

Society for Co-operative Studies

Journal of Co-operative Studies 96 September 1999 Vol 32 No 2

Contents

Editorial, pp. 85-86

Short Articles

Co-operative Legislation and the Co-operative Identity Statement
Bruce Thordarson, pp. 87-93

E-Commerce: its Potential for Co-operatives
Malcolm Corbett, pp.94-103

Promoting the Co-operative Agenda - New Mutualism and the 'Third Way'
Peter Hunt, pp. 104-107

Longer Articles

Equality Among Unequals: on Distributive Justice in Agricultural Producer Co-operatives
Svein Ole Borgen, pp. 108

Pleasure, Politics and Co-operative Youth: The Interwar Co-operative Comrades' Circles
Selina Todd, pp. 129-145

Responses to Published Articles

Corrections to Alan Judd's article Why did Co-operative Societies in Britain Use Tokens? (Vol 32 No 1), pp. 146

Book Reviews

The International Co-operative Movement. By Johnston Birchall
Peter Davis, pp.147-160

Annual Report

The Society for Co-operative Studies 1998-99, pp. 161-172

Editorial

It is now four years since the International Co-operative Alliance ratified a new set of co-operative values and principles, prefaced by a 'statement of co-operative identity', a basic test of what is a genuine co-operative. In October of this year, Professor Ian MacPherson will speak to the annual conference of the UK Society for Co-operative Studies about progress made in implementing the principles. In order to focus the Society's members' minds on the subject, we begin this issue with a short article by the Director-General of the ICA, Bruce Thordarson, in which he describes the impact the Statement of Co-operative Identity is having on new co-operative laws around the world.

We have always been keen on articles analysing the 'cutting edge' of co-operative business practice but find it difficult to persuade those who are doing the cutting to find the time to write about it; Malcolm Corbett provides a shrewd analysis of the potential of the internet for co-operatives, both as a way of doing business and as an area for the development of innovative new types of co-operative. Two years ago, we were publishing about the future of mutuality, concentrating on the trend towards demutualisation that has been gathering pace in several countries mainly in the financial services sector. Since then, the debate in the UK has become more upbeat, with discussion about the possible rise of a 'new mutualism' in tune both with the times and the new Labour government's agenda. Peter Hunt, as secretary of the British Co-operative Party, is in an excellent position to analyse this, and at the end of his article we list the recent pamphlets produced by the Party; in the next issue we hope to make these the focus of a review article.

We have two refereed articles. Svein Ole Borgen reports on a research project identifying different principles on which members can choose to allocate the economic results of agricultural co-operative trading. His methodology might well be applied to agricultural co-ops in different countries, and the theoretical framework he provides might also be used to analyse distribution decisions in other types of co-operative; readers are encouraged to use our 'Responses to published articles' section to start a discussion. Selina Todd continues our exploration of the history of co-operative education in Britain, with an article

about a little-known part of the interwar co-operative youth movement. The article raises some interesting questions about the attitude of older co-operators to youth work, and it might lead to a new theme for the *Journal* - co-operative development and member relations work among young people.

Co-operative Legislation and the Co-operative Identity Statement

Bruce Thordarson

Before starting to talk about the relationship between co-operative legislation and the International Co-operative Alliance's Co-operative Identity Statement (CIS), it may be useful to remind ourselves of some of the background that led to the adoption of the CIS on the occasion of the Alliance's Centennial Congress in Manchester in 1995. For more than 20 years prior to 1995, the economic frameworks within which co-operatives in market economies operated had been changing. Traditional trade barriers had been gradually reduced, previously protected industries like agriculture and financial services were being deregulated, and competition from large companies, both national and multinational, was becoming much more intense. In many of the countries of the South, a combination of economic liberalisation, political democratisation, and structural adjustment had drastically changed the operating environment for co-operatives. They were less controlled by government, but also less supported and protected than before. Perhaps the most dramatic changes occurred in the countries where the command economy had previously prevailed. After 1989, co-operatives were exposed to market forces that they had never before experienced. At the same time, they lost their privileged position in the economy, and in many cases found themselves subject to violent attack by the new reformers. On the other hand, co-operatives were given an opportunity to return to their previous democratic traditions, and to enter into sectors such as financial services from which they had been excluded.

The drafters of the Co-operative Identity Statement therefore faced the challenge of helping co-operatives deal with this new reality. In countries of the North, the challenge was how to give co-operatives more flexibility to raise capital and deal with the new competitive forces. In the South, the challenge was to demonstrate that co-operatives should not be regarded as an instrument of government policy. And in the countries with

economies in transition, the challenge was to re-establish the credibility of co-operatives as democratic organisations fully compatible with a market economy. One can look at the changes which were introduced in 1995 in a number of ways. The most obvious is to focus on the two new principles which were adopted (see pages 92-93). The first, on "Autonomy and Independence" makes it crystal-clear that co-operatives are "autonomous, self-help organisations controlled by their members". This was the message for co-operatives in the South, and in countries in transition, for whom full independence from the state was now possible. But it is also important to recall the second part of this new principle, which says that, if co-operatives enter into agreements with governments or other organisations, "they do so on terms that ensure democratic control". In other words, the CIS does not close the door to collaboration - even partnerships - between co-operatives and governments, but it sets out clear ground rules for this relationship. The second new principle, dealing with "Concern for Community", was largely designed to help co-operatives in the North establish a separate identity, different from that of their investor-owned competitors which they were growing more and more to resemble. Largely with them in mind, too, the third principle was made more flexible in order to give co-operatives greater opportunity to raise capital from external sources. Of course, these two provisions can also be very helpful for co-operatives in the South and in countries whose economies are in transition.

A second way to look at the CIS, and one which I think is very important, is to realise how it re-emphasises the centrality of membership for co-operatives. Every one of the seven principles has been reformulated to put the stress on members. The first, on "Voluntary and Open Membership", and the second, on "Democratic Member Control", are the most obvious. But the third also emphasises how members control the capital of their co-operative. The fourth stresses that co-operatives are controlled by their members, and no-one else. The fifth describes the importance of education, training, and information for members, as well as others. The sixth says that the purpose of "Co-operation among Co-operatives" is to serve members more effectively. And the seventh stresses that co-operatives' policies for sustainable development of communities must be approved by their members.

Here, then, is the essence of the difference between co-operatives and investor-owned companies: the *member*. The CIS makes it clear that the co-operative's relationship with its members should determine the way it is structured, the way it does business, and the way it deals with the outside world. As members are the reason for its existence, a co-operative must be committed to a particularly high level of service to them.

Co-operative legislation and the CIS

The failure to recognise this essential characteristic of a co-operative has constituted a major weakness in co-operative acts in many parts of the world. Without a proper understanding of the true nature of a co-operative, legislative provisions dealing with incorporation, operations, finances, etc can easily become counterproductive in terms of how the co-operative should function. In other words, the CIS provides a universally-recognised definition of a co-operative and, equally important, guidelines about how its values should be put into practice. If this basis is accepted in legislation, the provisions which follow should be much more effective. In the past, there were relatively few co-operative acts which contained references to the internationally accepted co-operative principles. One of the few, at least in the Asia-Pacific region, was the new Philippine legislation of 1989, which went so far as to include the co-operative principles as adopted by the International Co-operative Alliance (ICA) in the Act itself. The Sri Lanka Act of 1992 has a similar reference to co-operative principles, as do the Acts in force in Malaysia and in the Australian state of New South Wales. Most legislation, however, was in the past either silent on this subject, or else chose to develop its own interpretation of co-operative principles. In Indonesia, for example, Article 2 of the Co-operative Act states that "The co-operative society is founded on Panchsila and the 1945 Constitution and based on the principle of brotherhood."

Following the ICA's proclamation of the CIS, it is rapidly becoming the basis for the definition of a co-operative in new acts. It is specifically referred to in the new Canadian Co-operative Associations Act, which was passed in 1998, and in the draft British bill - still before Parliament - designed to replace the venerable Industrial and Provident Societies Acts.

There is also another recent development which is relevant to this issue. The UN Secretary-General has recently submitted to the General Assembly his biennial report on the "Status and role of co-operatives in the light of new economic and social trends". The theme of this report, for the first time, is legislation governing co-operatives. It provides a very useful overview of previous trends and current developments in co-operative legislation around the world. It also contains some very relevant analyses of co-operative experience in countries in transition to free market economies. In the Czech Republic, for example, the special character of co-operatives was not recognised in any way in the development of the legal framework which governs the operations of co-operatives. "Despite the most strenuous efforts of the representatives of the Czech co-operative movements," the report notes, "government bodies neglected to create suitable economic and other necessary conditions to strengthen the influence of co-operatives under the conditions prevailing in a market economy and towards the solution of social and cultural matters." In Lithuania, on the other hand, the government encouraged the ICA and other international experts to review the draft law on co-operatives, and the drafting itself was done with the participation of representatives of the consumer and agricultural co-operatives. The result is a law which, again according to the report of the Secretary-General, "established legal provisions for the organisation of national co-operatives on the basis of the principles of the international co-operative movement; legalisation of property and non-property rights and relations; and the structure of co-operative bodies, their rights and duties, formation of capital, reorganisation, restriction of activities, etc". There can hardly be any doubt about which of these two approaches will produce the better results.

Finally, the Secretary-General's report contains, as an Annex, "Guidelines aimed at creating a supportive environment for the development of co-operatives", which were prepared by the Committee for the Promotion and Advancement of Co-operatives (COPAC), of which ICA is a member. These guidelines state specifically that co-operative legislation should include a "definition of co-operatives, using the Statement on the Co-operative Identity adopted by the International Co-operative Alliance in 1995 (as well as) recognition of the unique nature of the values and principles of co-operation, and hence the need

for their separate and distinct treatment in law and practice.”

Conclusion

As we all know, co-operative legislation is a vast and complex issue. However, there seems to be no doubt that any co-operative legislation will benefit from a complete and accurate definition of a co-operative, and that the Co-operative Identity Statement of the ICA is the most widely-accepted and useful tool which exists for this purpose. Let us hope that, in the not too distant future, it will form the basis of Co-operative Acts in all countries around the world.

Bruce Thordarson is Director-General of the International Co-operative Alliance.

This is a modified version of a paper given at the Seminar on “Co-operative Legislation in Economies in Transition”; Hanoi, Vietnam May 1999

References

- Ian MacPherson, *Co-operative Principles for the 21st Century*, International Co-operative Alliance, Geneva, 1995
- G.K. Sharma, *Co-operative Laws in Asia and the Pacific*, Bonow Memorial Trust, New Delhi, 1997
- Robby Tulus, *Co-operative Legislation: A Presentation to the National Congress of the Canadian Co-operative Association*, Winnipeg, 1998
- United Nations, *Report of the Secretary-General on the status and role of co-operatives in the light of new economic and social trends*, New York, December 1998

Statement on the Co-operative Identity

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

1st Principle: Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2nd Principle: Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle: Education, Training, and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6th Principle: Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies accepted by their members.

E-commerce: its potential for co-operatives

Malcolm Corbett

The internet and the Euro will turn the UK retail industry upside down, forcing prices down and service standards up - and firms that get the strategy wrong will be obliterated. We have this huge tidal wave coming towards us, and we have to decide how and when to respond. Either you do the right thing at the right time, or you get wiped out. There is absolutely no in-between.

This quote is from a speech by Sir John Banham, former director-general of the British Confederation of British Industry and chairman of retail group Kingfisher, given at the annual conference of the Computer Software and Services Association in April 1999. Sir John's statement without doubt reflects the speed with which captains of industry in the UK are catching up with their US counterparts in recognising the imminent impact of the new digital technologies on business. There is no doubt that this year is the year of electronic commerce throughout the corporate world. And some of the statistics are impressive:

- US computer giant Dell now sells US\$18m per day on-line. Overall, internet sales accounted for 30 per cent of the company's total revenue in the first quarter of the year.¹
- Internet music sales will generate US\$3.9 billion by 2004, up from an estimated US\$346 million this year, according to a report from Music Business International, MBI.²
- The online consumer travel industry will be worth US\$16.6 billion by 2003. Currently 66 per cent of US internet users research their travel arrangements online. Overall, the number of people booking on-line will increase dramatically over the next four years, to an estimated 10 per cent of the total US travel market by 2003.³
- In telecommunications, internet telephony is starting to pose a major challenge to the traditional public switched telephone network. Datamonitor estimate that internet telephony traffic will surpass PSTN traffic sometime during the year 2000. Last month Bertie Ahern, placed the first internet voice call from Ireland.⁴

- On the US stock market internet stocks continue to defy gravity. For instance, internet service provider AOL is now worth US\$140 billion, more than Disney, Viacom and CBS combined (US\$131 billion).⁵

And there are plenty more statistics like these which point to what is truly a communications revolution on a par with the invention of the printing press. That revolution is still in its infancy. The technical protocols underpinning the world wide web are just ten years old.

However, whilst the corporate sector rushes to get in on the act there are voices of caution pointing at some of the problems. Richard Tomkins in a recent article in the Financial Times⁶ makes the point that "History suggests there is little chance of internet retailers ever making money by trying to offer traditional levels of service at modern-day prices." He quotes the performance of internet book retailer Amazon.com whose revenues have more than tripled in the first quarter of this year to \$293.6m up from \$87.4m a year earlier, but whose losses have increased more than five times to \$61.7m, and the trend is set to continue. Tomkins argues that whilst some internet retailers are likely to succeed - notably in travel where airlines are using sophisticated computer programs that adjust fares in real time to maximise seat take up - others, operating on essentially a mail order model are likely to fail. Historically in retail the trend has been towards ever larger physical retail outlets with ever lower selling costs and therefore prices to the consumer. On-line retailers run the risk of trying to turn back the clock, "employing people to fulfil customers' orders by picking goods off the shelves one by one, packing them ... and delivering them to customers' homes." In competition against massive supermarkets, it is not readily apparent that this is likely to be a profitable enterprise - at least in the short term. But Tomkins does admit that the internet provides early opportunities for specialist suppliers through its ability to aggregate customers regardless of time or geography. So, for instance a niche supplier of rare stamps might find it difficult to make a living by opening a shop but could run a successful on-line store catering to the needs of a geographically disparate audience.

So, who is right, Sir John Banham and his tidal wave, or Richard Tomkins and his note of caution? In a sense both. A

good example of how traditional retail and the web can mutually reinforce each other is provided, perhaps surprisingly, by the co-operative sector. Recreational Equipment Inc (REI) is one of America's most successful retailers of sports equipment.⁷ It is a retail consumer co-op with an annual turnover of US\$587m. REI is an innovative company which got into the internet early and its on-line store, rei.com, currently generates US\$50m annually (and a profit). The internet strategy has been incorporated into the whole operation - not as a replacement for traditional outlets but as a way of serving customers better. In other words, REI aims to satisfy the customer wherever, whenever, and however they wish to shop. REI has found that internet shoppers tend to spend more and within a year REI expects rei.com to outsell any of its physical retail stores. But it is not an inexpensive way to sell. The technology costs including staffing are far higher than equivalent store costs. For instance, REI's flagship store in Seattle employs 300 people whereas rei.com employs 60. The payroll costs are, however, the same. REI has also realised that its fulfilment systems must be up to scratch with internet purchasers. They know that an old-style mail-order operation turnaround time of two, three, or more weeks simply is not good enough. Internet customers expect to order and receive their purchases within days: They are also addressing the issue of improving the efficiency of the whole value chain so that goods can be delivered to on-line customers profitably.

The internet headcount

E-commerce can only succeed with continuing growth in internet access. The trends are astonishing. In the UK, NOP recently estimated that 10,000 people per day are signing up. There are at least 4.3m homes in the UK connected, a number likely to increase to 9 million, or over 30 per cent, by 2002 according to the Henley Forecasting Centre amongst others.⁸ In Europe 47 million households are expected to have internet access by 2003, up from 14 million at the end of 1998. This represents an estimated 31 per cent of the total population. In Ireland, an estimated 370,000 adults had internet access in February 1999, according to Amarach Consulting. This represents 14 per cent of the adult population, up from an estimate of 11 per cent in June/July 1998.⁹

Rapid growth in the UK has been fuelled by service providers offering internet access free of monthly subscription charges, just the price of a local phone call. Dixon's Freeserve was the first major offering of this type. Freeserve makes its money from a share of the telephone revenue generated by its subscribers. It also charges for telephone support and generates revenue from advertising on its portal website. Launched in September 1998, by March 1999 Freeserve boasted 1.5m subscribers, far outstripping AOL, previously the UK's largest internet service provider (ISP). Dixon's are expected to announce the flotation of Freeserve on the UK stock market and latest estimates indicate that it will be valued at around £1,500 per subscriber. Today there are around 100 free internet providers in Britain. They include a wide diversity of organisations from standard ISPs through to major retailers (WH Smith, Tesco, Waterstones and Zoom, a consortium of high street retailers), national newspapers (The Sun, The Guardian etc), even trade unions (Unison, the UK's largest union amongst others). With the advent of telecoms deregulation in Ireland, new providers will offer similar free services and drive a massive and rapid expansion in internet access. Furthermore, in future internet access will not rely solely on personal computers. The advent of interactive digital TV and new 'web-enabled' consumer devices will again multiply the number of people able to access digital information even more dramatically. It seems obvious. Even without proven business models, any commercial organisation catering to a large market would be foolish to ignore these trends.

