

- The Principle regarding limited interest on capital should be reformulated in a more flexible way. It should not be seen as a separate Principle; instead, it should be included in a new Principle about capital formation (see below).
- The essential Principle should be about capital formation. It should stress the need to rely on member capital (individual and collective) as much as possible, and to guarantee a proper degree of independence in raising and managing capital.
- The Principle on democracy should be supplemented with a statement about the participation of employees in co-operative administration.
- A new Principle should emphasize the proper degree of autonomy and independence of a co-operative organization, and might be combined with the new Principle about capital formation.

These recommendations are based on the experiences of recent decades and their relation to basic co-operative values and principles. Preliminary formulations can be found in the report (chapter VIII).

Concerning the more ambitious revisions, I recommend that the ICA should develop two types of Principles: Basic Co-operative Principles and (rules regarding) Basic Co-operative Practices:

- The Basic Co-operative Principles should express the universal essence of Co-operation more explicitly and should be formulated in terms of the basic values mentioned above.
- The Basic Co-operative Practices (or rules for practices) should refer to the various types of co-operatives and should give more concrete examples in terms of practices and rules for such practices.

The first type of Principle is more eternal in character. The second type of

Principle is subordinate to the first type and is more short-term in character. These should be revised in order to be relevant for contemporary society, and could subsequently be developed as necessary by ICA's specialized committees.

The rationale for the more ambitious revision is to be found in chapter VIII.

Appendix A:

Special recommendations about special issues

The discussions and the analyses in the report have highlighted some practical aspects which require further examination by the ICA. I have made some special recommendations concerning some of these (no special priority):

- 1) There is a need to strengthen the support for co-operative organizations in developing countries in their dealings with the State. Such work is already being carried out by the ICA Regional Offices, but could be supplemented by a special ICA body with participants from the developing countries and the Regional offices with a group (or network) of experts at its disposal. The aim should be for it to be a "watchdog" body to examine the issue of Co-operative-State relationships, to carry out special investigations on request, and to record experiences and use these to form conclusions.
- 2) There is an urgent need to collect and analyze data regarding the transformation processes in the planned economies. Such changes will continue for many years and in more countries. The preconditions are different, but there are also some similarities. Perhaps such a task might be organized as a special programme, or as a special "institute", set up by the ICA. The character of this body, whatever form it takes, should be research, education and information oriented.
- 3) There is a need for an exchange of information regarding the ways in which established co-operative organizations may be revitalized, above all as regards member participation. This is mainly a matter of identifying and testing new ideas. Such exchange of experience is, of course, currently taking place. The need, however, is to achieve a continuity and a comprehensive view of the especially good examples. The ICA would be the natural co-ordinator.
- 4) The ICA's relationships with new co-operatives need to be discussed in more detail. This is an on-going study undertaken by CICOPA (the ICA Committee for workers and other forms of productive co-operative) and

there is no need to make any other arrangements. The issues, however, ought to be grouped into themes within the wider ICA contexts in order to provide the basis for some overall policy recommendations.

- 5) The lack of statistics relating to the movement as a whole, especially basic economic data such as output (turnover), employment and capital, is a matter for concern. Without this it is impossible, for instance, to conduct simple studies of productivity in order to compare development over a period of time or to compare different parts of the economy. I strongly recommend that the ICA and its member organizations should improve their statistics, at least so as to permit some modest overall analysis of the development of the world co-operative sector.
- 6) The democratic process at the secondary and tertiary levels of co-operative organization are problematic and need further analysis. This has previously been indicated by the ICA Commission of 1963 on Co-operative Principles. Since then, there have been radical changes. A study should be carried out to further examine past experiences and to make constructive proposals for the future. The ICA would be the obvious body to carry this out.
- 7) It is necessary to make a closer examination of the feasibility of developing bodies to pool financial resources in order to economize on scarce resources, to initiate new projects for co-operative development, and to match supply and demand. These might be "co-operative development banks on a regional basis" and, ultimately, a "co-operative world bank".
- 8) The tendency in capital formation to make member shares reflect the value of the co-operative society is a deviation from traditional ideas and principles. This tendency will probably become more widespread during the next decade. The various methods used or planned should be more closely studied by the ICA.
- 9) The transformation of co-operative societies into joint-stock companies, and the alterations to federative structures should be more closely examined. These transformations are quite recent, but the developments of the 80's show that they are becoming more widespread. This will probably be one of the most important issues of the 90's into the next century. Such transformations take many different forms and occur for a multitude of reasons. A study should be made to evaluate the advantages and the risks.
- 10) The federal co-operative model has been questioned during recent decades. To some extent it has been totally abandoned, to some extent supplemented by integrated structures. What are the strengths and weaknesses of the federal model? Such issues will be of vital importance during the next decade. The ICA should carry out a special study of these issues".

