Consumers' Co-operation in the Federal German Republic - The Latest Phase

Foreword

Recent Co-operative history - for example in the Netherlands and in West Germany - has indicated both difficulties in the development of Consumer Co-operation and conditions for overcoming them. It is, therefore, specially timely to analyse and assess in detail and in perspective what has happened in West Germany - and specially appropriate that this should be undertaken by Mr. W. P. Watkins.

Mr. Watkins first became acquainted with the German Co-operative Movement, its leaders and literature in the 1920's, while still a tutor at the Co-operative College. In the 1930's, as a member of the International Co-operative Alliance Secretariat, he witnessed the suppression one by one of the Consumers' Co-operative Movements of Germany, Austria and Czechoslovakia as these countries came under the sway of the Third Reich. In 1946, when the Attlee Government decided, as part of the democratic revival in Germany, to appoint an Adviser on Co-operative Movements to the British Element of the Military Government, W.P.W. was chosen for this post, in which he served until 1950. He was thus able to assist in the rehabilitation of the Consumers' Co-operative Movement, the restitution of its property and the reconstitution of its central federations. His direct responsibilities ended with the establishment of the Federal German Republic, but his service was prolonged by a year at the special request of the German Co-operative Federations, whose publications he still regularly reads, while maintaining a lively correspondence with Co-operative friends and colleagues.

Consumers' Co-operation in the Federal German Republic - The Latest Phase

by

W. P. WATKINS

The present situation of Consumers' Co-operation in the Federal German Republic results from a complexity of forces and circumstances, not all of which are recent. Some in fact, like the Movement's legislative framework, have been present throughout its existence. Others have been operative ever since the Movement was revived and reconstituted thirty years ago, after twelve years of Hitlerite domination and suppression. Apart from its historical background the present situation cannot be fully understood. The different factors must themselves be identified and evaluated before their interaction becomes intelligible. It accordingly appears necessary to sketch briefly the treatment of Co-operation under the Nazi dictatorship and the Allied Military Occupation, the obstacles and handicaps to be overcome by the newly reconstructed Consumers' Co-operatives and their federations, the so-called "German economic miracle" and its accompanying commercial and social changes. All of these influenced and sometimes determined the policies adopted by the Consumers' Co-operative Movement. It is hoped, by employing this method, to facilitate the analysis of the present situation.

I. HISTORICAL BACKGROUND

(a) Suppression

When war broke out in September 1939 the government of Hitler's Reich had already dismantled part of the structure of German Consumers' Co-operation. It was engaged in executing a law, which a subservient Reichstag had passed in 1935, providing for the dissolution of about 80 of the most important Consumers' Co-operatives, the liquidation of their business affairs and the alienation of their property, besides depriving the Co-operatives which continued to exist of the right to receive savings deposits from their members and to invest them in their own business. It had erased any reference to Co-operation in the title of their wholesale organisation by changing it from Grosseinkaufsgesellschaft deutscher Consumvereine to Deutsche Grosseinkaufsgesellschaft (from "Wholesale Society of German Consumers' Co-operatives" to "German Wholesale Society"). The remaining Consumers' Co-operatives - in Austria and Sudetenland, as well as in Germany - were summarily dissolved by a war emergency decree in 1941, without their business undertakings being liquidated. These formed too important a sector of Germany's food distributive system to be shut down under war conditions. It was given out, however, that after the war they would be liquidated to provide funds for setting up ex-servicemen in individual businesses of their own. Meanwhile the former Co-operative shops and attached processing establishments were grouped for management purposes in district chains called Versorgungsringe and placed for financial administration under the control of a special unit, called the Gemeinschaftswerk of the Deutsche Arbeitsfront (German Labour Front), the Nazi instrument for controlling and directing the whole range of workers' organisations.

(b) Renewal

British armed forces entering Hamburg in 1945 took possession of the headquarters of the Deutsche Arbeitsfront with all its documents and records. This proved of enormous advantage for the task of sorting out all the funds and property that had been accumulated under the control of the Arbeitsfront and restoring them to people who would once more use them for their original purposes. It was the Gemeinschaftswerk and the Versorgungsringe which now faced liquidation - a long and tortuous process, if carried out in due legal form. Naturally the former Co-operators - members, leaders and officials - could not begin the work of reconstruction soon enough. They had begun to confer about rebuilding the Movement as soon as it became clear that the war would end in the collapse of the Nazi regime. With one important difference, they aimed at the same sort of structure as had served them well before 1933. For 30 years before then the Movement had consisted of two groups of Co-operatives, ideologically divided: the larger, with Social Democratic connections, had its central union and its wholesale society located at Hamburg; the smaller, with Christian, mainly Roman Catholic, associations, had corresponding federations at Cologne. The leaders who survived the Third Reich and initiated the revival persuaded the members that for the future there should be one unified consumers' movement, politically independent, with no overlapping on the retail level, and one central union and one wholesale society operating from Hamburg. In fact, they were able to achieve this only in the territories which were occupied by the British, American and French forces and in 1949 handed over to the Federal German Republic. Before the end of 1945 the Russian authorities had already promulgated a law in their Zone of occupation providing for the establishment of regional unions of Consumers' Co-operatives, in which all former Co-operative property was vested. This territory in due time became the German Democratic Republic. In it the structure and development of Consumers' Co-operation has conformed to the model normally adopted in countries under Communist rule and this study is not concerned with it.