The costs of e-commerce

The e-commerce price tag can be summed up in one word: dear. According to Gartner Group the average cost of setting up a corporate e-commerce site is US\$1m, with four fifths of the price accounted for by labour costs.¹⁰ And prices are likely to rise. These figures are borne out by the experience of rei.com who spent US\$500,000 on the initial site and have upgraded four times in the past few months. The most recent was a US\$500,000 overhaul by IBM. They do not expect the costs to cease. One of the crucial components is developing the technical infrastructure to ensure that the whole value chain including third party suppliers can operate efficiently together to fulfil internet

purchases. Other surveys suggest lower costs, but not that much lower. The American Association of National Advertisers conducted a recent survey which produced an average price tag of US\$369,000 with maintenance costs of US\$275,000.¹¹ Meanwhile in 1998 the top 100 e-commerce sites invested an average of US\$8.6 million on building their online brand and driving traffic to their site, according to the Intermarket Group. Whichever way you look at it, this business is not for the fainthearted. Good news on the horizon is that the major IT companies are developing packaged software which will eventually drive down some of the costs, particularly the integration of on-line ordering and fulfilment processes. However, the labour costs are unlikely to diminish any time soon.

Co-operative e-commerce in the UK

CWS, the UK's largest co-operative retailer, has taken a cautious approach to e-commerce. Currently the CWS website heavily promotes the 'family of businesses' that CWS represents, and its ethical approach. Items for sale are currently limited to wine and some electrical goods. However, during a seminar at this year's Co-operative Congress, Steve Garrick from the Communications Group in Corporate Affairs, outlined CWS's approach to the internet as one of a range of 'electronic channels' including digital TV and telephone shopping that they are seeking to address. Opinion remains divided amongst the retail co-op societies on the approach to e-commerce, but things are happening, and big changes are very likely during the next year. One driver will be a co-operative 'portal site' agreed by Congress. This is a movement-wide project signposting co-operation in all its forms. As this project develops it is likely to tilt the balance of option in favour of serious e-commerce development. After **all, what** is the point of attracting large numbers of visitors to a **portal** site if you can not engage them commercially and enhance customer as well as member relations?

Where retail co-operatives can potentially score is through their membership, an advantage which they uniquely hold. For internet marketeers one of the big challenges is to attract loyal customers - even loyal surfers and their 'eyeballs'. Keeping people revisiting your site (known as 'stickiness') is regarded as crucial in a world of promiscuous consumers for whom an alternative

vendor is literally just a mouse-click away. Previously I have argued that consumer co-ops which have a direct and mutually beneficial economic relationship with members should be well placed to maintain loyalty.¹² If a member of the Wessex Co-operative Society shares in its success, it ought to be more likely that they will keep returning to buy. And the internet can enhance the relationship between a co-op and its consumer members through interactive services encouraging feedback and a sense of belonging. Although it is early days as yet some of the more imaginative co-op societies like Oxford, Swindon & Gloucester are working hard to incorporate the internet in their member development policies.

The internet and financial services

One of the biggest growth areas on the internet is financial services. 24.2 million internet users in the US are expected to bank on-line by 2002, up from 6.9 million at the end of 1998.¹³ In the UK the Co-op Bank, Lloyds, and Barclays, with TSB to follow soon, all offer internet banking facilities. And all of the other major banks are planning on-line services either directly or via the internet. The Co-op Bank currently has 25,000 users of its internet banking service which it regards as a success; certainly enough to invest in a major upgrade of the service later this year. As an early adopter of the technology the Co-op Bank is well placed to learn lessons and develop the service to competitive advantage. But again, as with CWS, the internet is not seen in isolation but rather as one of a raft of new services in the Co-op Bank's future strategy including paypoint services in co-op shops, alongside counter facilities in post offices, as well as its physical branch infrastructure.

The advantages of internet banking from both the customer's point of view and the bank's are obvious. Internet users have access to their accounts on a 24x7 basis (hours per day, days per week), and unlike telephone banking, the customer is not being serviced by a call centre. However, banks are not yet offering a full range of services over the internet, and perversely most do not allow communication by e-mail. Nevertheless, the facilities that are being offered provide a significant benefit to customers. On the public policy front one big question is: will this increase

the trend of branch closures and withdrawal from what are perceived to be unprofitable areas leading to greater 'financial exclusion'. The answer is probably no, but as internet banking grows it is likely to impact on future investment decisions affecting the branch infrastructure.

And the credit unions?

In the UK, the credit union sector is a long way behind Ireland. Growth has been hampered partly by lack of promotion and support services and partly by an unfavourable legislative environment which is only now being addressed. Meanwhile the new Labour government sees credit union development as a crucial weapon in the fight against 'financial exclusion'. The gap between high public policy expectations and reality on the ground is wide but narrowing. In London, Social Enterprise London has developed a Credit Union Support Programme, in conjunction with (Association of British Credit Unions), to address some of the barriers to development. It is a strategic programme which aims to build capacity for credit union development through training materials for promoters, developing models of best practice, and strengthening credit unions in their start up and growth phases. A critical factor is technology support which will be provided by the Co-operative Bank. However, at this stage, the internet component is small, just a limited pilot experimenting with on-line communications in one locality. In the circumstances of the UK this is almost certainly the correct approach. Resources are unlikely to be forthcoming to invest in the technology required to engage in a larger scale experiment at present.

In Ireland, the situation is very different. Whilst there is no equivalent of the Co-operative Bank to provide technical support (both banking and IT), the Irish League of Credit Unions has recently decided to support a strategy for developing a common IT platform for many of the back-end functions of credit unions. What is not apparent is the extent to which the internet has been incorporated into the strategy. Already more than 10 per cent of the Irish population has internet access. Given the changing demographics of the country coupled with telecoms deregulation and the consequent opening up of the market to free internet

services, growth in access is likely to be very rapid. If credit union members were able to access information about their accounts over the internet and to communicate with paid or voluntary staff, and with other members, the unions would dramatically increase their competitiveness whilst retaining their essential co-operative and voluntary nature. I would argue therefore that any business development strategy that does not incorporate the internet is missing one of the fundamentals.

Conclusions

Perhaps the best summary one can make about the situation today with internet commerce is that it is confused and confusing. All major retailers are trying to get in on the act, but successful strategies are, as yet, thin on the ground. Even teasing out the strategic issues is difficult. However, two things that can be said with certainty are:

- Internet access will continue to grow rapidly.
- Delivering e-commerce is not cheap or necessarily profitable.

In the retail sector it is heartening to see a successful American co-op - REI - leading the way. REI got into the game early and realised that internet e-commerce adds to its channels to market, rather than replacing them, and enhances its ability to satisfy consumer demand. Co-ops can also use the internet to improve relationships with their consumer members, and this is something that is starting in the UK. In the financial sector, banks are moving rapidly to exploit internet banking. Again, it is good news that the Co-operative Bank was in there early. The crucial driver is the ability to conduct one to one relationships with customers on a 24x7 basis, but with potentially lower running costs even than telephone banking. Credit unions should be able to exploit the internet for day-to-day business in the same way if the cost barriers can be overcome. As financial co-operatives the added advantage is that they can use the same technology to enrich communications and therefore relationships with members - at least those who can access the internet - with limited additional running costs. If internet access continues to expand exponentially

it is likely that institutions that do not develop strategies incorporating the internet will be placed at a competitive disadvantage. It will be hard to recover.

Malcolm Corbett, is Marketing Director of Poptel Internet, a co-operative Internet Service Provider ranked in the industry's top 20. This paper was originally given at the University College Cork Credit Union Summer School, June 1999.

References and Sources

One of the most useful sources of information on internet trends is published by an Irish consultancy Nua Ltd. <http://www.nua.ie>

- 1 Dell Computers press release quoted from Nua Surveys, 25th May 1999.
- 2 The MBI World Report 1999 was based on information provided by Market Tracking International quoted in Nua Internet Surveys, 25th May 1999.
- 3 Jupiter Communications quoted in Nua Internet Surveys, 25th May 1999.
- 4 Financial Times, Telecoms Supplement, 9th June 1999.
- 5 Internet Magazine ISP Newsletter, May 1999.
- 6 Financial Times, 8th June 1999.
- 7 New York Times, May 24, 1999, quoted from the Co-opNet Internet discussion list.
- 8 Euromonitor, quoted in Nua Internet Surveys, 12th April 1999.
- 9 Amarach Consulting, quoted in Nua Internet Surveys, 12th April 1999.
- 10 NMTV/Silicon.com, 28th May 1999.
- 11 American Association of National Advertisers quoted in Nua Internet Surveys 17th May 1999.
- 12 Net Gain for Co-ops, January 1998, by Malcolm Corbett, published in Commonweal, Progress and New Sector magazines.
- 13 Cyberdialogue quoted in Nua Internet Surveys, 17th May 1999.

Promoting the Co-operative Agenda - New Mutualism and the 'Third Way'

Peter Hunt

Editorial introduction by Johnston Birchall:

The British co-operative movement is unique in having its own political party. Founded in 1917, the Co-operative Party was a response to the experience during the First World War of ignorance and prejudice among politicians and civil servants, and the active opposition of private traders. In the 1918 election, the Party fielded 10 candidates, one of whom (Alfred Waterson, in the co-operative stronghold of Kettering) became Britain's first ever Co-operative Member of Parliament. In 1922, four more MPs were elected, but they relied on an agreement with their local Labour parties, and it is not surprising that from then on a more or less formal alliance was created between the two parties. The practice was for local co-operative societies to sponsor 'Labour and Co-operative' local councillors and MPs, a practice that has continued until the present. With the recent election of a Labour government in Britain, there have been high expectations of a more co-operative approach to policy making, not just in the steering through of a new Co-operatives Bill but more widely in the promotion of a 'mutualist' philosophy. The conversion of several large building societies and mutual insurance societies has, ironically, focused attention on the advantages of mutual businesses, not just in the financial services sector, but more generally in society. While this has not resulted in much help by the government to those mutuals who are fighting to stay mutual, it has provoked much rhetoric among Labour ministers about the 'new mutualism'. Naturally, the Co-operative Party has a key role in identifying what this is, and what it might become given a favourable policy environment. It was in this context that Peter Hunt, Secretary of the Party, gave an address to a Society for Co-operative Studies fringe meeting of the UK Co-operative Congress in May of this year. This is a summary of what he said:

Political parties are about ideas. Our job in the Co-operative Party is to develop co-operative political ideas and convince others of their value. We want to change society by increasing the size of the co-operative and mutual sector, and to do that we must use all of the tools at our disposal to not only educate Government and others of the value of our sector, but to show them how it can be helped to achieve the growth we think it deserves. We work to achieve this objective in two basic ways. First, we work with the Labour Party to ensure the election of co-operators to public office at all levels; these are the political

advocates for our work. This, we have proved ourselves pretty good at: 25 MPs, over 700 Councillors - the numbers have never been better. Second, we exist to promote the co-operative ideal, and its vision of a different kind of society. If we are honest, we have to admit that we have been less effective in this respect.

So, one of the questions facing the Party is, how can we do this better? And to answer that, I'd like to take a moment to look at the wider political landscape. The changes to British Society over the nearly twenty years of Conservative Government have been of great significance to the co-operative sector. There are three points that are of particular relevance to our sector. First, there has been the establishment of the supremacy of investor owner models of enterprise, the attitude that the 'pie' is the best structure for business. Second, there has been an enormous increase in private investor share holdings, brought about during the privatisation of Government utilities and other businesses, and giving rise to a 'free money' culture, an expectation that windfall profits can be made. Third, there has been the rise of a self-centred culture described in the phrase 'I'm all right Jack'; again, this makes it more difficult to argue for a co-operative approach to business.

These economic and cultural changes were followed by, and set the environment for, a pretty unsophisticated rush to demutualise building societies, which were yet another example of 'free money'.

It is against this background that there is now an urgent need to gain political acceptance of mutual forms of ownership and enterprise; mutuality has in effect been un-learned. The image is old fashioned, bureaucratic, and associated with poverty and class issues. The public do not see the value of membership when offered a short-term cash gain, These attitudes are so damaging as to be life threatening to the co-operative movement. There is now a key role for Co-operative politics, in changing attitudes, particularly with political leaders and opinion formers. A new political legitimacy is required, one that can create a political environment in which co-operatives can flourish. This is not such a pipe dream; in some countries it is taken for granted. In our country, it requires an urgent educating role for the Co-operative Party. We now have a Labour Government with a huge majority - something that we all have worked very hard

for over many years. Nobody will always agree with every decision of even a Labour Government - Labour Party members are possibly among its sternest critics - but this is a Government that is committed to a major programme of reform, and a programme that will change Britain. We must play our part in that process.

Much of the language of this Government is closely connected to our own co-operative values. The mutualist rhetoric includes phrases such as: stakeholding in business; the need to combat social exclusion; an emphasis on rights and responsibilities; a return to a sense of community; a sense of inclusiveness; 'for the many not the few'; the Third Way; a fair and decent society; the need to modernise and change; devolution of power and empowerment; and an emphasis on working together in partnership. The Co-operative Movement has been practising all of these for many years and needs to be able to show how co-operative models can actually help to bring about the kind of society that the Government wishes to see.

Co-operative members will no doubt be aware of the current policy debate, initiated by the Prime Minister, which is aimed at defining a "Third Way" for government. There are hundreds of articles about it, books have been written, including one by Professor Anthony Giddens - allegedly the Prime Minister's 'favourite intellectual' - a Fabian pamphlet by Tony Blair himself and our own Co-operative Party publication 'New Mutualism - The Third Way,' by Peter Kellner. But as yet, this new way is still unspecified. Some commentators have described it as a third choice over against the traditional dualistic argument between public provision and private enterprise. Others have argued that the Third Way is about emphasising community and accountability in new ways that are not catered for by neo-liberal or social democratic approaches.

How did this all begin? Last year, the Prime Minister held a seminar at 10 Downing Street, to which a number of respected academics and political commentators were invited. The purpose of the meeting was to discuss ways of defining what the 'Third Way' means in both a philosophical and practical political way. At least two of the speakers at the seminar advocated "mutuality" as a useful component of the "Third Way". One of the speakers, Peter Kellner (Guardian journalist and BBC Broadcaster)

described the value of a mutual approach in government policy. More than simply promoting mutual organisations and models, they argued that the government should seek to achieve "mutualist" outcomes when taking policy decisions. The Prime Minister was apparently impressed with this approach and requested that it be developed further. In a *New Statesman* essay which was re-printed in the Summer *Commonweal*, (Co-operative Party Members Magazine) Peter Kellner expounded on his proposition, concluding that the test of a government policy should be the level of mutualism achieved in its outcome. It is through such contributions that the "Third Way" will eventually be defined, The Prime Minister, and on an international scale, the US President, are keen to build a lasting philosophy that characterises their social democratic approach across a wide range of issues.

Participation in the discussion began with invitations - distinguished individuals and fashionable think-tanks made submissions that sought to influence the definition of the "Third Way". There is now a real opportunity for the Co-operative Party to seek to influence this debate and promote our own co-operative and mutual approach as a viable "Third Way". As co-operators, we should be able to show that co-operative and mutual organisations are always likely to provide mutualist outcomes, because unlike pies, they do not exist for the sole benefit of profit-driven shareholders. Our objectives in participating in this project are: to lead and facilitate the involvement of co-operative and mutual organisations in this debate; to assist those who are promoting all aspects of mutuality in putting their case; and to seek to influence the debate so that ultimately, "mutualism" is seen as a significant element of the defined "Third Way". Participation in the debate will have the following benefits to the Co-operative Party: we will be seen as a serious contributor in helping to shape the Blair project; this will improve the overall attitude of the government towards the co-operative and mutual sector; it has the potential significantly to increase the profile of the Co-operative Party. Our experience over the last year and a half has shown that the role of the Co-operative Party under a Labour Government is very different from that in opposition. Quite rightly, in opposition our efforts were concentrated on our electoral machine, with obvious success. We have marked

out our territory with the 'Co-operative Agenda for Labour', but now we must continue develop our intellectual arguments. A positive attitude towards the Party from the Government is an absolute priority. We must be seen as part of the Prime Minister's modernising project if our ideas for 'New Mutualism' are to be taken seriously. The Co-operative Party is now in the process of publishing a series of pamphlets that each promote a particular element of our Co-operative Agenda. Each document will be produced by the relevant experts in their field. The documents we publish in this way will correspond to the policy areas covered in 'The Co-operative Agenda for Labour.'

These policy areas include: the case for all co-operative and mutual forms of business; an argument for co-operative solutions to combat social exclusion; the promotion of co-operative forms of housing; the promotion of support for self help co-operatives in international development policy; the case for social economy and in particular employee-owned businesses; support for an expansion of the credit union sector. The series of Co-operative Party pamphlets are now being published under the 'New Mutualism' heading. Through these, we will take our arguments to the opinion formers, giving real examples of how we already achieve success. They are showing that there is already a 'Third Way' in politics, and that co-operatives and mutuals are making a reality out of the desire to re-build communities. 'New Mutualism' is our way - we believe that it is a major part of the 'Third Way.'