First Reactions

1. Arthur Duval

Sven Ake Böök proposes several changes to the statement of Co-operative principles in the ICA Rules - principles which a society or national organisation must observe if it is to be a member of the ICA.

Flexibility on 'Limited Interest'

He proposes that there should be a new "essential Principle" about capital formation which would stress the need for societies to rely on member capital as much as possible and to have a "proper degree" of independence, both generally and in raising and managing capital; and the present Principle regarding limited interest on capital should be "reformulated in a more flexible way" and become part of the proposed new "essential Principle".

The proportion of capital employed which is subscribed by members varies enormously according to type of society, and in some societies is unavoidably low. A mere exhortation to rely on member capital "as much as possible" can hardly be elevated to an "essential principle" which societies must observe as a condition of ICA membership.

Higher Interest to Existing Shareholders?

The purpose of these proposals is presumably to permit societies to do two things which it has been recently argued they should be allowed to do: (1) to pay a higher return to their existing shareholders, on the grounds that in current circumstances a limited return can be unfair to them; and (2) to raise profit-participating (equity) capital on the Stock Exchange provided it is non-voting and that control remains with the society's members.

The payment of a higher return to existing shareholders has been advocated by federal societies in a number of countries which happen to own the shares in profitable insurance Co-operatives. They argue that if these insurance Co-operatives had been established as companies the return on their shares would have been vastly greater, and that there is therefore nothing wrong with a much higher return being paid on the insurance Co-operative's shares, particularly when they are held by Co-operative societies.

And the Objections

In my view, this would be unreasonable. The shareholders knew they were buying fixed-interest shares when they subscribed for them. The insurance Co-operatives were set up as Co-operatives, not companies, and attracted

customers on the basis that the society would trade as a Co-operative, i.e. with a limited return on share capital and with all the remaining profits being used for the customers' benefit. To divert further profits to the shareholders would be to break faith with the customers, who might not even know that it was happening. The fact that the shareholders are other Co-operatives simply makes it worse - why should the Co-operative insurance customers subsidise Co-operative customers in other areas or, worse, subsidise inefficient Co-operative management?

The Position in the UK

Fortunately this cannot happen with the CIS in the UK. All CIS policies have always been issued on the basis that policyholders are contractually entitled to have all CIS profits (except for the limited interest on the shares) used for their benefit, and this contractual entitlement would remain even if the ICA Principles (or the Industrial and Provident Societies Acts) were changed, or even if CIS shares (at present wholly held by CWS) were transferred to other hands.

Non-Voting Equity Capital?

It is argued that societies should be permitted to raise non-voting equity capital because in times of inflation the high rates of interest on fixed-interest capital can place a greater burden on a society's cash flow than the dividends on equity capital, although in the long run equity capital is likely to prove more costly. There are, however, a number of ways of reducing the strain on cash flow without breaching the fundamental Co-operative principle prohibiting profit-sharing capital, e.g. using retained profits, issuing index-linked stock, and renting premises with rent reviews in preference to purchasing.

The Dangers

The danger in having equity capital is that it destroys the essential feature which distinguishes a Co-operative society from a commercial company - that a Co-operative society trades on a mutual basis for the benefit of its participating members, whereas a company trades for the benefit of its proprietors, the owners of its equity capital.