Peter Hunt is the General Secretary of the Co-operative Party

Pamphlets produced to date include:

Peter Kellner *New Mutualism; the Third Way* (a general argument for mutualism)

David Rodgers *New Mutualism: the Third Estate* (an argument for mutualism in housing policy)

Ian Hargreaves *New Mutualism: In from the Cold* (the potential for a mutual approach to social exclusion)

Jonathan Michie *New Mutualism: a Golden Goal* (the potential for a mutual approach to the ownership and control of football clubs)

These can be obtained from The Co-operative Party, Victory House, 10-14 Leicester Square, London WC2H 7QH, UK.

Equality Among Unequals: On distributive justice in agricultural producer co-operatives

Svein Ole Borgen

Abstract

Equal and fair treatment of all members are celebrated as cornerstones of the economic and ideological foundation of agricultural producer co-operatives. Despite their importance, however, these concepts are far from clear cut. The objective of the first part of the paper is to contribute to a conceptual clarification of the equal treatment provision. The second part of the paper explores how equal treatment may relate to the more complex notion of justice. The arguments are illustrated by empirical data from a Norwegian agricultural sales co-operative.

Introduction

Norms of distributive and procedural justice play a crucial role in agricultural producer co-operatives. Equal and fair treatment of all members are commonly celebrated as cornerstones of the economic and ideological foundation of most western agricultural producer co-operatives¹. The "Equal Treatment Proviso" is an integral part of the constitution of co-operatives, as reflected in the voting structure, which is based on equal voting rights for all members. The idea of equal treatment also serves as a guidance for the day-to-day treatment of members. For instance, equal treatment reflects the right of all members to deliver their products to the co-operative processing plant. Not surprisingly, the Equal Treatment Proviso is sometimes built into the very definitions of producer co-operatives. For instance, S0gaard² defines the relevant theoretical objective of the co-operative as to maximise its demand for members' input subject to the constraints:

- (1) that the processing company does not run a deficit
- (2) that all members are allowed to make their own production decisions
- (3) that all members are treated equally.

In this spirit, an agricultural producer co-operative can be conceived of as "a company of equals".

Despite this significance, the "Equal Treatment Proviso" is far from clear cut. In the first part of this article, I shall explore the notion of "equal treatment" within the domain of agricultural producer co-operatives. The fundamental question is equality of what? The main argument is that four interpretations of "equal treatment" play a role in agricultural producer co-operatives:

1. absolute equality
2. equal proportions
3. equal opportunities
4. equal worth.

However, not all interpretations have the same significance. Generally, the principle of equal proportions dominates within the economic sphere, whereas the principle of absolute equality is the core allocation principle within the political sphere. Following the terminology of Elster³, these are here denoted *baseline principles*. Further, the discussion is expanded towards the notion of justice. Justice is a more fundamental, appealing, and complex idea than equal treatment and equality. Equality is a baseline for allocation of goods, burdens, rights, and obligations. The task of major theories of justice is to justify deviations from equality. What is perceived as a fair basis for inequality? This question is addressed in the last part of the article. Two propositions are developed and tested empirically:

Proposition 1 - that people tend to appeal to the norms that are perceived beneficiary to them.

Proposition 2 - that members with experience as representatives strongly defend baseline in the political and economic sphere, and object to any attempts to justify deviations from baseline.

There is limited support for proposition 1 among the members of our case study. Proposition 2 was partly confirmed, but there are also important nuances to be accounted for.

Theory

Perceptions of justice are subject to institutional framing.⁴ How individuals perceive outcomes and procedures - in terms of justice - is likely to be heavily influenced by the institutional context in which the allocation takes place. Individuals apply their knowledge of the operative institution as well as history and the broader social and economic environment to make sense of "equality", "inequality", "desert", "need" and similar notions. Institutions create expectations about how one will be treated in a given situation, and these expectations in turn influence individual perceptions of fairness **and** unfairness. Individuals who possess a certain level of experiential knowledge regarding the rules and procedures of a particular institution will most likely also grasp the way in which various characteristics are assessed as relevant or not. These expectations are sometimes shared by all who understand the rules and goals of the institution in question, and lead to a shared notion of what is perceived as fair or unfair. The major point is that "fair allocation" is not a property of the allocation itself in any objective sense. Douglas⁵ clarifies that a fair allocation is never inherently fair:

No single element of justice has innate rightness: for being right it depends upon its generality, its schematic coherence, and its fit with other accepted general principles. Justice is a more or less satisfactory intellectual system designed to secure the coordination of a particular set of institutions.

Two fundamental points are made: first, no principle or rule has being or movement except by the significance people can give to it; second, the significance of justice is constituted through language, signs, and symbols. Norms and values are symbolic systems which stand in a constitutive relation to experience and understanding. The acknowledgement of this ontological stand enhances our interest in descriptive studies of the type presented here.

As already mentioned, the "Equal Treatment Proviso" is a crucial, but far from clear cut notion. Agricultural producer co-operatives are labelled "companies of equals", but these organisations do not literally consist of equals. There is ample

evidence of natural inequality and diversity within most agricultural producer co-operatives⁶. The rhetoric of equality and equal treatment commonly refers to a heterogeneous pool of co-operative members, in which variance, diversity and inequality may be as important and interesting to study as equality. The fundamental question is - equality of what? In what sense can the principle of equal treatment be interpreted and implemented? As clearly pointed out by Sen⁷, equality is always judged by comparing some particular aspect of one individual (for instance income, productivity, opportunities, rights, or need-fulfilment) with the same aspect of another individual. The judgment and measurement of inequality is dependent on the choice of the variable in terms of which comparisons are made. In the case of agricultural producer co-operatives, the major variables are the goods, burdens, rights, and obligations which are allocated to the members. Goods and burdens belong to the economic sphere, whereas rights and duties reside within the political sphere of the co-operative.

What is the dominant allocation principle in the political sphere of the co-operative? To answer this question, some comments on the principle of distributive justice are necessary. This principle is fundamental in agricultural producer cooperatives and is formulated by the International Co-operative Alliance (ICA) as follows⁸:

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

The principle of democratic control distinguishes co-operatives from investor-controlled firms. Co-operatives are user-controlled, whereas shareholder companies are investor-controlled. Democratic control implies that the members have the ultimate say, and that the rights to participate and vote are equally distributed among all members. Members get their influence by virtue of active use of the co-operative, not through passive

injection of capital. This line of thought is particularly expressed in the principle "one member, one vote". In the vocabulary of distributive justice this is the principle of absolute equality (to everybody equally much, independent of any other criteria). Independent of the size and frequency of the economic transactions with the co-operative, each member is offered one share only.

In an empirical study of 1,340 direct-membership co-operatives in the USA, Reynolds et al⁹ found that 93 per cent used a one-member, one-vote election method. It should be mentioned that statutes for co-operative incorporation have required one-member, one-vote in several states. Although a few states have recently changed their statutes to allow proportional voting, about half have had these regulations for many years. However, in states with statutes that have permitted both methods proportional voting is nine per cent, only slightly higher than the overall average of seven per cent. So, even given a choice, most co-operatives favour the one-member one-vote system. Reynolds also found that one-member one-vote was the predominant voting system used among the federated and mixed-structure co-operatives (51 out of 61). Geographical district representation was used by 22 of these co-operatives, while 18 organisations used at-large representation.

Strictly speaking, the principle of "one member one vote" conflicts with the idea that members should control the organisation in proportion to their use.¹⁰ If co-operatives are user-controlled, why are frequent users not granted more influence than infrequent users? How is this imbalance between economic importance and political influence justified? There seem to be two major reasons. First, the principle of absolute equality is fair "as near as may be", and particularly as long as the members are approximately equally large and interact with the co-operative equally much. The principle of absolute equality works fine as long as the members are literally equal. In that case, no disputes concerning the relevance and fairness of this principle should be expected. But what if this premise of equality between members fails? On what grounds should equality still be upheld? In this situation, the principle of absolute equality is supported by the principle of equal worth (all members are equally worthy). Independent of their economic contribution and frequency of

transactions with the co-operative, all members are seen as having the same worth. This type of moral sentiment is outlined by among others Aresvik (op cit, p584, my translation from Norwegian):

the size of the economic investment or the transaction intensity with the co-operative should not constitute the basis for differentiated voting rights. Thereby, the poor will feel equally worthy with the rich, the member with low turnover feel as worthy as the member with high turnover, and they will all share a common interest in working for the progress of the co-operative.

An intriguing question is whether this morality has any significant implications in a situation with more intensive competition. In its general form, the principle of equal worth has no binding obligations. Necessary restructuring of the co-operative may be softened by a rhetoric in which the moral idea of equal worth is celebrated. Albeit easy and convenient to refer to, the principle of equal worth is normally too vague to serve the role as an operational, guiding principle. In practical life, the principle of absolute equality has precedence over the principle of equal worth within the political sphere of co-operatives.

The economic sphere of producer co-operatives covers the allocation of all types of economic goods and burdens. The main line of thinking with respect to the members' economic participation is delineated by the ICA through the third principle¹¹:

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting out reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Here, the statement "benefiting members in proportion to their transactions with the co-operative" is of particular interest. The underlying line of thought is the proportionality principle, which is rooted in the thinking of Aristotle¹²:

A just act necessarily involves at least four terms: two persons for whom it is in fact just, and two shares in which its justice is exhibited. And there will be the same equality between the shares as between the persons because the shares will be in the same ratio to one another as the persons. What is just in this sense, then, is what is proportional, and what is unjust is what violates the proportion.

This pioneering thinking of Aristotle has been elaborated by many philosophers (among whom Peyton Young¹³ and Wetlesen¹⁴ are two interesting representatives). The idea of a co-operative as a proportional enterprise is well known in the literature.¹⁵ In his review of co-operative principles, Barton¹⁶ summarises this position as follows:

A co-operative is a private business organised and joined by members to fulfil their mutual economic needs as patrons of the business, with the key control, ownership, and income distribution decisions based on patronage proportions; namely, member voting, equity capital investments by patrons, and distribution of net income to patrons are proportional to use of the co-operative.

However, Barton concludes that the proportionality concept has received stronger support in relation to ownership and profit distribution than in relation to voting control. Translated to the terminology used here, the principle of equal proportion is the baseline principle within the economic sphere of co-operatives, but **not** within the political sphere.

There is a fourth version of equal treatment: equal opportunity. Following this principle, the object to be allocated equally *to* all members is first and foremost the opportunity to deliver (open membership), the chance to participate, and so on. Strictly speaking, there is no further specification with respect to the end results of the allocation of economic resources and

membership rights; it is acknowledged that people use their opportunities in very different ways and should have the freedom to do so. The principle of equal opportunity reflects a libertarian perspective, and is typically held as a necessary precondition for effective competition. However, there seems to be no systematic discussion of this interpretation of equal treatment in the literature on co-operatives. One exception is Munckner,¹⁷ who refers to the co-operative ideas "freedom of association" and "freedom to contract". **Freedom of association** is defined as the freedom to work together with others on a voluntary basis, for every lawful, self-determined purpose as long as such co-operation is felt to be useful and beneficial and does not encroach on the rights of others. **Freedom to contract** is defined as the freedom to make legally binding decisions within the limits of the general law, to create self-imposed obligations under agreements or by-laws of organisations.

The upshot from this discussion is that there are four interpretations of "equal treatment" at work in agricultural producer co-operatives: absolute equality, equal proportions, equal opportunities, and equal worth. However, I have emphasised that the four versions are not equally important. The two most fundamental principles are absolute equality and equal proportions, and they are here labelled "baselines". The two other principles - equal opportunities and equal worth- are less binding and seem predominantly to play a role as supporting and supplementing principles. Moreover, there are different baselines in the economic and political sphere. Within the economic sphere, the baseline for allocation is the principle of equal proportions, whereas the baseline within the political sphere is the principle of absolute equality. The overall conclusion is that there are "sphere-specific" answers to the issue of equal treatment (which leads us towards an explanation in a Walzerian spirit¹⁸.) This conclusion is visualised in figure 1 below.

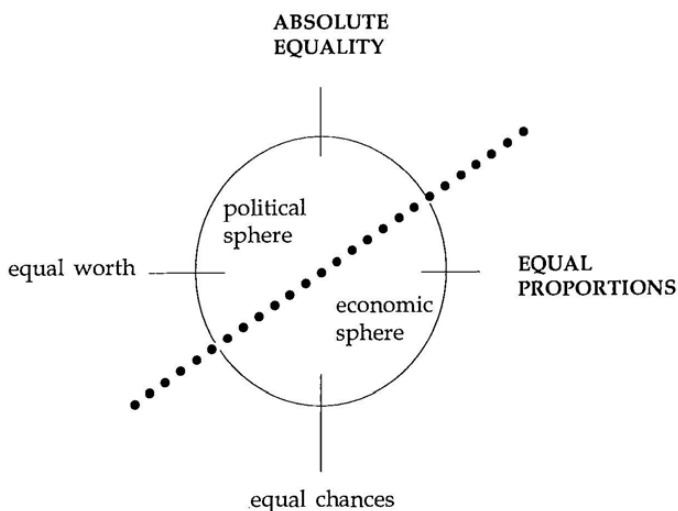


Figure 1: Sphere-specific baselines for allocation in the political and economic sphere of the co-operative. (Bold types represent baseline)

Findings

The sample in the empirical study is drawn from a Norwegian agricultural producer co-operative (the "Delta co-operative"). This co-operative is a member of the National Meat Producers Federation and has approx. 2,300 individual members. My discussion is based on two major sources of empirical information: the first source is in-depth interviews with a group of 50 active members of the Delta co-operative¹⁹. The interviews, which were all tape-recorded, were conducted by four students under my supervision. The sample represents substantial variation with respect to core background variables such as production types, size of the holding etc, but had in common that they were deeply engaged in ongoing debates on the future of their co-operative. Farmers were asked to state their opinion on a number of customs, rules, and policy-issues within the daily

life of the co-operative (the incentive package, the voting rules, rules for price classification, standards for product quality etc). The purpose was to trace the underlying allocation principles to which the members appealed. My second source is two independent surveys conducted in 1996 and 1997. Two representative samples of approximately 400 Delta-members were asked to respond to a wide number of issues related to distributive justice.

As expected, the baseline principle of absolute equality is deeply anchored among the members of the Delta co-operative (cf Table 1 below). The low score on statements A and B in Table 1 indicates that they contest the application of the principle of equal proportion within the political sphere and support the principle of absolute equality.

Table 1
Members' support to baseline of the political sphere. (7-point Likert-scale; 1 = totally disagree and 7 = totally agree).

	Mean	99%CI	St.dev.	Tot. agree	Totl disagree	N
A. "It is fair that those members who deliver large volumes to the slaughterhouse have more influence than those members who deliver minor volumes"	2.7	2.41 • 2.94	2.7	8%	44%	383
B. "One member-one vote" should be substituted by the principle that members have voting rights according to quantity of deliveries	2.5	2.24 • 2.79	2.2	6%	56%	421

Most procedures within the economic sphere are based on the principle of equal proportions. One example is freight costs, which are allocated to members in proportion to the weight of the animal. The procedure for sharing annual profit is another example: the higher the contribution to total annual profit, the higher the share of the total profit that goes to the member in question. The arrangement for classifying members' products is a third example. This arrangement is actually not a specific good or burden but is nevertheless of fundamental importance in the day-to-day business operation of the co-operative. Here too, the underlying principle is that of equal proportions. High quality goes with high prices, and low quality goes with low prices.

As expected, our empirical data from the Delta co-operative

showed strong, general support for the allocation principle of equal proportion in the economic sphere (cf Table 2).

Table 2

Members' support to baseline of the economic sphere. (7-point Likert-scale; 1 = totally disagree and 7 = totally agree).

	Mean	99%CI	St.dev.	Toi. agree	Toi disagree	N
D. "It is fair that the financial settlement to each member is proportional to his/her capability as meat producer"	5.9	5.71 - 6.15	1.7	54%	5%	381
E. "The Della co-operative should pursue the policy that each member lo the largest possible extent pay for the actual costs s(he) brings upon the co-operative"	5.0	4.76 - 5.25	2.0	28%	7%	421

The observation that the conception of equal treatment varies systematically with respect to spheres is an interesting insight in its own right, but it is an incomplete image of the justice-based norms of the co-operative. So far, my search has been for the normative baseline (the equivalent to the statistical concept "mean"), rather than deviations from the baseline (equivalent to the statistical term "variation"). However, deviations are of substantial interest in any study of justice - what deviations from baseline are justified, by whom, and for what reasons? Theories of justice search for justified inequalities. Following the argument of Nielsen²⁰, we should bear in mind that justified inequalities do not necessarily mean *just* inequalities in a normative sense.

At this point, two issues must be clarified. First, the principle of equal treatment is to be implemented in a group of members characterised by heterogeneity and natural inequality. What type of heterogeneity and inequality are most relevant within the domain of producer co-operatives? What are the relevant dimensions: gender; age; type of production; size of production; geographical location? It is time to address this issue more explicitly. Second, a criterion is needed by which the selected dimensions of inequality can be logically and systematically linked to allocation principles. This is particularly important since my aim is not to document inequality per se, but to relate

inequality to specific interests or group characteristics in a systematic way. The path I shall try out here is to relate norms and principles of justice to self-interest. The general proposition I find attractive as a point of departure is that people tend to appeal to norms which are perceived beneficial to them.²¹²²

Proposition 1: people prefer the norms of distributive justice that favour them

In order to pursue an empirical test, derivatives of this general proposition with particular relevance to agricultural producer co-operatives were developed. The allocation principles "seniority", "need" and "desert" were assumed to be particularly relevant, which gave rise to the following derived propositions:²³

- Proposition 2: The "older" the members, the more they appeal to the allocation principle of seniority
- Proposition 3: The "weaker" the members, the more they appeal to the allocation principle of need
- Proposition 4: The "stronger" the members, the more they appeal to the allocation principle of desert

All propositions represent a straightforward link of allocative principles and self-interest. The second proposition above reflects the idea that the older members should be positively and systematically favoured. The third proposition suggests that those members who need it the most should be positively favoured. The fourth proposition says that the most productive members should be positively favoured. Obviously, there may be numerous substantial arguments behind these propositions. The intention here, however, is only to explore whether there are any systematic links between support for the propositions and the background characteristics of the supporters. Let me start with age and the related allocation criteria of seniority. Seniority locates relevance for allocation not in what one needs or what one is, but in what one has done. Seniority is a backward-looking allocation principle, and it accumulates as a by-product of active membership in the co-operative. Members may be rewarded for having devoted their time and energy to the co-operative. For many members, voluntary services imply that much unpaid time

is spent in membership committees, councils and so on. Those senior members who have built up the co-operative capital and the organisation may have stronger claims to goods (and stronger claims to avoid burdens) than freshmen. In that case, deviation from equal treatment is justified by variations in prior doings. The relevant proposition is that "the older the members, the more they appeal to the allocation principle of seniority". To what extent is seniority considered a legitimate allocation principle in the Delta co-operative?

Our empirical tests show that this proposition is not supported. There is no significant relation between age and support for the principle of seniority (cf Table 3). Judged by these data, seniority is not a powerful argument by which deviations from the baseline can be justified. One of our informants suggested one cause, saying "the economic return should be given to members consecutively, so in principle there should be no accumulated capital to which the members have a natural claim".

Another possibility is that deviation from baseline is justified by the ambition to secure a minimum welfare level for all members; that is, to positively discriminate in favour of those members who need it the most. The related sub proposition is formulated as follows:

Proposition 3: The "weaker" the members, the more they appeal to the allocation principle of need.

Significant support to this proposition would be shown if the "weakest" members try to push the baseline for allocation of goods from the current ruling principle within the economic sphere (equal proportion) towards the principle of absolute equality. A crucial issue is of course what we mean by "weak". This notion may be applied as an instrument to deny individuals or groups their importance, dignity, and self-worth. A more relevant, less individualistic, and less stigmatising definition of weak is in terms of low competitive power. Applied to the Delta co-operative, the group of sheep producers are traditionally conceived of as less competitive than the groups of hogs and cattle producers and can thereby be perceived as the relatively weakest group. A special case of the third proposition is that

The group of sheep producers are more inclined to appeal to need as an allocation principle than the two other groups, since they are the least competitive group. My empirical test supports this line of reasoning, as shown in Table 3. It turns out that in the Delta co-operative producers of sheep are significantly more likely to appeal to need as an allocation principle than are the producers of hogs and cattle.

Desert is a third allocation principle of interest to producer co-operatives. There are two versions of this principle: linear and elitist. The linear version of desert resembles the baseline in the economic sphere (equal proportions). With respect to deviations from baseline, the elitist version of baseline is more interesting. Following this idea, the strongest and most productive producers should be positively favoured (with more attractive terms of trade, or more influence). This version of desert emphasises the capability of the most productive members to make more out of scarce resources, - and acknowledges that, ultimately, the entire producer co-operative will benefit from a positive favouring of the most productive and largest producers since they contribute most to maintaining the competitive power of the co-operative. The relevant sub proposition is the following:

Proposition 4: The stronger the members, the more they appeal to the elitist version of the allocation principle of desert.

In general, there is weak support among the members to this "elitist" version of desert. Moreover, we found no significant variation with respect to production type, size, location, or any other variable with potential relevance for the fourth proposition. Therefore, based on our data, the probability that the elitist version of desert shall be applied in order to push baseline is low in this particular co-operative.

Table 3
 Test of the propositions related to age, need and desert
 (Anova n.s. = not significant at 95% - level)

Proposition	Allocation principle	Statement/indicator	Indep. variable	Conclusion
2	Seniority	Statement F: "The Della co-oper, I live should pursue a policy which aims at the interests of the members who have been members for a Long time (10 years or more)"	age	n.s.
3	Need	Statement H: "The Della co-operative should advance a policy which takes care of the weakest producers"	production type (cattle, hog, sheep)	p = 0.004 (confirmed)
		Statement I: "The co-operative ideology commit everybody to give primary consideration to the members with the weakest production facilities"	production type (cattle, hog, sheep)	p = 0.0033 (confirmed)
4	Desert	Statement K: "The best producers of the Delta-co-operative should be offered the best terms",	production type, size, location	n.s.
		Statement L: "We need to accept unequal treatment of Members, dependent on their importance for the slaughterhouse".	production type, size, location	n.s.

To sum up, the major proposition and its three derivatives receive only minor support in our data analysis. How come? Is this assumption that people prefer the norms of distributive justice that favour them too simple? Are there complications that have not been accounted for in the prevailing analysis?

One step forward is to explore the last part of the proposition - "People prefer the norms of distributive justice *that favour them*", which is synonymous to say, "in line with their perceived self-interest". The question is - what do members of an agricultural producer co-operative see as their self-interest? The propositions we have suggested so far rely on a fairly simple notion of self-interest; we have implicitly assumed that self-interest is to be assessed from the perspective of the individual (seniority), or properties of his or her farm ("weak", "strong"). Is the key to further analysis to use a more sophisticated notion of self-interest? In that case, we need a general concept that links the individual to the collective. Two useful concepts to accomplish this task are *identification and identity*. Following March²⁴, an identity is a conception of self organised into rules for matching organisation to situations. The intriguing question here is whether or not identification and identity are related not only to the person in

question or his/her farm, but also to the collective? The shift in level of analysis from the individual to the collective enhances the members' perception of the tight coupling between their self-interest and the collective welfare, especially if a sufficiently long-term horizon is adapted²⁵. To what extent might the members' identification with the co-operative be itself a relevant dimension by which this variation is organised? In order to test this possibility, I developed an identity-based typology of farmers (cf Borgen²⁶ for explanation of this classification). A group of farmers who place a major emphasis on the freedom to utilise the fluctuating market conditions are denoted "business farmers". A group of farmers who place a major emphasis on the ideology and strategy of the co-operative are denoted "organisation farmers", whereas a group of farmers who place a major emphasis on decentralisation are denoted "local farmers". Here, the second ideal type ("organisation farmer") is most interesting. To make an empirical test possible, "Experience as Representative" was set as a proxy for "organisation farmer"; those members who have experience as representatives are classified as organisation farmers. There are good reasons for this kind of operationalisation, given the prevailing knowledge of what typically happens to people who are granted the privilege of serving as representatives for the others. In general, representatives contribute more than the others to the formulating and discussing of policy issues. One adjacent assumption is that organisation farmers are "closer to the baseline" than the entire group of members, which is equivalent to saying that they are generally more sceptical than the rest about justifications of deviation from baseline (be it based on seniority, need or the elitist version of desert). The following propositions are developed:

Proposition 5: "Organisation farmers" have stronger adherence to the current baseline for allocation than the rest of the members.

We have already found strong support among members for the baseline of allocation in the political and economic sphere. The question now is whether or not the members with experience as representatives deviate from the others in their attitudes towards equal treatment and fairness. The results are presented in table 4 below:

Table 4

Comparison of the group of members with experience as representative (EAR) and the group without such experience (Anova, n.s. = not significant at 95% - level)

(1) Members with experience as representatives are closer to the baseline of allocation in the political sphere (= absolute equality)	
Statement A: It's fair that those members who deliver large volumes to the slaughterhouse= have more influence than those members who deliver minor volumes.	p = 0.042
(2) Members with experience as representatives are closer to the baseline of allocation in the economic sphere (= equal proportions)	
Statement D: It's fair that the financial settlement to each member is proportional to his/her capability as meat producer,	n.s.
Statement E: The Delta co-operative should pursue the policy that each member to the largest possible extent pay for the actual cost(s) s(he) brings upon the co-operative	n.s.
(3) Members with experience as representatives are more sceptical to justify deviations from baseline by appealing to seniority	
Statement F: The FS co-operative should pursue a policy which aims at the interests of the members who have been members for a long time (10 years or more)	p = 0.015
(4) Members with experience as representatives are more sceptical to justify deviations from baseline by appealing to need	
Statement H: The FS co-operative should advance a policy which takes care of the weakest producers	p = 0.067
Statement I: The co-operative ideology commits everybody to give primary consideration to the members with the weakest production facilities	p = 0.090
(5) Members with experience as representatives are more sceptical to justify deviations from baseline by appealing to the elitist version of desert	
Statement K: The best producers of the FS co-operative should be offered the best terms	n.s.
Statement L: We need to put up with unequal treatment of members, dependent on their importance for the slaughterhouse	n.s.

These results support the proposition that people with experience as representatives have significantly stronger adherence to the baseline for allocation, but there are also important nuances to account for. The members in the Delta co-operative with experience as representatives seem to be significantly more committed than the rest to the principle of absolute equality in the political sphere of the co-operative (cf statement A in Table 4). Further, both groups are strongly committed to the baseline within the economic sphere of the co-operative (equal proportion). Here, the members with experience as representatives do not deviate significantly from the rest (cf statement D and E in Table 4). It turns out that members with

experience as representatives are more sceptical than the rest about justifying deviations from baseline on seniority as well as need. The last proposition (concerning the elitist version of desert), is not confirmed, since both groups strongly reject this allocation principle.

Conclusion and implications

The starting point of this article was critically to review the working of the so-called "Equal Treatment Proviso" within agricultural producer co-operatives. Equality and justice are core concepts in any agricultural producer co-operative. It argued that the notion of equal treatment is crucial but unclear and listed four interpretations of "equal treatment" which are simultaneously at work in agricultural producer co-operatives: absolute equality, equal proportions, equal opportunity, and equal worth. Not all versions are equally important. There are different types of baselines in the political and in the economic sphere; one version (equal proportions, equity) dominates in the economic sphere, and another version (absolute equality) is the core allocation principle within the political sphere. This brings us towards a Waltzerian explanation of justice in which "spheres" is the crucial explanandum. The dominating principle within the political sphere (absolute equality) distinguishes the co-operative from investor-owned firms, in which the principle of equal proportions (equity) dominates in both spheres. Hence, the sphere-oriented explanation will not have the same power in the case of investor-owned firms. The same may hold true with respect to so-called "new generation co-operatives" (as presented by among others van Dijk²⁷ and Harris et al).

What arguments justify deviations from baseline? What do members consider as a fair basis for inequality? The results from a Norwegian agricultural co-operative - here labelled the Delta co-operative - were reported. First, the idea was tested that people appeal to the allocation principle which supports their self-interest, and some derivatives of this general proposition were suggested; these received only minor support. These results triggered a rethinking of the main proposition that people appeal to the norms that favour their self-interest. A more sophisticated notion of self-interest was suggested in order to sharpen the

analysis, taking into account members' identification with their co-operative; experience as a representative came to the forefront of the analysis. The proposition was that people with experience as representatives ("organisation farmers") are "closer to the baseline" than the rest of the members, defending baseline in the political and economic sphere and objecting to any attempts to justify deviations, for whatever reason. This expectation was partly confirmed, but there were also important nuances to account for.

What are the implications? The group of members with experience as representatives is of particular interest because they are in a better position than others to evaluate and implement new allocation principles. The extent to which they are closer to the baseline may be interpreted as a safeguard against "too much" political struggle among the members in this co-operative. It is commonly argued that co-operatives of this type may easily be disrupted by internal conflicts; the role of the representatives, and the fact that all members have equal rights in voting for them, may explain why political stability is maintained in producer co-operatives. There is, naturally, another side of this coin. The stabilising role of the representatives may inhibit necessary innovation and dynamism. It is beyond the scope of this article to elaborate on this theme, but it is suggested as an interesting path for future studies on the dynamics of co-operative organisations.

Svein Ole Borgen is a senior researcher at the Norwegian Agricultural Economics Research Institute, Oslo.

Notes

- ¹ ICA rules (1997) International Co-operative Information Centre. ICA International Co-operative Alliance). Geneva.
- ² Søgaaard, Villy (1994) Farmers, cooperatives, new food products. MAPP, The Aarhus School of Business. Project # 5. Aarhus.
- ³ Elster, Jon (1992) Local Justice. How Institutions Allocate Scarce Goods and Necessary Burdens. Russell Sage Foundation.
- ⁴ The essence of this assumption - that both the underlying economic environment and the operative institution shape perceptions of fairness - is clarified by multiple authors. Prominent examples are Isaac, R. Marc, Deborah Mathieu, Edward E. Zajac (1991) Institutional

Framing and Perceptions of Fairness. Constitutional Political Economy, Volume 2, No. 3. Elster, op cit. Feinberg, Joel (1980) Rights, Justice, and the Bounds of Liberty: Essays in Social Philosophy, Princeton University Press. Douglas, Mary (1986), How Institutions Think. Syracuse University Press, New York.

5 Douglas, Mary (1986) op cit.

6 Pestoff, V (1991). Between markets and politics. Co-operatives in Sweden. Frankfurt am Main: Campus Verlag. Furre, Berge (1971). Mjølkk, bønder og tingmenn (Milk, farmers, and Members of the Parliament). Studiar i organisasjon og politikk kring omsetningen av visse landbruksvarer 1929-30. Det norske samlaget. Oslo.

7 Sen, Amartya Kumar (1992) Inequality Re-examined. Russell Sage Foundation, New York. Harvard University Press, Cambridge, Massachusetts

8 ICA rules (1997) International Co-operative Information Centre. ICA (International Co-operative Alliance). Geneva.

9 Reynolds, Bruce J, Thomas W. Gray, Charles A. Kraenzle (1997) Voting and Representation Systems in Agricultural Cooperatives. RBS Research Report 156. United States Department of Agriculture.

10 Aresvik, Oddvar (1955) The cooperative organizations in Norwegian agriculture. Reprint No. 4. Institute of Agricultural Economics and Farm Management. The Agricultural University of Norway.

11 ICA rules (1997) International Co-operative Information Centre. ICA (ICA (International Co-operative Alliance). Geneva.

12 Aristotle (1985) Ethics. Book V, pp177-79. J.A.K. Thompson, Harmondsworth, UK.

13 Peyton Young, H. (1994). Equity in Theory and Practice. Princeton University Press. Princeton, New Jersey.

14 Wetlesen, Jon (1997) Likeverd og forskjell. En etisk intuisjon og dens grenser. (Equal worth and inequality. An ethical intuition and its boundaries). Skriftserie for HF's etikkseminar. Volume 2-1997. University of Oslo. Oslo.

15 A prominent example is Phillips (1953) "Economic Nature of Cooperatives", Journal of Farm Economics, 35:74.

16 Barton, D. (1989). "Principles" in Cooperatives in agriculture, editor D. Cobia. Englewood Cliffs, NJ: Prentice Hall.

17 Munkner, Hans-H (1995) Revision of Co-op Principles and the Role of Co-operatives in the 21st Century. ICA.

18 Walzer, Michael (1983) Spheres of Justice. A Defense of Pluralism and Equality. Basic Books Inc. USA.

19 Granefjell, Svein Ole et al (1996). Likhet og rettferdighet i Fellesslakteriet. (Equal treatment and justice in Fellesslakteriet). Agricultural University of Norway, Department of Economics and Social Sciences. Aas, Norway. Nesdal, Ole Jonny (1997) Hva er likhet i Vestfold-Buskerud Slakteri? (What is meant by equality in Vestfold-Buskerud Slaughterhouse?).