If a society raises equity capital (even non-voting) then it can no longer have as its business objective the maximisation of benefit to its participating members, but becomes legally required to seek to maximise the return on its capital. This will affect the whole business strategy of the society, and force it to trade like a company. (A society could avoid this legal obligation if it invited subscriptions of equity capital on a different basis of trading, but it would then have to define what was the basis of trading, and if this was

unattractive to the new subscribers then it might not be able to raise the capital and would certainly have to pay a higher price for it.)

The society would also have to state what proportion of its profits (after fixed-interest payments) would be used for dividends on the equity capital (the remainder being available for members' benefits) - and again, a low proportion (in relation to the amount of the equity capital) would affect the society's ability to raise the capital, and the terms it would have to offer.

Whatever the precise basis used by the society, raising equity capital will be more expensive than it would be if the society were a company, whose equity shareholders would have votes and be entitled to the whole of the profits (after fixed-interest payments). Since the society would almost certainly have to trade like a company, it would probably decide before long that it might as well cheapen the cost of its capital-raising and become a commercial company, so losing the last vestige of its Co-operative character.

Removing Need for I. and P. Acts?

It also seems unlikely that the authorities would allow Co-operative societies raising equity capital to remain registered under the Industrial and Provident Societies Acts, because most of the provisions in the Companies Acts which are not in the I. & P. Acts are there because companies have equity capital and I. & P. societies do not. Co-operative societies with equity capital would then have to register under the Companies Acts, and the Government could well decide that other Co-operative societies could also do this, and repeal the I. & P. Acts. We would then lose not only our separate constitutional status, but probably any hope of a more appropriate taxation basis for Co-operative societies.

The ICA principles may need to be updated from time to time, but not in a way which would destroy the essential Co-operative character of societies. I sincerely hope the Tokyo Congress will firmly reject these proposals.

The Author

ARTHUR DUVAL was at his retirement Chief General Manager of the Co-operative Insurance Society.

2. John Jacques

I would make the following points on the Report to the ICA in relation to our consumer societies.

Interest on Capital

It suggests that the "Principle regarding limited interest on capital should be reformulated in a more flexible way" and "It should stress the need to rely on member capital (individual and collective) as much as possible and to guarantee a proper degree of independence in raising and managing capital".

Societies are providing collective capital (reserves) to a far greater extent than they used to do. This is vital - but, few societies are attracting capital from members. Some societies are paying the market rate to a bank while their capital from members declines. They do that rather than offer the members the market rate because that would involve paying that rate on the existing members' capital. Paying the members the market rate not only fosters independence, it gives the members an interest which strengthens the democratic base of the society. It, indeed, was by offering members the market rate that C.R.S. made themselves independent of the C.W.S.

It should not be overlooked that dividend-on-purchases has two commercial advantages. First, in many, if not most, families it is the housewife's perk. What an incentive! It encourages her to buy at the local Co-operative food shop and to buy the old man's shirt at the Co-op department store. But, second, it also provides capital at a low rate of interest, because many members allow their dividend to accumulate in their share account.

When Portsea Island Society paid its 1/8 (8%) dividend in the 60's it had an increase in capital every year. Members' capital was considerably in excess of the needs of the business.

Democracy

The Report recommends we should make our societies a "school of democracy" and "an instrument of economic democracy", involving "women, young persons and Co-operative employees".

The U.K. consumer societies have reason to be thankful for the Women's Co-operative Guild. They put the house-wife into the boardroom. For example, in the last 50 years there have always been 2, 3 or 4 women at any one time (out of a total of 9) in the Portsea Island boardroom. And, in the last 50 years at least 4 of the Presidents have been from the Womens' Guild. The women tend to give the view of the shoppers whereas the men tend to give the view of the activist which is sometimes different from that of the shopper. We should support the Guild in the interest of our societies.

The rules of most societies provide for employee representation. We should

encourage young people, whether employees or not, who are interested in becoming members of the board to take the courses of the Institute of Co-operative Directors.