- Hovedoppgave. Agricultural University of Norway, Department of Economics and Social Sciences. Aas, Norway.
- 20 Nielsen, Kai (1997) Radical Egalitarianism Revisited: On Going Beyond the Difference Principle In Wetlesen, Jon (1997). Likeverd og forskjell. En etisk intuisjon og dens grenser. (Equal worth and inequality. An ethical intuition and its boundaries). Skriftserie for HF's etikkseminar. Volume 2-1997. University of Oslo. Oslo.
- 21 Therborn, Göran (1980) The Ideology of Power and the Power of Ideology. Verso Editions and NLB, London.
- 22 Elster, Jon (1995) Strategic Uses of Arguments. In Arrow, Kenneth J. et al (ed): "Barriers to Conflict Resolution", W.W. Norton & Company, New York.
- 23 The relevance of these three allocation principles have been emphasised by many students of distributive justice, such as Elster (1992), op cit, Torgersen, Ulf (1995) belønning, behov, nytte (Desert, Need, Usefulness), INAS, Oslo, and Feinberg, Joel (1980) Rights, Justice and the Bounds of Liberty: Essays in Social Philosophy. Princeton University Press. Princeton.
- 24 March, James G. (1994). A Primer on Decision Making. How Decisions Happen. The Free Press. New York.
- 25 Kramer, Roderick M., and Tom R. Tyler (1996) Trust in Organizations. Frontiers of theory and research. Sage Publications. London.
- 26 Borgen, Svein Ole (1998) Vertical Integration and Distributive Justice. PhD-thesis. Agricultural University of Norway, Department of Economics and Social Sciences, Aas, Norway.
- 27 van Dijk, Cert (1997) Implementing the Sixth Reason for Cooperation: New Generation Cooperatives and Cooperative Theory. Pp94-110 in Strategies and Structures in the Agro-Food Industries, edited by J. Nilsson and Gert van Dijk. Assen: van Corkum.

Pleasure, Politics and Co-operative Youth: the interwar Co-operative Comrades' Circles

Selina Todd

In 1936 *The People's Yearbook*, produced annually by the UK Co-operative Wholesale Society, declared that, 'there is now definitely a section which comprises the Woodcraft Folk and the Circle movement, which might be termed the Youth Section of the co-operative movement'.¹ The Woodcraft Folk, established outside the British co-operative movement as a pacifist break away from Scouting, in 1926, has survived until the present day and is the subject of interesting, although far from numerous historical studies.² Yet the 'Comrades' Circles' referred to, established in 1922 as the British co-operative movement's own, original youth organisation, have received no more than a passing mention by historians of British youth movements or co-operation.

Part of the reason for this neglect is undoubtedly the Circle movement's short lifespan and small size. A resolution passed at the 1909 Co-operative Congress urged co-operative societies to develop young peoples' circles but was heeded by few societies and aroused little interest at senior levels of the co-operative movement until the end of the First World War. Attempts were then made to co-ordinate and expand youth provision. In 1922 the various local co-operative youth groups in existence across Britain were termed 'Comrades' Circles' and aimed at the fifteen to twenty-five age range. Two years later the British Federation of Co-operative Youth (BFCY) was founded by young members, or 'Circleites' themselves, as a national body with the purpose of organising and co-ordinating Circle activity. Despite the enthusiasm of both co-operators and young participants, in 1937, the last year for which membership figures are available, Comrades' Circles possessed just 8,000 members. Britain's largest youth organisations, the Boy Scouts, the Girl Guides, and the Boys' Brigade, could boast memberships of 448,396, 581,000 and 111,442, respectively.³ In 1941 the Co-operative Union's Educational Executive closed down the BFCY in its original form, thus winding up the British co-operative

movement's first youth organisation.

While historians' neglect of the Comrades' Circles is partially explained by the youth movement's character, it is also symptomatic of a generally dismissive attitude towards the labour movement's relationship to leisure provision in interwar Britain. Social historians have in recent years begun to explore the previously neglected terrain of interwar leisure, but the continued success of many forms of left-wing leisure provisions, such as the Workers' Educational Association, and the emergence of new ones during the interwar period remains largely undocumented. Yet, as Gurney's study of the co-operative movement suggests, it continued to make a significant contribution to the cultural and educational life of its members during this period, creating and maintaining a sense of community which embodied alternative political, social, and economic values to those espoused by wider society.⁴

This paper is divided into four sections. The first outlines co-operators' reasons for establishing a specifically co-operative youth organisation, through a survey of the interwar British co-operative movement, and the wider contemporary concern over working class young people's leisure activities. The writings of co-operators at senior and local level are then scrutinised to identify the ideals and purpose that they envisaged for the Circle movement. Section three suggests reasons why young people chose to join a specifically co-operative youth organisation. Finally, the movement's decline is analysed in the context of social, economic, and international developments and the co-operative movement's changing attitude to its political role.

Reasons for development of a co-operative youth movement

The British co-operative movement was in a favourable position in the immediate post war period. By 1918 it boasted four million members, a rise of 30 per cent on the 1914 figure.⁵ The movement benefited from the increased popularity and expansion of labour organisations following the Russian revolution and the armistice, with many trade unions and Labour controlled local authorities depositing funds with the Co-operative Wholesale Society's bank. Amalgamations of smaller co-operative societies, and the relatively weak trading position of multiple retailers like Marks

& Spencer and Lewis's following the war, meant that co-operative department stores were setting a popular trend, and in smaller centres had little competition. Co-operative membership increased most in the midlands and the south of England - the centres of economic development - and thus co-operation attracted a new generation of workers in prospering industries throughout the interwar period. As P. Maguire has commented, 'this was no miniscule sect which could be dismissed as eccentric and unrepresentative'.⁶

Despite good reasons for optimism, co-operators perceived a need to develop new forms of cultural provision to attract a loyal membership. Large, amalgamated societies could become anonymous, with individual members counting for less than in smaller, localised concerns. A low-price policy in some stores necessitated a low dividend - attractive to casual customers but not to a loyal membership. Meanwhile, those northern strongholds of co-operation which depended on the loyal member were hard hit by economic depression in the early 1920s and again in the later 1920s and 1930s.⁷ Hopes that the 'Co-operative Commonwealth' was realisable were increasingly tempered, then, by worries that 'hundreds, perhaps thousands of new members are being added without any indication of the social importance of their new duty being imposed upon them'.⁸

. Co-operative training for the young had been viewed as essential to the movement's future since the late nineteenth century. The initiative came from the Women's Co-operative Guild (WCG), which began to provide children's classes in the 1880s. By 1918 several co-operative societies had begun to tailor educational and leisure provision to this age group: the Royal Arsenal Co-operative Society (RACS) was home to the first Young People's Circle, established in 1907, which combined formal academic work with recreational and vocational pursuits.⁹ A year later the National Co-operative Publishing Society launched *Our Circle*, a national magazine for children and young people.

The main reason for the apparent increase in co-operators' concern over provision for young people following the First World War was the social and economic changes in leisure and employment being experienced by this age group. The abundance of casual labour for young workers was coupled with a decline in long term job security and male apprenticeships.¹⁸ The younger

generation was not, then, becoming a skilled workforce, a trend which threatened to diminish the traditional constituency of both trade unions and the co-operative movement. The insecurity of their employment meant that young workers were in a weak bargaining position and were unlikely to be impressed by the long-term benefits of trade union membership or co-operation. A Mass Observation study of Bolton Co-operative Society concluded that under 25-year-olds, a very small percentage of the Society's membership, were unlikely to be attracted by the 'divi', since they had little domestic responsibility and were more interested in leisure activities than in saving.¹¹

The effects of commercialised leisure on the co-operative movement were also noted with concern. As recent research has demonstrated, working class youth generally had enough 'spends' to take full advantage of commercialised leisure.¹² Leisure entrepreneurs were now beginning to aim services at this group; the number of British cinemas increased from 3,000 in 1926 to 5,000 in 1939, while 1,100 dance halls were opened between 1918 and 1925.¹³ Young workers were thus unlikely to turn to co-operative social activities simply due to a lack of alternatives. The conviction that consumption could be a site of class solidarity and identity, which had been influential in dictating the form of the British co-operative movement, was shaken by such developments.

Co-operators shared with other sections of the British labour movement the conviction that failure to provide political and social education for the young would not only jeopardise the future of working class social and political association but also possibly democracy itself. As the Trades Union Congress' General Council warned in 1936, 'A generation of voters who have been, taught to seek a 'kick' in everything they do ... are ... liable to be swayed by slogans, by mass hysteria'.¹⁴ The fragility of European democracy in the early 1920s and the 1930s suggested that a generation of independent minded young people would be needed to defend civil liberties. Co-operators therefore sought to provide an attractive and distinctively co-operative form of youth provision.

Conflicting purposes

Right from the launch of Comrades' Circles in 1922, a clear

division emerged between many senior co-operators and a number of co-operative educationalists at local level over the proper purpose of a co-operative youth movement. Senior co-operators primarily intended to train a vanguard of future co-operative officials. The structure of Circles, with their weekly meetings and elected officials, deliberately reflected the practices of co-operative committees, signifying an attempt to teach Circleites 'the art of self-government and the meaning and application of democracy'.¹⁵ Junior examinations, introduced by the Co-operative Union at the turn of the century continued to be offered, made up of questions such as 'what is surplus value?', and, 'describe how you would form a Co-operative Society'.¹⁶ While wishing to introduce working class young people to new intellectual and cultural spheres, senior co-operators primarily intended the Circle movement to offer an introduction to co-operative business practices.

At lower levels of the movement less pragmatic considerations guided educationalists. The co-operative movement attracted young, idealistic activists who believed that the Circle movement should provide an ethical, co-operative education. Walter and Clara Davies, the founders of the first Young People's Circle in 1907, were a young couple with a history of involvement in the Independent Labour Party (ILP) and the WCG. Joseph Reeves elected educational secretary of the RACS in 1918 was a 30-year-old ILP member; well-known for his participation in British co-operative cultural and educational projects, his influential role in the Circle movement has been neglected by many later researchers. The title of one of his numerous educational publications, *Education for Social Change*, reflects his view that the creation of a working class culture, combining 'originality with a discriminating selection of the best in bourgeois society' could bring about the defeat of capitalism.¹⁷ Other young, charismatic educationalists shared with Reeves the belief that, 'the dynamic of education must be altered from individual assertiveness to service on behalf of the community'.¹⁸ For them, the youth movement was a means of inspiring social change through the celebration of a socialist, co-operative culture.

This division between senior and local co-operators was by no means entirely clear-cut. The Co-operative Union's Central Education Committee (CEC) agreed with Reeves and other

educationalists that the Circle programme should be shaped largely around cultural and sporting activities. As well as organising hiking, camping and sports, Circles sent delegates to annual summer schools for children and young people organised under the auspices of the Co-operative Union. Such activities were clearly encouraged because of their appeal to potential members; like the Scouts, the co-operative youth movement attracted young people who could not otherwise spend cheap weekends in the countryside. Yet co-operators were clear that their educational theory differed markedly from that of the Scouts, and co-operation rather than competition characterised activities. At a 1922 co-operative education conference Reeves emphasised his belief that the Circle programme provided 'new methods for the teaching of social problems'.¹⁹ It was hoped by many adult co-operators involved in educational work at senior and grassroots level that Circle life would create 'an experiment in co-operation, providing opportunities for the development of the virtues ... essential to the success of all co-operative endeavours'.²⁸

The Circle movement's study and debating programme was distinctive in its commitment to pacifism and internationalism. Esperanto lessons, penfriend schemes and articles on Europe's political situation featured in the pages of *Our Circle*, and *Co-operative Youth*.²¹ As the 1930s progressed, BFCY members participated in international camps and schools with other young co-operators. These meetings developed participants' awareness of the growing international crisis; members of the German and Austrian co-operative youth movements risked much to attend the conferences as late as 1937.²² Such activity reflected the co-operative movement's long held wish to create an international co-operative commonwealth, and a widespread desire, prompted by the First World War and articulated particularly by the WCG, to prevent future conflict through education.²³

Given that debate over the form that the 'Co-operative Commonwealth' should take can still generate much passion as the movement reaches the millennium, it is interesting to note the interpretations of this elusive utopia that young co-operators in interwar Britain constructed. Textbooks for young co-operators cited Morris' *News from Nowhere* as presenting the desired society, and the legacy of romantic socialist thought was evident in

contributions published in the co-operative youth press. One Circleite wrote of a co-operative commonwealth highly reminiscent of 'Nowhere': a garden city in which poverty is unknown; Esperanto is spoken and generosity and co-operation are the social values most highly esteemed.²⁴ Circleites' imaginations were fired by the same principles that had influenced nineteenth century romantic socialism: that social change, through the conversion of individuals rather than economic reform via the state, was the best means of securing a co-operative future.

Two central weaknesses dogged the Circle movement, as a result of conflicting and at times ambiguous visions held by adult co-operative educationalists. The question of whether the youth movement was to provide a vocational training for future co-operative officials, or whether it was to broaden the cultural horizons of working-class youth and possibly enact wider social change was never resolved. The philosophy of Reeves et al, while stimulating imaginative youth provision, contained a fundamental flaw, in failing to address the question of agency. Exactly how creating visions of the co-operative commonwealth was to initiate the overthrow of capitalism remained an unanswered question. These potential conflicts were to erupt in the later years of the Circle movement, but before turning to that period, it is important to establish who the members of this youth organisation were, and to examine their own interpretations of the Circles' aims.

Aims of the Circle movement

The membership of the co-operative Comrades' circles was predominantly working class, with a fairly even division of gender and age. Linda McCullough Thew's autobiographical account of her childhood in 1930s Ashington, and testimony from former members of Brighton's co-operative children's groups, suggest that working class children represented the bulk of Circle membership. Mr E. Cooper remembers being recruited into a co-operative children's group by an active co-operator who lived in the same working-class neighbourhood as his family.²⁵ Potted biographies of senior members of the BFCY, which appeared in *Our Circle* and *Co-operative Youth*, the BFCY

newspaper launched by the National Co-operative Publishing Society in 1932, and accounts from participants in the co-operative adolescent summer school, also suggest that Circleites were drawn from working class families, received a state education and frequently began work at the age of 14.²⁶ The majority of Circleites, then, were young workers and would usually have some knowledge of co-operation through the experiences of older family members.

Young women made up a large section of the BFCY's membership, constituting the majority of its fifteen to eighteen year old members, and slightly under half of the 18 to 25 year age group.²⁷ They were present at the more senior levels of the movement, serving as Circle officials and on the BFCY's National Executive, although in far smaller numbers than young men. The involvement of young women in the co-operative youth movement suggests that, in contrast to established girls' organisations such as Guiding, they welcomed the chance to escape domesticity rather than embrace it and were interested in outdoor pursuits and political debate. The co-educational nature of Comrades' Circles probably encouraged both girls and boys; Fowler found that during the 1930s those youth clubs and societies which fared best were those which initiated co-educational activities.²⁸ The popularity of the Circle movement among young women was probably due in part to the influence of the WCG. Many of the co-operators who were influential in the youth movement's development, such as Clara Davies and Julia Carling, were members of the WCG, and it organised a number of conferences and workshops regarding co-operative youth education: Gill Scott's recently published study of the Guild highlights its influence in all co-operative educational endeavours.²⁹ The co-operative youth press noted frequent appearances by WCG speakers at Circle meetings and events, and since many Circleites would have had mothers who were active WCG members it is likely the Guild directly influenced the membership of the circle movement.

Circles' reports in the press show that women's rights formed the subject of numerous Circle debates, ranging from light hearted discussions on such questions as, 'Should Girls Have Bobbed Hair?' (Bolton Comrades' Circle, 1925)³⁰, to debates over equal pay during the 1930s. The apparent frivolity of some of these

subjects should not detract from their significance. Appearance and style were important in the debate over how far young women should be 'protected' within the domestic sphere. This debate often (thinly) disguised moral anxiety over the behaviour of young women, as articulated by Lady Baden-Powell, wife of the Scout movement's founder, who warned that 'familiarity with freedom is apt to make a girl blasé'.³¹

Unlike the Guiding movement with which she was associated, the co-operative youth movement was not inspired by a conservative reaction to young women's social lives. However, such debate at local level was not reflected at national BFCY conferences; no resolutions dealing with gender equality were ever debated. Women's issues were viewed as part of a wider agenda for social and political change and were frequently fairly low down that agenda.

The Circle movement steadily increased its membership between 1922 and 1936, the number of Circles rising from 100 in 1923 to 215 in 1936. There were consistently great disparities between sections, however. The southern section which boasted 78 Circles by 1936, accounted for much of the membership increased during the late 1920s and early 1930s.³² The nature of local co-operative societies was undoubtedly the most important factor on Circles' development. An academic survey of the co-operative movement conducted in 1938 found that smaller societies - and in 1938 30 per cent of co-operative societies had less than 1,000 members - could be introspective, concerned more with the traditional membership and profit making than expanding social provision.³³ The Circle movement was never a truly national organisation, mainly because of this conservatism.

The pattern of Circle membership demonstrates that imagination and innovation at both local and national level were essential for the youth organisation's success. The greatest increase in Circle membership occurred between 1928 and 1932, with the number of Circles increasing from 53 to 156. This was undoubtedly due in part to the support of the Co-operative Union, which clearly felt that the Federation was now developing along approved lines. Financial assistance continued, the CEC receiving permission from the Co-operative Union to double its grant to the Federation to £50 per annum in 1930. Two years later, the national Co-operative Publishing Society launched the

monthly *Co-operative Youth*. The BFCY began to produce pamphlets for members and co-operative societies' education committees, while the increased grant aided the establishment of the much-desired annual conference. Support from national level offered security and optimism to the Circle movement.