When our societies were smaller and were based on single communities and before television and other side attractions our societies were really democratically controlled. The members' meeting was an important date in the public calendar. I enjoyed it in the 1920's. Nowadays, our boards are elected by a fraction of 1% of the membership. Only the activists vote. I looked for comment and proposals on this issue and found them in Appendix A:-

"There is a need for an exchange of information regarding the way in which established Co-operative organisations may be revitalised, above all as regards member participation. This is mainly a matter of identifying and testing new ideas. Such exchange of experience is, of course, currently taking place. The need, however is to achieve a continuity and a comprehensive view of the specially good examples. The I.C.A. would be the natural co-ordinator."

Caring

The comments and proposals on caring reminded me of the C.W.S. initiative on health care in the information given on their packages and the annual Social Report of C.R.S.

The report to the I.C.A. also suggests societies have a responsibility to economise in scarce human, economic and environmental resources, which is particularly influenced by the fact that Co-operatives are mainly funded by the savings of relatively poor people.

The avoidance of waste is a feature of good management.

It was good to read: "The current emphasis on individualism and the market economy looks likely to continue for some decades. In such circumstances it is vital that we have organisations which are able to express the view of the weaker members of society and to act in their interests."

Honesty

I was particularly pleased to see honesty listed as an important value. It has to start at the top. Behaviour there permeates throughout the organisation. In larger organisations it influences those at the next layer and the behaviour there influences those at the next and so on. Honesty here is not limited to "no pinching". It means honesty in every sense in which the word is used - Integrity.

The Author

LORD JACQUES of Portsea Island has been student and tutor at the Co-operative College, Chief Executive Officer of Portsea Island society, Chairman of the Co-operative Union and President of Congress.

3. Dr. R.L. Marshall

If I were following the advice "Go East old man", in particular to Tokyo in October, and if I were framing hopefully a contribution to the ICA congress debate on the interim report from Sven Ake Böök on "... the basic Co-operative values for the future . . . and the basic Co-operative principles against that background?", I would put down the following notes. The first is very definite: the others are more tentative as befits my limitation so far to the Summary of Conclusions and Recommendations that he has prepared:-

1. *Tak, tak, mange tak* to Mr. Böök for serving so well the purpose set for the interim report - providing in the words of the ICA President "rich and provocative material for our ongoing discussions about Co-operative practices and the principles on which they are based".

The Basic Values

2. In that ongoing discussion:-

- (a) It will become even more important to say precisely what we mean by "values" and "principles". I would be satisfied with equating values with "ethical standards of human behaviour" and principles with "the general rules to guide action in service to these values".

- (b) The basic Co-operative values are for me two-fold, quite explicit in the declaration of intent by the Rochdale society in 1860 in its annual almanac: "The present Co-operative Movement does not intend to meddle with the various religious or political differences which now exist in society but by a common bond, namely that of *self-interest*, to join together the means, the energies and the talents of all for the *common benefit* of each" (my italics - to call at this stage for a decorous pounding of the rostrum). These values are:-

- (i) *Self-help*: initiative and effort by the individual in pursuit of self-interest.
- (ii) *Mutual help*: this self-interest to be pursued in organisations serving, reconciling and balancing the interests of all the members.

Only two basic values? I am, perhaps unfamiliarly, content with the simple formulation. Indeed for effective communication to the multitude of Co-operators and the public there is value in brevity. So let's not mind the quantity, but look to the quality. These two values are basic in the senses that they belong to our Co-operative origins; that they match the double thrusts of human nature, aggressiveness and co-operation; and that they can underlie Co-operative organisations in a range of different conditions and forms, from those operating in communities with a large area of free society to those with more extensive state direction.

And now abideth . . . these two but the greater of these is - ? I do not want to give a permanent priority to either of them but the further elaboration to come in the project should give due prominence to the first. Often it is underplayed or ignored as if it were, at worst, rather shameful, at best, taken for granted. On the contrary, self-interest is legitimate and a proper profession and service to it is essential though balanced by service to the interests of others.

The Further Explorations

3. The further exploration to be made is then in two stages:-

- (a) To define or redefine the supporting values and the principles of action which conform with the basic values and which should guide the practice of societies and Co-operators. Here is the most fruitful area of concentration for the ongoing ICA project and in that area changes over space and time will be identified and accommodated - among Co-operative organisations operating within different economic/political/social circumstances and also in particular Co-operative organisations as they go through different phases of development.
- (b) And the search for such definition or redefinition should be pursued not only by appeal to global experience and the necessary generalisations but by explicit and systematic analysis of practical Co-operative experience in different selected Co-operative sectors and movements - perhaps undertaken by the relevant authorities of these sectors or movements within a framework set by the ICA centrally. The common question would be: how have the current supporting values and principles of action served the basic Co-operative values (including the self-interest of members!) and what adaptations does that experience suggest? To that self-

examination the input of Co-operative management in the selected sectors or movements will be essential.

4. And finally again to Sven Ake Böök - *tak, tak, mange tak*.

The Author

DR. R.L. MARSHALL was principal of the Co-operative College until his retirement in 1977 and is Joint Editor of the Journal.

4. Rita Rhodes

It is perhaps unwise, and certainly difficult, to try to make points on a 10-page Summary of Conclusions and Recommendations of a report of 250 pages that one has not read. From the summary, however, I think that I would make four points.

The Methodology of the Review?

The first concerns the methodology of the review, which appears to be the personal submission of Mr. Sven Ake Böök. His Co-operative and academic standing are such that few will have qualms about the quality of the work to be presented to the Tokyo Congress. Although an "advisory" committee was appointed to assist Mr. Book, the report to the Tokyo Congress will be essentially his.

Congress may wish to ponder whether the more collegiate approach of earlier ICA reviews of Co-operative principles, might not have been more appropriate this time around, and more in keeping for a movement espousing participation and democracy. The first review, conducted in the 1930s, involved the whole of the ICA Executive, plus a number of co-opted members to improve geographical representation. The second, in the 1960s, was remitted to a five-man commission whose rapporteur was Mr. W.P. Watkins, the recently retired Director of the Alliance.

Should the Tokyo congress feel that the present review has been too narrow, it can mount a vigorous debate. Views from this will be fed into the second part of the review which begins after Tokyo. Congress could also decide to widen the base of this.

Emphasis on Environmentalism

My second point concerns the use of familiar terms such as "Co-operative movement". The word "movement" implies that, besides sharing common values, we are also attempting to move society from a present that is unsatisfactory in certain ways, to a future that will be better.

Initially, Co-operatives were against capitalism. Today the movement is increasingly concerned with threats to the environment and the reduction of finite resources. The coming re-statement of Co-operative principles should reflect this shift. For example, the Co-operative principle of economy, so well enunciated by Will Watkins in his book "Co-operative Principles Today and Tomorrow", but in any event inherent in good Co-operative organisation and practice since Rochdale, should be emphasised.

Different Co-operatives - Different Principles?

My third point would be about the use to which the re-stated principles will be put, particularly within the movement. It should be remembered that the original Rochdale Principles not only reflected a distinct philosophy but also provided a simple formula that facilitated the successful development of consumer Co-operatives in Britain,^a and later throughout the world. We should keep in mind that, while other types of Co-operative might share the Pioneers' philosophy, they have sometimes found it hard to apply all their practices. For example, producer Co-operatives in agriculture and industry, have needed to take a different view on credit; and worker Co-operatives cannot operate open membership without reference to their ability to employ additional worker/members.

It is to be welcomed, therefore, that the coming re-statement of Co-operative principles is likely to recommend formulae for different types of Co-operatives. Sven Ake Böök suggests, "The Basic Co-operative Practices (or rules for practice) should refer to the various types of Co-operatives and should give more concrete examples . . ."

Member Sovereignty

My final point would take issue with Sven Ake Böök's proposals that "The Principle on democracy should be supplemented with a statement about participation of employees in Co-operative administration", and that basic global Co-operative values should include "Human resource development". I am uneasy about both proposals - although encouraging "HRD" is now official ICA policy - because they can detract from the need to strengthen the membership base of Co-operatives; this is now becoming urgent in many movements. It is not only a question of philosophy but also of law. The legal basis of service Co-operatives - consumer, agriculture, housing, thrift and credit - remains with the members.