The pattern of Circle membership also suggests that young people's economic and social situation influenced their decision to join a specifically co-operative youth movement. It was in the north west and south east regions of England that young people were most likely to enjoy a relatively generous disposable income, and it was here that the youth movement's expansion was greatest. While young workers might suffer short term unemployment in these regions, the material and psychological effects of this were much less traumatic than those caused by long term unemployment.³⁴ On mainland Europe long periods without paid work caused widespread disaffection among young people with time on their hands and little hope in the political system. The experience of young Britons was on the whole distinctly better, as both left- and right-wing movements discovered to their cost. The Circle movement relied largely on young workers who, while possibly dissatisfied with their own political and economic status, had enough faith to work for reform within the existing political and economic system, and enough 'spends' to enjoy the full range of Circle activities.

What were the distinct attractions of the Circle movement for these young workers? The foundation of the BFCY by Circleites in 1925 provides some indication of their views on politics and co-operation. The Federation committed itself to engaging adolescents' interest in the co-operative movement and 'to promote co-operation and education in all its phases'.³⁵ Its ranks were open!... to all young workers irrespective of religious or political opinion', suggesting that the BFCY was keen to follow the co-operative movement's lead, committed to the promotion of education and culture rather than waging class conflict.³⁶ This was further demonstrated at the first BFCY Conference in 1932, when proposals to affiliate to sporting and recreational associations run by trade unions, or the Communist Party were defeated by a large majority of delegates who protested that sport should not become 'political'. Affiliation to the Youth Hostelling Association was, however, passed unanimously.³⁷ The

BFCY clearly hoped to be a loyal but influential organ of the co-operative movement, primarily concerned with educational and social provision but also with the representation of young people's concerns both within the movement and in wider society.

Obstacles to continued growth

As the interwar years progressed, the co-operative movement faced new obstacles. Economic depression hit its heartlands badly, and competition from multiple retailers increased. While in 1914, the movement and the multiples had each controlled about 7 per cent of total retail trade, by 1940 the co-operative movement's share had risen to only 11 per cent, while the multiples controlled 18 per cent.³⁸ The political influence granted by this discrepancy was evident: the National Government's imposition of taxation on co-operative reserves in 1933 was attributable to a sustained campaign by the multiples and the press. Co-operation had begun in the age of the small storekeeper; many co-operators wondered if it could survive the development of monopoly capitalism.

The political relevance of, and influence provided by, co-operative cultural and educational provision appeared increasingly questionable as recession hit Britain in 1929 and the early 1930s. While co-operators' priorities frequently paralleled those of the wider British labour movement, divisions could appear under the stress of economic crisis. This was demonstrated in 1925 when a wage dispute divided senior co-operators from trade unionists; a year later, co-operative employees were called out in the General Strike. The Labour Party and trades unions were increasingly occupied with the procedures of parliamentary politics and the location of the state in the provision of social welfare. Influencing the state through inclusion in the corporatist agenda, rather than creating working-class self-help initiatives increasingly characterised the actions of the Labour Party and trades unions, and both co-operators and those in the wider labour movement were unclear about the co-operative movement's role in this changing political and economic context.

By the early 1930s, questions about the relevance of co-operative educational provision were being asked at senior

levels of the movement, and within the Circle movement itself. The BFCY's 1932 Conference highlighted a growing division between the Executive which dearly saw the Federation as 'primarily a co-operative educational body',³⁹ and idealistic recruits who, in the months following the conference, criticised the Executive for avoiding the formulation of national policy opposing fascism and capitalism.⁴⁰ A significant number of Circleites clearly felt disillusioned that a more 'political' response to the economic and international crises of the period was not forthcoming. As in the wider co-operative movement, a growing number of Circleites were increasingly convinced that economic and political instability demanded a response more direct than the creation of an alternative community and the encouragement of working-class self education. Scott's study of the WCG demonstrates that in the years leading up to the Second World War, co-operative auxiliary bodies opposed the Co-operative Union's attempt to limit their autonomy, particularly in the political arena. In a similar manner to Guildswomen - probably largely due to their influence - Circleites became involved in pacifist campaigns during the 1930s; in 1932 many took part in Remembrance Day ceremonies organised by the WCG. In the later 1930s, the co-operative movement aided Republican Spain with donations of food and help for Spanish refugees; Circles across the country participated in this. At the 1936 BFCY conference, all but three of the resolutions were concerned with politics. The Federation was urged by delegates to campaign against war and unemployment, for expanded social welfare and for the concerns of young workers.⁴¹ Increasingly, a large section of the Circle movement was acting as if it were an organisation for political activists, conflicting with the original aims of both senior co-operators and more idealistic educationalists.

In 1935, a strategy to reform co-operative organisation and double membership and trade was introduced by the co-operative movement's leadership in the form of a Ten-Year Plan. This aimed to co-ordinate all aspects of the movement's work at local, regional, and national level, and included a number of educational aims and objectives which had important consequences for youth provision. By 1936 a youth section, led by a full-time youth organiser, J.L. Willson, was established at Holyoake House.

Willson's main priority was to replace the BFCY with a new National Co-operative Youth Organisation, control of which would rest in the hands of the Co-operative Union's Educational Council. This was clearly a move to limit the autonomy of the Circle movement and reduce the influence of unconventional educationalists like Reeves. For Willson and his colleagues, politics and education were strictly separate entities, and the youth movement was to be solely educational. The evolution of a political programme by and for young people was not on their agenda.

Combined with this suspicion of the Comrades' Circles was a marked reluctance to offer commitment and support to the youth movement, both by the Co-operative Union and by many local societies. Economic constraint was given as an explanation for the Co-operative Union's grant to the BFCY remaining at £50 throughout the 1930s, and for the delay in establishing a juvenile department. There was some truth in this justification, but the co-operative movement's problems were not crippling handicaps; it continued to expand throughout the 1930s. Cultural and educational projects, particularly for young people who were not even eligible for co-operative membership, were not high on the priorities of the co-operators at national or local level. In 1936, Reeves commented in exasperation that many smaller societies' education committees lacked funds and support, and concentrated too much time and money on propaganda, in the form of fetes and teas.⁴² This lack of interest in education, and youth provision in particular, implied that co-operative educational provision was outdated; that concentration on trading and politics was of paramount importance.

Among co-operative activists, there was a growing feeling that co-operative youth work in its existing form had failed. Reeves' 1936 pamphlet *Education for Social Change* recognised that co-operative youth provision had lost sight of its original aims. Many Circles were indistinguishable from youth clubs and had no desire to participate actively in co-operation or the wider labour movement, while those that did wish to do so were restricted by their parent body. In 1937, the secretary of Bristol Comrades' Circle noted that many members were leaving to join other organisations 'to which they feel more suited in these difficult times'.⁴³ Were these organisations which embraced political participation, such as the Young Communist League?

Did they attract members through advocating imaginative responses to the increasing turmoil in Europe, which must have contrasted sharply with the British co-operative movement's reluctance to actively encourage anti-fascism, or any other 'political' creed? It is clear that by this period, the BFCY had lost the ability to attract politically motivated young people, or to enthuse more politically disaffected members with a passion for co-operation or socialism.

The distinctive nature of the co-operative youth movement was diluted, as an emphasis on providing popular, professional, and non-political youth provision replaced faith in the value of training young co-operators. The British Federation of Young Co-operators (BFYC), formed from the BFCY in 1941 as an organisation for older teenagers and young adults, had a short bleak history. It was abandoned in the early 1960s, due to little popular interest in the co-operative movement, a lack of consistent support from local societies, and apathy at national level. Engagement with the state, rather than the training of a new generation, increasingly appeared to hold the key to a co-operative future - or at least a future in which the co-operative movement survived.

Ethel Smythe, a senior member of the BFYC, suggested in the late 1940s that:

in the pre-war years it was not the method of education and organisation that was wrong, but the lack of willingness on the part of the [Co-operative] Movement ... to give full support ... to the work being done.⁴⁴

While the external challenges faced by the British co-operative movement during the 1930s explain some of the 'lack of willingness' they were not the cause of the Circle movement's demise. Despite problems, Circle membership increased during the 1930s and had reached 8,000 by 1937. While much smaller than the major youth movements, its demise was not inevitable: in its final years it still enjoyed 3,000 more members than the Woodcraft Folk, which, unfettered by an unimaginative parent body, has survived to the present day. Unfortunately, behind the rhetoric citing youth as the future of the British co-operative movement lay a moral anxiety about the

activities and outlook of working-class young people; a certain puritanical approach to working class leisure and perhaps particularly youth culture. A feature in *Co-operative News* reflected this attitude when it noted with grudging resignation that young people 'may make a nuisance of themselves now and then; but - they are the future'.⁴⁵ Such ambivalence provided insufficient support for a youth movement faced with the turbulence of the Second World War and its aftermath.

Assessment

While the political and social climate in 1930s Britain may not have been conducive to fundamental social and economic popular reform, attempts to create pockets of alternative culture continued, and co-operators' role in this should be treated as significant. Such efforts can challenge society's dominant ideology, even if the historical moment in which they are located does not allow them to overturn it. The silence over just how working-class young people could become a force for social change does not negate the fact that the co-operative youth movement offered a more hopeful and positive conception of this group than many other sources. Comrades' Circles hinted that the warnings and worries of social commentators, and the complacent belief of leisure entrepreneurs that working class youth was an essentially passive, pliable group, who would believe whatever was served up in cinemas and magazines, might be a patronising misconception of young people's judgement and potential.

The Circle movement's short-lived success suggests that the co-operative movement was potentially capable of addressing the peculiar problems of British youth, a group included in social progress as consumers but suffering political disaffection due to their lack of economic and political influence. The way in which the more enthusiastic co-operative educationalists responded to this challenge may provide a precedent for current attempts to include young people in the co-operative community and inform our response to political disaffection in a consumer society.

Selina Todd is about to begin a DPhil at the University of Sussex, on the Labour Movement's role in educating young people for citizenship in interwar Britain.

Notes

- 1 *People's Yearbook*, 1936, p66.
- 2 D Prynne, 'The Woodcraft Folk and the Labour Movement, 1925-1970', *Journal of Contemporary History* 18 (1983), pp79-96, is the most extensive account of the Folk's history.
- 3 British Federation of Co-operative Youth and Woodcraft Folk, *Does Co-operation Want Youth?*, BFCY, 1937, p2.
- 4 P Gurney, 1996, pp29-143.
- 5 B Lancaster and P Maguire (Eds), *Towards the Co-operative Commonwealth*, History Workshop Trust, Manchester, 1996, p10.
- 6 Maguire, in Lancaster and Maguire, 1996, p193; see also Gurney, 1996, p219.
- 7 A Bonner, *British Co-operation*, Co-operative Union Ltd, 1961, p163.
- 8 *Co-operative Congress Report*, 1924, p56.
- 9 J Attfield, *With Light of Knowledge: A Hundred Years of Education in the Royal Arsenal Co-operative Society*, Royal Arsenal Co-operative Society and the Journeyman Press, 1981, p104.
- 10 J Stevenson and C Cook, *Britain in the Depression: society and politics, 1929-39*, Longman, 1994, p68.
- 11 Mass Observation Archive, Worktown Collection, Box 32D, MS entitled 'The Co-operative Movement in Worktown', p3.
- 12 Davies, 1992, pp90-112, Fowler, 1995, pp93-116.
- 13 D Beddoe, *Back to Home and Duh,: women between the wars 1918-1939*, Pandora, 1989, pp115, 118 and 129.
- 14 TUC General Council, 'Memorandum on the Organisation of Young Persons', 1936, p4.
- 15 *People's Yearbook*, 1936, p66.
- 16 Attfield, 1981, p104.
- 17 *Ibid*, p43.
- 18 *Ibid*, p43.
- 19 *Co-operative Congress Report*, 1922, p157.
- 20 *People's Year Book*, 1926, p47.
- 21 See, for example, *Our Circle*, February 1925, p107.
- 22 *British Federation of Co-operative Youth Annual Report*, 1938, p14.
- 23 *Co-operative News*, 27 April 1924, p12.
- 24 *Our Circle*, January 1925, p58.
- 25 E Cooper, interviewed by the author, Brighton, 12 July 1998.
- 26 *Co-operative Youth*, March, April and September 1931, and Co-operative Union Education Department, 'Particulars of Applicants for the Position of Organiser for Co-operative Youth'.
- 27 *BFCY Annual Report*, 1938, pll.
- 28 Fowler, 1995, p112.
- 29 G Scott, *Feminism and the politics of working women: the Women's Co-operative Guild, 1880s to the Second World War*, UCL Press, London, 1998.
- 30 *Our circle*, February 1925, p111.

- 31 O Baden-Powell (1917), quoted in C Dyhouse, *Girls growing up in late Victorian and Edwardian England*, Routledge, London, 1981, p114.
- 32 *BFCY Annual Report*, 1936, p5.
- 33 AM Carr Saunders et al, *Consumers' Co-operation in Great Britain*, Allen and Unwin, Ltd, London, 1938, p489.
- 34 J Burnett, *Idle Hands: The Experience of Unemployment, 1790-1990*, Routledge, London, pp213-265.
- 35 BFCY, *BFCY Handbook*, BFCY, 1934, p14.
- 36 Baggelely, E, Secretary of Manchester and District Co-operative Comrades' Circles, letter in *Co-operative Youth*, September 1935, p14.
- 37 *Co-operative Youth*, April 1932, p13.
- 38 *Ibid*, p232.
- 39 M Price, 'The Comrades' Circle Movement', *Co-operative Youth*, July 1931, p6.
- 48 *Co-operative Youth*, May 1932, p15.
- 41 *BFCY Conference Agenda*, 1936.
- 42 J Reeves, *Education for Social Change*, Go-operative Union, 1936, p24.
- 43 *Co-operative Youth*, May 1937, p10.
- 44 Smythe, *History of the BFYC*, BFYC, c1948, p2.
- 45 *Co-operative News*, 2 April 1936.

Responses to Published Articles

In copy editing Alan Judd's article on 'Co-operative tokens' so that it was understandable to our international readership, we inadvertently allowed some errors which need correcting:

Page 22 "with a proliferation of the 'die sinkers' on which they were cast" should read "This was the age of the metal ticket with a proliferation of die sinkers".

Page 23 "the cost of manufacture was of the order of half to a quarter penny" should read "the cost of manufacture was of the order of $\frac{1}{2}$ x $\frac{1}{4}$ d each plus 10/- for the die.

Page 26 "This seems quite generous - but represents an annual percentage rate of around 12.5 per cent!" should say "25 per cent".

Book Review

Contested Terrain: co-operation as a social movement for economic and political justice.

Peter Davis

Birchall, J. (1997) *The International Co-operative Movement*, Manchester University Press. ISBN 0-7190-4823-0 (Hardback) ISBN 0-7190-4824-1 (Paperback) (also published in Japanese by IENO-HIKARI, Tokyo).

This has been a good period for readers keen to improve their knowledge of international co-operative history. We have had Rita Rhodes book (1995) *The International Co-operative Alliance During War and Peace* dealing with the ICA struggles to manage the turbulent political and economic changes occurring in Europe and the world between 1910 to 1950 and the Rhodes/Mavrogiannis (1995) *Thematic Guide to ICA Congresses 1895-1995* both reviewed by me in May 1997 Vol. 30 No. 1 of the *Journal of Co-operative Studies*.

Now we have Johnston Birchall's offering which successfully captures the broad sweep of the global development of co-operation from the 1820s to the 1990s. What all three works from very different perspectives have in common and what prompted me to entitle this review article 'Contested Terrain' is the hotly contested debates that have always surrounded this movement's history both in ideological and policy terms. Secondly from without we can see in both Rhodes' and Birchall's histories that the co-operative movement itself has been an area of hotly contested terrain.

Like the two books that have preceded it Birchall's work is based on careful scholarship. Birchall combines this scholarship with an elegant style that provides the general reader with an informative and easy read. The book has an extensive bibliography and a useful subject index. The addition in a future revised edition of a name index in a work of this breadth would be helpful for researchers. More work needs to be done to identify those individual co-operative promoters and leaders in the non-

European regions. In the Asia and Pacific Rim section of Birchall's book, with the honourable exception of Toyohiko Kagawa, there is no mention of the Indigenous men and women who have played their part in the development of what is today the fastest growing as well as the largest part of the world's co-operative movement. I understand that work is now under way documenting the names of those Asian pioneers of co-operation that have up to now been neglected.

The relevance and degree of influence of the Rochdale model on the development of the global co-operative movement is a recurring theme in this book. Birchall is undoubtedly encouraged to note that consumer co-operation (which he and almost all other serious historians of co-operation claim arose from Rochdale) shows much vitality in Japan. Despite the problems facing the consumer movement in many places, Birchall's detailed account of the Japanese consumer movement's relative success suggests that consumer co-operation can be revitalised. He also shows us how some of the European consumer co-operatives are responding and reviving although the picture in Europe is patchy.

The accepted view of Rochdale in 1844 as the start of the consumer co-operative movement is in my view presented rather uncritically, although Birchall certainly gives us a flavour of the ideological conflict in the UK that was waged throughout the period following 1862 (the date of the Rochdale Flour Mill debacle) until after the turn of the century. I wonder, however, if we should not be searching our history more intently for what we lost as well as what we gained from Rochdale as it evolved between 1844 to 1862 and beyond.