While I am not against developing staff and managers as far as ability and financial resources permit, I am concerned that placing their interests on par with those of members, blurs Co-operatives' interest base. This can lead to failure, as had been shown in a number of multi-purpose Co-operatives in

third world countries. If members are uncertain where their interests lie, or even whether they exist, their effective ownership and control weakens. When this happens it is fallacious to believe that a Co-operative can continue successfully because its staff and managers are involved and have been well trained.

Among the basic values listed by Co-operators, Sven Ake Böök cites "Association of persons" and "Efficient member promotion". Hopefully the Tokyo congress will seek to strengthen these but be cautious about any proposal that weakens member sovereignty, and negates the principles of equality and democratic control; these can only be meaningful in a clearly defined constituency of members.

I hope to attend the Tokyo Congress as an observer. Needless to say, from the side lines I will await the debate with great interest.

The Author

RITA RHODES has been a lecturer in Co-operative Studies at the University of Ulster, Education Officer of the ICA, Education Officer of the national Co-operative Development Agency - as well as a student of the Co-operative College. She now combines preparation of a Ph.D thesis on the "ICA during war and peace 1910-1950" with consultancy in Co-operative education and training and has recently returned from a mission to Mongolia.

5. Brian Rose

Reviewing the Co-operative principles is an eternal Co-operative activity that the ICA seems to take up on a cycle of around twenty to thirty years. The fact is, of course, that the world is always changing and has been ever since the foundations of modern Co-operative enterprise in the last century. These changes set frequent questions for the forms and practices of Co-operatives, questions which spill over into questioning of principles. There are those of us who have been in danger of making this into an industry: the report before us falls into that category.

The idea that the practices of Co-operation will vary according to a wide range of external factors is well established. What the ICA has to do is to refine the essential characteristics to a point where the claims of any organisation to be a Co-operative can be reasonably assessed. There is an element of the elephant syndrome here: difficult to define but easy to recognise. The degree of discretion this allows, however, is clearly unacceptable and some definition of essential characteristics is required - but how complicated does it have to be?

Defined by Means rather than Ends

What the author defines as “eternal values”, for example, (equality and equity, voluntary and mutual self-help, and social and economic emancipation) seem to me to confuse ends and means. The very purpose of Co-operation is to achieve economic emancipation (from a disadvantageous dependence on merchant, employer, landlord or whatever) and, consciously or unconsciously, to achieve social emancipation. In the words of Georges Fauquet, “the primary aim of the Co-operative institution is the improvement of its members’ economic position but through the means which it employs and the qualities which it demands of its members and develops in them, it achieves a higher purpose . . . to make men”.

A primary means which the Co-operative method uses to achieve this end of emancipation is that of voluntary and mutual self-help. Other social philosophies aim at emancipation: the use of voluntary and mutual self-help brings us closer to the essence of Co-operation. In itself, however, it does not sufficiently distinguish a Co-operative from, say, a trade union. To achieve that distinction, the other primary means is the use of a business enterprise whose major motivation is the interests of its members as users of the service supplied (retailing, marketing, employment, credit, etc). Thus, by means of a service-motivated enterprise created and continued by voluntary and mutual self-help, the end of economic and social emancipation is achieved. Co-operatives are therefore defined by the means they employ rather than their ends, which are shared with other types of organisation.

Core of Basic Ideas -

From this relatively simple approach, the “principles” (i.e. the essential features by which we can judge whether or not an organisation is a genuine Co-operative) can be grounded in the organisation’s purpose and primary means, rather than being arbitrarily imposed from extraneous ideologies whose advocates favour Co-operatives and seek to import ideas superfluous to the basic notion of Co-operation. This is not to deny the right of individual Co-operatives to use those ideas if they so wish: merely to avoid making such ideas the basis for judging the bona fides of all Co-operatives. What we require is a core of basic “principles” that will be used by any “Co-operative”. Individual Co-operatives may regard additional ideas as essential to their existence and, providing such ideas do not conflict with the basic principles applicable to all and providing such Co-operatives do not seek to impose those ideas on others, that should be quite acceptable.

- Mutualism, Voluntarism and Service

Such an approach is not so far from that of the report’s suggestion that there are “basic” ideas in Co-operation. Mine, however, would be mutualism,

voluntarism and service. I do not have the space to develop what I would consider the "principles" deriving from these basic "ideas". Whatever they are, however, they are going to be subject to interpretation and therefore practices are going to vary according to circumstances. We have experience from the past of elevating the status of practice to that of principle (e.g. dividend on purchases) that we must guard against.

We must also guard against mystifying and over-elaborating the basic simplicities of the Co-operative method which are among its greatest strengths. The tests we should be applying to organisations should be few and largely self-evident. While some of the change happening in the world may cause us to look again at the Co-operative principles to assess their continuing relevance (and I agree with the author that the basic ideas remains relevant as ever), other changes, such as the collapse of the power systems of eastern Europe, provide an opportunity to clarify the ideas free from the need to stretch them to breaking point.

The Author

BRIAN ROSE was both student and tutor at the Co-operative College before moving to the Housing Corporation, initially as a Co-operatives specialist and most recently as Training Manager. He is now conducting research into social housing policy at Brunell University. He has served the Society for Co-operative Studies both as national secretary and in the chair.

6. W.P. Watkins

To open a book for the first time and find heading the first chapter a quotation from one of one's own works is a rare compliment of which I am duly sensible. The author could give a date (1967) for it, but I cannot tell from what work of mine it comes. The little book on Co-operative Principles which I wrote in 1964, refused by a London publisher, was accepted by the Co-operative Union and ran and ran to a second printing.

How large a printing the officers of the International Co-operative Alliance at Geneva want for a world congress they alone can know. The rest of us, including the author Mr. Sven Ake Bök, can only conjecture. It seems to me that to assure individual membership rights to the ICA's millions of members, in any appreciable number, the national affiliates of the Alliance will have to come to the rescue to provide the funds.

For there can be no doubt that Mr. Bök has written a book of the utmost value and one does not need to read through the whole book to discover that fact. So

far as I know, it is unique. In its life the ICA has evolved, unlike many of its capitalist contemporaries, from a merely international into a world organisation and Mr. Bööck helps his readers to understand better why, if progress is to take place in the movement it must necessarily conquer its environment and attain its own ends.

After the Wars

The Treaty of 1919 by founding the League of Nations opened the way to progress by international organisations, when that appeared to be a desirable way to introduce innovations in many walks of life. After the League was replaced by the United Nations, this movement could be said to have acquired world dimensions and a great and growing part of it looked urgently to future development. It was interesting but comforting to see how Mr. Bööck provides for that consideration when the time comes after the Tokyo congress to reconstruct the Alliance's internal organs.

The twenty years before the Tokyo congress are possibly one of the periods when the greatest strides were made in the transformation from "international" to "world" by certain agricultural countries in several parts of the world. The effects have been visible and there is no reason to expect that they will not be durable. In an earlier paragraph, I used the adjective "comforting" to describe Mr. Bööck's tactful handling of a question that was causing me discomfort, and I use it again for another topic, namely the recruiting of top management in our consumer Co-operatives from non-Co-operative sources.

For over seventy years now we have sought, without succeeding, a Co-operative solution of the problems of higher management training. There are, of course, plenty of other problems and they will not diminish. However would it not be appropriate for the Society for Co-operative Studies to take up this particular one with a reference committee of representatives of societies, federation managers, educational institutions and the Co-operative Bank?

The Author

W.P. WATKINS - Co-operative College student 1919-20 and tutor 1920-29; service in the Publications and Education Section, ICA and then Adviser on the Co-operative Movement, Control Commission of Germany 1946-50; and Director of the ICA 1951-63. Many publications including, since retirement, books on the International Co-operative Movement and the International Co-operative Alliance 1895-1970 and in 1986 *Co-operative Principles: Today and Tomorrow*.