In particular Birchall does not evaluate the possible impact of the emergence of consumer co-operation as a separate concept for reinforcing - possibly even creating - the barriers between the various sectors of the movement. Birchall's explanation of the ICA failure to achieve its goals of international co-operative trade in terms of a problem of logistics is hardly satisfactory as a complete explanation. Certainly, the limitations of logistics and the technology of the times did not prevent the Co-operative Wholesale Society (CWS) from extensively extending its own international trade. The weakness of the co-operative movement's ability to unite across sectors and mobilise its membership *at the*

national and the international level to co-operate needs further study to provide a real explanation of the causal mix of factors. Inter sector divisions must have played some part in restricting the movement's ability to make an impact on both political and socio-economic systems when confronted by the twin threats of both Fascism and Communism. Today we see continuing evidence of our poor ability to rally to each other's defence in the face of predatory attacks by investor led businesses on building societies, mutuals and even the CWS. A Labour government with over twenty co-operative MPs on its benches offers no protection. The muted response or downright silence from the various sectors of the co-operative movement is hard to explain except in terms of a profound lack of self belief and the complete absence of any sense of a united movement.

In the past one feels there had been possibilities for a more unified approach. Birchall mentions the Mazzini-Holyoake connection at the international level. Mazzini also had links with the Christian Socialists and the Leeds Redemptionists who were still, from 1846 to 1852, managing a co-operative community in Wales along Owenite lines. In fact I have argued elsewhere that consumer co-operation was not really an articulated ideology before 1862.¹ Before this time the Rochdale model was a much more integrated concept of co-operation with what amounted to loyalty payments to consumer members and profit sharing with worker members cemented by clear goals to establish co-operation as a community endeavour covering both the economic and social dimensions of life.² Gradually those motivated by the profit they could extract from the Flour Mill were coming into membership and in 1862 they took control and abolished profit sharing, greatly to the dismay of the Rochdale Society's leadership at the time. Today these same investors would have been in the queue joining the Bradford and Bingley Building Society and others just to asset strip the accumulated reserves built up by mutuality over the past century. After 1862 the attack on profit sharing with the workers was led by J.T.W. Mitchell of the CWS (is it purely a coincidence that it was this same J.T.W. Mitchell who was general manager of the Rochdale Flour Mill at the time of the external shareholders take-over?) I would question, however, whether this consumer versus worker debate about profit sharing and dividend on

purchase was not a debate based on the wrong question. In my view the real question was whether the primary aim of creating a surplus was to accumulate it, as William Pare advocated, or to distribute it as J.T.W. Mitchell practised.³ Defeated on the profit sharing issue those opposed to the idea of consumer co-operation split away and formed their two associations: one for workers co-operatives and the other to promote profit sharing throughout industry. Like the rival consumer faction some advocates of worker co-operatives have similarly sought to justify themselves as the 'pure' form of co-operation. Even a century later the workers co-operative movement of the 1960s in the UK attempted to constitute itself within a single organisational and managerial straight jacket of direct worker control.

Birchall seeks to explain and even justify these differences of emphasis in the 19th century in terms of the different national economic contexts. This is not entirely convincing, however, when one remembers the great influence the French co-operative movement had on Ludlow (Britain's first Registrar of Co-operatives and a Christian Socialist advocate of the worker co-operative approach and of profit sharing). In fact, Britain's industrial working classes were greatly influenced by the idea of worker co-operation.⁴

The first wave of worker co-operatives all mostly failed (although some lasted for many years). Birchall records Vansittart Neale's huge personal losses as a result of these failures. It is worth reflecting that these co-operatives were very new and lacked experience - a reason that explains many failures in the early attempt at pre-Rochdale retail-based co-operatives too. A number of trade unions had and even retain today, co-operative ownership as one of their objectives. The engineering co-operatives were attacked by the Employers Federation who helped to bankrupt them by bankrupting their backer the ASE (their trade union) with a national lock-out in the 1850s.⁵ The second wave of independent worker co-operatives was bitterly critiqued by Beatrice Webb (Potter) as worker capitalists. Yet none of her predictions proved correct and indeed some of these second wave worker co-operatives survive to this day.⁶ Under the leadership of Thomas Blandford this second wave was much more successful than the first. The employers again attacked the worker co-operatives in Britain in the inter-war years when the

building trades employers used a lock out to bankrupt the union during an attempt to establish a union backed workers co-operative.⁷

As we noted Vansittart Neale was another leading British advocate of workers co-operation and sharing in the profits. He was the first general secretary and one of the founders of the Co-operative Union. Neale was also involved in the establishment of the Co-operative Press, the Co-operative Bank, and the Co-operative Permanent Building Society. He was one of the first advocates of the establishment of the ICA. His attempt to commit the international movement to the concepts of profit sharing and support of worker co-operation is shown by Birchall as an obstacle to the foundation of the ICA. This was due to the opposition to his ideas on profit sharing expressed by the northern consumer co-operatives that dominated the British co-operative scene. One is left wondering about the extent of employer and middle-class influence in the creation of a consumer-led co-operative movement and a collective-bargaining orientated trade union movement. This contest between consumer and worker models of co-operation I suspect was of seminal importance in shaping the modern labour movement in Britain. Birchall appears to recognise the role of the ruling class in shaping working class organisational and ideological content in his discussion of the Japanese movement where he notes the political repression faced by the more radical working-class co-operatives there.

Another problematic issue within co-operative philosophy and practice is the insistence on the values of self help and autonomy. In practice the post second world war development of co-operatives in many parts of the world was very dependent on foreign aid and well-intentioned colonial welfare policies. It is interesting to note that, despite the positively democratic ethos of co-operative philosophy, in both Rhodes' and Birchall's account of their history, co-operatives have been singularly susceptible to being controlled by the state. Indeed, the deregulation of co-operatives today is far from being at the initiative of the co-operatives but much more due to the collapse of communism and the rise of free market ideology in international and national public policy forums. As Birchall puts it, quoting Rousseau, in Africa and elsewhere co-operatives have been

'forced to be free'.

Birchall is surely right to identify as an important area of contested terrain within the world co-operative movement the struggle between those who saw co-operation as a tool of social harmony and those who saw it as a weapon in the class struggle. What the advocates of class struggle often fail to recognise is that constructive struggle cannot be waged by a brutalised underclass and that the poor needed value-based leadership drawn from whatever walks of life such persons can be found. Can workers really develop the alternative co-operative economy in the midst of a civil war or class-based revolution? Is it not more practical and desirable to revolutionise the relations of production and distribution in peaceful ways?

At the same time, what the social stability faction miss is that the ruling class does not want stability - it wants ever increasing profit. A stable social order generally threatens to limit profit which is why the British ruling class mostly ignored Robert Owen's call for reform. Co-operation's great independent reforming potential lies in the fact that as labour is an independent source of wealth, workers can gain freedom from exploitation by association, without the expropriation demanded by the Marxist-Leninists. John Francis Bray in particular recognised that gradualism and social cohesion were vital prerequisites for radical change to take place.⁸ The tragedy of the Russian co-operative movement so convincingly expounded by Birchall in his treatment of the post-revolutionary phase in Russia continues to echo down to our existing times. The early co-operators in Robert Owen's time never mentioned the state as having a role in the building of socialism. It has taken many years and much blood for us all to come to realise they were right.

Birchall interestingly draws our attention to the fact that the rise of the consumer ideology coincided with the rise in neo-classical economics and the decline in classical economics. Unfortunately, he fails to bring out the essentially reactionary nature of this shift in intellectual perspective on the foundation of economics. He does not appear to recognise that there is a question to be put here on whether or not consumer co-operation should be seen as essentially a reactionary tendency within the labour movement. That it was able to articulate itself in radical

terms (see Webb's and Mitchell's defence of the consumer idea) was a strength that led many to be convinced by it, not noticing that the idea of the unity of labour by hand and by brain was being subtly ditched in favour of the concept of consumer sovereignty, consumer choice and the liberal individualism that underpinned these concepts philosophically.

It has taken a hundred years for the real implications of this shift in perspective to come to maturity within the British labour movement. The new Labour government's populist and presidential styled third way is continuing to detach and fragment what is left following the Webb's attack on the older unified ideas of the association of labour incorporated in the Rochdale Society's objectives of 1844. The old labour tripartite structure of trade unions, consumer co-operatives and political party - very much the result of the thinking of the Webbs - continues to fragment and separate under pressure from the modern middle-class politics of Tony Blair. Today we see more clearly perhaps the importance for the consumer of who controls production. The way in which genetically modified foods are being forced upon us and will permeate all agricultural processes, possibly destroying the organic option for ever, should give those who think economics' bottom line is consumer sovereignty cause for reflection. I wish I could record that the struggle against this imposition of profit before every other consideration was being led by an alliance of the agricultural co-operatives with the consumer co-operatives.

The co-operative movement's basis for internal unity today is not so much the solidarity of labour through trade but identification of operating principles for governance. It can sometimes also be demonstrated by an appeal to values in the marketplace. This latter aspect, however, is only being applied in a very restricted way by a few isolated and innovative managers. The important structural reforms of the ICA taken in Tokyo in 1992 referred to in detail by Birchall have failed to produce real results because they have not been supported by the managerial elites that control large parts of the co-operative economy. The international movement can do little to really establish a mass movement because the international structure is starved of resources by the national federations who themselves are starved of resources by their memberships in the primary

societies. Who controls these primary societies? The answer is co-operative managerial elites who fail largely to implement co-operative values in their marketing and management, due to the failure of the movement over the last thirty years or more to develop distinctively co-operative managers.

Thus, even the governance distinction appears to be a sham as members exercise little real control in areas such as banking, insurance, agriculture, and retailing. Here we come to another problematic issue in Birchall's history of the international movement. Is it a real movement or just a structure kept alive by inertia at the bottom? Does Birchall's history really demonstrate a positive support at the grass roots for co-operative internationalism? In Rita Rhodes' history of the ICA, Rhodes is prepared to call the ICA a working-class organisation. Birchall does not allude to Rita Rhodes' characterisation of the ICA. The affiliated numbers are certainly there and so are the structures. Activists and promoters are there too. But where is evidence of the international dimensions in the mass membership? Where is the international literature? There is a great deal of work undertaken by the ICA at the international level in terms of courses, visits, conferences, and some sectoral collaboration but there is little discussion by Birchall of these areas in terms of their level, content, and development. And if theirs is a truly international movement of three quarters of a billion members, where is the cultural production? Where are the radio and television stations, the mass circulation newspapers, the co-operative universities, the international journals? What is the real level of north-south collaboration? Certainly, the commitment of the ICA leadership is not the issue, rather it is the affiliated membership that remains problematic. Without the support of the primary societies, resources cannot be mobilised.

The demand for social justice and equality of opportunity remain strong campaigning themes at the ICA but their capacity to campaign and engage in development does not reflect the size of the membership base. In some ways the co-operative movements focus on justice and equality of opportunity is itself a major area of social and economic contested terrain. The struggle for distributive and natural justice and for freedom and autonomy is bound to be highly contested. The forces of exploitation and oppression can alternatively be found to apply

crude repression and expropriation when the circumstances justify it. In other circumstances they can find a more subtle way to deflect those who are attempting to challenge their vested interests.

The movement, therefore, continues to face challenges from within and without. Throughout the movement there are different views as to the purpose and role of co-operation, different views of the relationships and governance provisions of co-operatives, different relationships to the state, internal power politics, conflicting institutional/regional even local interests. One is left reflecting on the damage these various divisions are doing to the movement's unity and progress.

The business environment in which co-operatives operate continues this historic process of the increasing economic concentration of capital. This economic feature of capitalism was one area Marx, Mill and later even Marshal agreed to be a potentially dangerous dynamic. This gives us a concentrated and polarised economy with oligopolistic markets for most commodities and a serious oversupply of labour. It is not surprising on the record of the past that under these conditions the world is experiencing increasing poverty and economic imbalance such as to ensure that even in purely economic terms there is a continuing need for co-operatives. Globalisation at the same time makes it harder for co-operatives to compete, however, and as Birchall points out the rapid pace of change threatens to overwhelm many co-operatives.

Yet it is co-operation's potential to be a powerful competitive force challenging oligopolistic domination of the marketplace that makes co-operatives a target for attack today. In Africa, the co-operative banks are the primary target. In Britain, as I mentioned above, it is the building societies and the insurance sectors, although the CWS has also been targeted, so far unsuccessfully. In North America, a similar process is going on in the agricultural and utilities sectors. Often, as in the case of the Canadian Wheatpool, lack of capital is presented as the excuse for creeping privatisation. Birchall documents in various contexts the problem of lack of capital as a barrier to co-operative growth. However, William King and the Rochdale pioneers who used his model for co-operative development showed that out of the income of labour capital could be accumulated. This insight by

King was born out in practice by the Pioneers and then, a century later, demonstrated theoretically by no less an economist than J.M. Keynes.⁹

The importance of politics and the right legislative framework for co-operatives arises time and again in Birchall's narrative. This is because the legislative framework within which co-operatives have to operate globally and nationally is already shaped by the investor-led business. The membership-based organisations have to struggle to get the space in the legislatures and the facilitation accorded to the private sector. Despite deregulation, the case often remains that in many countries the co-operatives are unable due to legal restrictions to respond as effectively to the market as their investor-led rivals are free to do. In some parts of the world de-regulation may mean cuts in state aid but not the end of state control.

We can sometimes become so dazzled by the variety to be found in the co-operative movement as to miss the crucial similarities in experience at the grass roots. For example, the lessons of hope that the Rochdale experience provides for the African movement today may be not so much in recognising the form of co-operation adopted by Rochdale in 1844 (in modern parlance it was a multipurpose co-operative society) but also in its context. Britain in 1844 was ruled by an oligarchy without a franchise for even the middle class let alone the workers. It was a country with no welfare state, an enormous polarisation between wealth and poverty, no universal education system and very few legal frameworks to enable or protect associations of workers. This decade was known as the 'hungry forties'.¹⁰ It was a time of massive technological change and the beginnings of free trade where the labour market was completely deregulated and for the most part in chronic over supply..

There is so much about the context at Rochdale in 1844 that has a contemporary ring in terms of Africa and many other parts of the southern hemisphere. In America too we can find in recent history rural poverty that approximates closely to the contemporary African experience. Take a picture of an Afro-American woman toiling without the benefit of electricity in rural America in the 1920s. I doubt many of us could tell it apart from similar pictures of rural Africa today. I hope that Birchall in his book's next edition may expand his references to the social

history of the rural and urban poor in the United States and in particular to the development of rural electric co-operatives, beyond giving us simply the statistics.¹¹

There are, of course, significant differences as well as similarities between the struggles of the western poor and those of Africa today. I doubt, however, that the pioneers at Rochdale and the many others before them could be said to have faced anything but overwhelming odds in their efforts at co-operation. It may be the fact that they did succeed in the face of such disadvantage that is the most important legacy of Rochdale. The Pioneers did not succeed in all they hoped for, but without knowing it they - alongside the trade unions - were laying the foundations for the establishment of universal suffrage in Britain and later still in 1945 the founding of the welfare state.

Another area that Birchall covers in some detail in his North American section is co-operative housing. One of the more radical strands of the co-operative movement in America today, and one with considerable strategic importance in influencing the young future potential leaders of co-operatives, is the student housing co-operative movement. Perhaps space limited Birchall's ability to reflect more on the way the residents get organised in both the young and older age groups in many North American housing co-operatives. In my experience there is more than just an echo of the idea of the co-operative community emerging here. In the history of the biggest student housing co-operative in America the first chapter is entitled 'Student Owned, Student Operated: the idea of co-operative living.'¹² I found, particularly among the old people who had perhaps more time to devote to community, a tremendous sense of people living out their co-operative philosophy. There was real mutual helping of neighbours and participation in the governance and social activities. One was at the same time aware that in the American housing co-operatives that I visited there was a team of highly professional managers who believed whole heartedly in what they were doing.

Another underlying current in Birchall's book, sometimes implicit sometimes explicit, is the contested terrain within the co-operative movement between the idealists and the realists. I am with the idealists myself but for a very practical reason. As it has been said before 'the higher you aim - the higher you fall

short'. Certainly, another lesson from Rochdale, not in 1844 but 1862, is that what idealists try to construct others can so easily subvert. Johnston in his final chapter deals with just that issue in his comparison of co-operative principles with co-operative practice. His conclusions are cautious but not pessimistic. Johnston's narrative shows us that co-operatives have certainly fallen short of the vision of the founders. They have moved backwards as well as forwards. Throughout this tour de force the signs of development and decline in co-operative fortunes in all four regions are carefully documented.

One senses in Birchall's account that in every continent and in every sector the movement is approaching a cross roads. Whether the movement turns right, left, or goes on straight ahead, either together or with different sectors going their separate ways, will be another hotly contested terrain in the immediate years ahead. Birchall's book has been widely circulated and translated. It is a book for the serious historian of co-operation but one accessible to the more general reader and deserves to be read by both. The book makes a nice complement to Birchall's earlier history of the British co-operative movement (entitled *Co-op: The People's Business*, Manchester University Press, 1994). The inclusive sweep of these two books make Birchall the leading contemporary historian of co-operation writing within what I would characterise as the orthodox reading of co-operative history.

A final word on both Birchall's and Rhodes' histories of the international movement. I find myself wondering whether the possible dominance of the middle-class perspective in the co-operative movement's leadership suggested here and there in Birchall's history may at least partly explain the failure (documented in Rhodes' book) of the co-operative movement to defeat Fascism amongst the grass roots in countries like Germany and Italy. Given the history of the twentieth century am I being idealistic or realistic in suggesting our modern movement must find ways again to be relevant to the middle classes and at the same time to express solidarity with the poor as one of the main planks in its strategy and rationale. As the gap grows between rich and poor nationally and internationally do we need different co-operative movements addressing different communities of interests or is a united movement still possible and desirable?

History is full of ironies and battles lost or won. To me it is most ironic that affluence in the form of the consumer society has undermined the very consumer co-operatives that we can legitimately claim to have invented the idea of the consumer society in the first place. Affluence seems to impact negatively on the conduct of membership democracy and economic involvement in many places, and challenges in some people's minds the need for co-operation at all. To answer this, we may have to turn to the idealists such as the Owenites and Christian Socialists. In the affluent West, the question now is about how we live and why we live. It is ironic to think that it may be the idealists with their vision of a new sustainable life style rooted in co-operative values that will be the salvation for our beleaguered realists in consumer co-operatives. As one member of the Co-operative Women's Guild put it "The co-operative movement is there to teach you about a way of life - that's the co-operative way of life if you'd accept it."¹³ Birchall puts the point more cautiously when he says of co-operatives ... "They are not going to solve all the ills of society - the most we can hope for is that they are part of the solution - but they point towards new ways of relating to each other while making our living in the world."¹⁴

Dr. Peter Davis is Review Editor of this journal.

References

1. Davis, Peter "Rochdale: A Re-evaluation of Co-operative History" in Towards the Co-operative Commonwealth. Essays in the History of Co-operation, Ed Lancaster, Bill and Maguire, Paddy, Co-operative College History Workshop Trust, 1996, see ppl12-119.
2. Bonner, Arnold, Reproduces the first statutes of the Rochdale Pioneers in British Co-operation, Co-operative Union Ltd, 1961, p46.
3. Davis, Peter op cit pl20.
4. G.D.H. Cole and A.W. Filson, British Working Class Movements. Selected Documents 1789 to 1875. Papermac, Macmillan, London, 1965, pp261 to 273 and pp422 to 462.
5. Cole, G.D.H., A Century of Co-operation, George Allen and Unwin, 1944, pplOB-109.
6. Jones, Derek "British producer co-operatives and the views of the Webbs on participation and the ability to survive", Annals of Public and Co-operative Economy, Liege, January-March 1975.
7. Cole, G.D.H. op cit p291.

8. Bray, J.F., *Labours Wrongs and Labours Remedies*, Leeds 1839.
9. Keynes, J.M., *How to pay for the war*, Macmillan, 1940.
10. Cole, G.D.H. *The Common People*, Methuen, 1949.
11. Pence, R., Dahl, P., Crawford, J., Severson, H., and Gonzalez, S.Q., *The Next Greatest Thing. 50 Years of Rural Electrification in America*, NERCA, 1984.
12. Mercicle, A., Wilson, S. Jones, J., Edited by Goldstein, M., *In Our Own Hands. A History of Student Housing Co-operatives at the University of Michigan*, Inter-Co-operative Council, University of Michigan, 1994.
13. Ed by C. Salt, P. Schweitzer, and M. Wilson, *Of Whole Heart Cometh Hope*, Exchange Theatre Company, 1983, p46.
14. Birchall, Johnston, *The International Co-operative Movement*, MUP, 1997, p234.

The Society for Co-operative Studies 1998/99

Report by the Secretary

Professor Tom Carbery, Professor Tony Eccles, Dr Robert Marshall, Lord Young of Dartington, Dr Alex Wilson, Graham Melmoth, Lord Thomas of Macclesfield, and Alan Sneddon continued to serve as Presidents.

The Chair has been occupied this year by Rowland Dale with James Bell and Rita Rhodes as Vice-Chairs. John Butler has been Secretary, Frank Dent, Treasurer and Membership Secretary and Johnston Birchall, Journal Editor. Peter Davis served on the Committee as immediate past chair, additional elected committee members are Len Burch, Gillian Lonergan and John Launder. Alan Wilkins and Roger Spear have served as co-opted members. Len Burch has acted as Minutes Secretary.

Committee Meetings

The Committee met in September, November, February, and July and will have a further meeting before the Annual Meeting in October. At the four meetings, members' attendance has been as follows -

Rowland Dale	4
James Bell	2
Rita Rhodes	4
John Butler	4
Frank Dent	2
Johnston Birchall	3
Peter Davis	1 (resigned from Committee in February 1999)
Len Burch	4
Gillian Lonergan	4
John Launder	3
Alan Wilkins	4
Roger Spear	2
Tony Eccles	1

Membership

Paid up members are for the year ended 31 March 1999 with 1998 figures in brackets are set out below -

Region	Individuals	Organisations	Academic Sponsorship	Journal Subscriptions	Totals	Total No. Journals*
North	74 (68)	14 (15)	33 (31)	0 (2)	121 (116)	188
South	76 (81)	19 (15)	44 (41)	1 (0)	140 (137)	232
Midlands	34 (33)	9 (8)	18 (15)	1 (0)	62 (56)	119
Overseas	0 (0)	0 (0)	0 (0)	27 (24)	27 (24)	27
TOTALS	184 (182)	42 (38)	95 (87)	29 (26)	350 (333)	566

*In addition, a number of complimentary copies are sent to the press, contributors to the *Journal*, organisations with exchange agreements etc.

It is pleasing to note that there has been a small increase in membership and *Journal* subscriptions.

Journal Editor

Johnston Birchall continues to undertake his responsibilities with great skill and a lot of hard work. Our key publication continues to be eagerly awaited both within the UK and overseas co-operative movements. Our thanks to Johnston for his efforts on behalf of the Society are recorded and our appreciation is also extended to Gillian Lonergan the Deputy Editor who has greatly assisted the Editor over the past 12 months and also her work as *Newsletter* Editor.

The Journal

The *Journal* has been published three times during the year. The special features have been as follows -

No 94 (January 1999): Seeking a More Humane Way of Working: The Workers' Co-operative Movement in Japan; Margaret Llewelyn Davies: A Study in Female Leadership; Obstacles to Co-operative Working: Lessons from Construction; Proceedings

of the UK Society for Co-operative Studies Annual Conference, September 1998; Profits with Principles: Developing Co-operation for Sustainable Stakeholding; Responses to Published Articles.

No 95 (May 1999): Ja-Zenchu: Japan Central Union of Agricultural Co-operatives Sowing the Seeds of the Future; Why did Consumer Co-operative Societies in Britain use Tokens?; Informal Learning Processes in a Worker Co-operative; Renewing the Membership Basis for Raising Investment and Patronage in Consumer Co-operatives; The Contribution of Consumer Co-operatives to British Adult Education; Responses to Published Articles.

No 96 (September 1999): Co-operative Legislation and the Co-operative Identity Statement; E-Commerce: its potential for co-operatives; Promoting the Co-operative Agenda - New Mutualism and the 'Third Way'; Equality among Equals: on distributive justice in agricultural producer co-operatives; Pleasure, Politics and Co-operative Youth: the Interwar Co-operative Comrades' Circles; Responses to Published Articles; Book Review; The Society for Co-operative Studies 1998-99.

Financial Position

The Income and Expenditure Account and Balance Sheet are appended to this report together with the Auditor's Report.

The financial position of the Society remains strong. The excess of expenditure over income has increased on last year but this is more than accounted for by a special £3,000 contribution to the Research Fund. The cost of committee meetings has been well contained.

During the year we set up a ring-fenced Research Fund and the income, expenditure and balances of this fund are separately identified in the accounts. The balance of this fund is fully committed to the current research project.

There was a surplus on the Conference which more than offset the loss in the previous year.

The costs of producing the *Journal* have been well controlled, thanks, in large measure, to the generous support from the

Co-operative Union Information Department. We are also grateful to the CWS for their assistance in distributing the *Journal*.

Co-opted Members

At the meeting of the Executive Committee held immediately at the conclusion of the 1998 AGM it was agreed again to co-opt Alan Wilkins and Roger Spear to serve on the Committee for the coming year. Their involvement has helped to further develop closer links with the Co-operative College and the Co-operative Research Unit of the Open University, and they are also key partners in our vital research project.

Co-operative Union Ltd

The enormous contribution made by the Co-operative Union in terms of assisting the Society in producing the *Journal* and allowing key officials to serve on the Executive Committee and the giving of professional advice when required has been greatly appreciated. We do not yet know how changes at the Co-operative Union will affect us, but the situation is being kept under review.

United Kingdom Co-operative Council

The Society continues to support the work of the United Kingdom Co-operative Council. The two organisations exchange minutes and liaise closely on matters of mutual interest.

Plunkett Foundation

The Society has a reciprocal membership arrangement with the Plunkett Foundation. During the year under review Johnston Birchall has served on the *World of Co-operative Enterprise* Editorial Advisory Board on behalf of the SCS and Rita Rhodes attended their Annual General Meeting held in London in August.

Research Project - Reasserting the Co-operative Advantage

Work has commenced with the Society's research project. The objectives of the project are -

- (i) To identify where the co-operative advantage lies in the context of the contemporary business environment.
- (ii) To investigate management and organisational development practices as they are presently emerging in response to the reassertion of co-operative purpose, values, and principles. The intention is to identify potential and actual convergence and divergence between co-operatives and (a) contemporary management practices and (b) their business environment.
- (iii) To investigate contemporary and historical records of co-operative business activity to identify areas of best practice, successful innovation, and barriers to change.
- (iv) To identify the key business and organisational issues for the Co-operative Movement associated with:
 - (a) The Movement's adopted ICA Statement on Co-operative Identity.
 - (b) The change in the social, economic, technological, and competitive environment.
- (v). To identify the criteria by which co-operative success may be evaluated.
- (vi) To develop models of co-operative strategic management and organisational development that can best respond to the challenges identified by the project.

The three research partners - Co-operative College, Co-operative Union Ltd; Co-operative Research Unit, Open University; Leicester University Management Centre are working hard to complete the research by the end of the year and the Committee are confident that the results will be beneficial to the Co-operative Movement.

The raising in excess of £20,000 from Co-operative societies, professional advisers associated with the Co-operative Movement and individual members indicates the wide level of support for

the research project and a report of the provisional findings will be given at the Annual Conference of the Society in October 1999.

Other Research Activities

(a) Empire and Co-operation

The Society is supporting the above research project being undertaken by Rita Rhodes.

(b) History of Indian Co-operative Movement

Encouragement and information is being given to the Indian Society of Studies in Co-operation to assist with their research project.

(c) Bursary for Cataloguing Co-operative College Archive

The Society, with matching funding from the Co-operative College, provided a Bursary to Richard Bickle a student from the University of East Anglia to catalogue the Co-operative College Archive. An appreciative letter has been received from Geraldine Mousley, the College Librarian.

(d) History of the SCS

The Executive Committee is giving early consideration to the need to undertake appropriate research on the History of the SCS.

Further details on the research activities identified above will be provided at the Annual General Meeting on Sunday 10 October 1999.

Annual Conference Survey

Following the disappointing attendance at last year's Annual Conference the Executive Committee undertook a detailed survey of members in respect of their views on the Conference format and arrangements. Strong support was articulated for the holding of a weekend conference at the Co-operative College. The Executive Committee noted with pleasure that nearly 60% of members responded to the survey questionnaire and the views

expressed would help in the forward planning of future conferences.

Ian MacPherson Visit to UK

In response to the Annual Conference Survey, it was resolved that the 1999 Conference theme should be "Co-operation into the New Millennium." The Committee were delighted that Professor Ian MacPherson, Dean of Humanities, University of Victoria, Canada, and the architect of the 1995 ICA Statement on the Co-operative Identity, agreed to be one of the keynote speakers at the Conference. During his stay in the UK, Professor MacPherson will be visiting and addressing a number of meetings in Nottingham, Leicester, Lincoln, Oxford, Manchester, New Lanark, and Edinburgh. The Society are very grateful for the sponsorship given by The Co-operative Bank plc and the Co-operative Insurance Society that has enabled this important visit to take place.

Internet Developments/Research Register

Len Burch has been charged with keeping the Society's website up to date and Peter Davis despite his resignation from the Committee in February 1999, continues as compiler of the Society's Research Register in collaboration with the ICA Research and Communications Committees.

Fringe Meeting

A highly successful Fringe Meeting was held at the Brighton Co-operative Congress. Peter Hunt, Secretary of the Co-operative Party, spoke on "New Mutualism - The Third Way". A very well attended meeting appreciated an excellent address that generated many questions and comments.

The thanks of the Society have been forwarded to Co-operative Retail Services who provided generous financial support for the fringe meeting.

Secretary of the Society

The Executive Committee continues to give consideration to the appointment of a new Secretary for the Society and hope to be able to report on a suitable candidate at the AGM.

Annual General Meeting of Society

Members have been notified that the AGM of the Society will be held at the Co-operative College, Loughborough on Sunday 10 October 1999 at 11.45 am.

A Demanding Year

1998/99 has been a demanding year for the Society. The committee continues to work well as a team and our special thanks are extended to Rowland Dale, our Chairman. We believe that we are meeting the objects of the Society to advance the education of the public concerning all aspects of the Co-operative Movement and Co-operative forms of structure.

The Society for Co-operative Studies 1998-99 Accounts

1. Income & Expenditure Account for year to 31 March 1999

Income	Note	1999 £	1998 £
Membership subscriptions	1	4329	5032
Journal subscriptions		945	0
Annual conference	2	338	0
Academic sponsorships		1415	736
Sale of journals		1146	1000
Interest received	3	1059	1255
Grants and donations		75	152
		9307	8174
Expenditure			
Journal	4	6236	6758
Annual Conference	2	0	127
Congress Fringe Meeting		72	244
Regional activity		0	0
National Executive meetings		1157	1552
Secretarial		300	29
Advertising & publicity		0	45
Newsletter		80	144
Contribution to Research Fund		3000	0
Grant to Co-op College for cataloguing archives		294	0
Other		15	1
		11154	8900
Excess of expenditure over income		-1848	-726
Accumulated Fund brought forward		18818	19544
Accumulated Fund carried forward		16970	18818
Ring-fenced activity:			
Research fund income			
Corporate bodies and individuals		20501	
Society for Co-operative Studies		3000	
		23501	
Less Research Fund disbursements		3978	
Research Fund at 31 March 1999		19523	
Total funds		36493	18818

2. Balance Sheet as at 31 March 1999

		1999		1998	
	Note	£	£	£	£
FIXED ASSETS					
Co-op Bank Deposit Account		0		12617	
CWS Deposit Account		32847		0	
Other investments	5	4000		4000	
			36847		16617
 CURRENT ASSETS					
Co-op Bank Current Account		1515		3706	
Debtors	6	245		425	
			1760		4131
TOTAL CURRENT ASSETS			1760		4131
 TOTAL CURRENT LIABILITIES	7	2114		1930	
			-353		2201
 NET ASSETS					
(Total assets less current liabilities)			36494		18818
 FINANCED BY:					
General Accumulated Fund		16970		18818	
Research Fund		19523		0	
			36493		18818

3. Auditor's Report

I have audited the Financial Statements set out above and in my opinion these are in accord with the books of account. In my opinion the income and expenditure account and the balance sheet give a true and fair view of the financial position as at 31 March 1999.

27 June 1999

Peter Roscoe

Notes to the Accounts

	1999		1998	
	£	£	£	£
Note 1 Members' subscriptions				
Individuals	2119		2348	
Organisations	2210		2684	
		<u>4329</u>		<u>5032</u>
Note 2 Annual Conference				
Income	2512		2485	
less				
Expenditure				
accommodation,				
speakers, etc.	2175		2612	
		<u>338</u>		<u>-127</u>
Note 3 Interest received				
Deposit accounts		569		7
other investments		491		1248
		<u>1059</u>		<u>1255</u>
Note 4 Journal				
printing		4752		5099
distribution		848		1186
editorial & secretarial				
expenses		636		474
		<u>6236</u>		<u>6758</u>

Note 5 Investments comprise the following

CRS Ltd	4000	4000
	<u>4000</u>	<u>4000</u>

Note 6 Debtors are made up as follows

Individual subscriptions	0	0
Organisation subscriptions	0	75
Academic subscriptions	105	0
Journal subscriptions	140	210
Conference	0	140
	<u>245</u>	<u>425</u>

No provision is required against these debts as they have all been agreed.

Note 7 Liabilities are made up as follows

Subscriptions received in advance	85	34
Journal - Printing	1665	1750
Committee Travel	59	0
Newsletter - Printing	33	50
Journal subs received in advance	272	96
	<u>2114</u>	<u>1930</u>