(c) <u>Restitution</u>

Before the constitution of the two German republics, the country was nominally under Four Power government which the "cold war" froze into immobility by the end of 1947. Fortunately the Four Powers had agreed that they would claim none of the property sequestrated by the Nazis from non-governmental organisations such as Co-operatives, trade unions, cultural and charitable associations. This property should be restored to successor institutions identical in purpose and constitution to those which had been despoiled or destroyed. Each of the Powers was authorised to arrange for restitution by whatever procedures seemed appropriate in its own Zone. For the Consumers' Co-operative Movement the procedures adopted by the British authorities were of critical importance because the headquarters of the Movement were to be at Hamburg in the British Zone. The British authorities issued in February 1946 a notification that Germans were at liberty to form Co-operative societies for any branch of business in which Germans were authorised to engage and indicated the procedure to be followed. They desired as far as possible to ensure that none other than genuine Consumers' Co-operatives should submit claims for restitution of property. Projects for establishing Co-operatives were subjected to a double screening, by the Control Commission and by a Rules Committee of German Co-operators, to ascertain whether German law, as well as the Control Commission's requirements, had been properly observed.

Even so, it was 1948 before the British Zonal restitution procedure was agreed, a German tribunal for hearing claims set up, and claims began to be adjudicated. By the end of 1946, however, a number of newly-founded societies had already been approved and these were vested with custody, pending full restitution, of Versorgungsringe premises and stocks and permitted to trade under their own names. The word "Versorgungsring" thus vanished from former Co-operative fascia boards and the word "Konsumgenossenschaft" (consumers' co-operative) replaced it. A little later the new Co-operatives were permitted to use the cash balances related to these enterprises. The societies were thus effectively in business and the same procedure was followed as others secured official approval, but in the British Zone only. The idea of giving the Co-operatives custody in anticipation of final restitution did not commend itself to the U.S. or French authorities and the Co-operatives in their Zones made relatively slow progress until the restitution process was complete.

In the summer and autumn of 1948 the Central Union and Wholesale Society were officially constituted, received restitution of the properties respectively due to them, held their first regular congress and general meeting and elected permanent boards of management to replace the provisional officers who had been serving for the preceding two or three years. Meanwhile in the wider field the scene had considerably changed. The three Western Zones had been constituted as a single economic unit and a German Economic Council set up at Frankfort-on-Main to direct and govern it. The sadly depreciated currency had been replaced by the new Deutsche Mark. Co-operation ceased to be a direct responsibility of the Control Commission and reverted to the supervision of the economic and social welfare departments of the Economic Council and the <u>Länder</u> (Federal State) governments. By 1949 the Economic Council gave way to the Federal Government and Parliament at Bonn, whose legislative and economic policies largely determined the conditions under which the Consumers' Co-operative Movement was henceforth to operate.

(d) <u>Legal Restrictions</u>

The consumers' societies re-starting business were subject in advance to restrictions resulting from peculiarities in the basic German Co-operative Law of 1889. These restrictions might be offset or circumvented in periods of prosperity but on Co-operatives struggling to find a footing in a sick or hostile economic system they could inflict serious disabilities. Notably the law limited their sales to their own membership. It did not apply, of course, to the <u>Versorgungsringe</u>. If it had tended in course of time to become a dead letter, this restriction could be revived by any trader bringing the necessary evidence before a court of law. More serious was its effect on Co-operative management, as will be indicated later, by tending to make the Consumers' Co-operative Movement a self-contained economic community, serving a membership whose wants and preferences were known in advance, and, in a sense, insulated from the stings and spurs of competition. Again, Co-operatives were forbidden to pay interest on members' shares. There was thus no incentive for members to take out more than the minimum required by the rules. The role of share capital in the Co-operatives' financing was therefore always bound to be a minor one, the only effective way of increasing it being to raise the value of the share by an amendment of rule. Additional capital for development was mostly drawn from members' savings deposits until the Nazis put an end to both deposits and development in 1935. The law also, by laying down that in the general meetings of Co-operatives every member had only one vote and by drawing no distinction between Co-operatives of different types, prevented both the Central Union and the Wholesale Society G.E.G. from adopting the Co-operative form of constitution. The Wholesale Society, from its foundation, was always a limited company, because in that form it could allot to its larger affiliated societies proportionately more votes than its smaller ones. The Union, as a non-trading body, was registered as a civil association for similar reasons. The one provision of the law of some benefit to the Movement was the amendment passed in the 1920s requiring every society with a membership larger than 3,000 to organise its annual general meeting in the form of an assembly of delegates.

(e) Economic and Financial Handicaps

German Co-operators began to revive their consumers' societies at the lowest point of their country's post-war depression. Consumers were suffering severe shortages of food, fuel and almost every other necessary of life, tempered by an ubiquitous black market. The rationing system was based largely on pre-war datum-periods which officials were reluctant to revise for consumers' societies needing larger stocks to supply former members returning to shop with them. There were shortages of every kind of building material. Some Co-operators worked in gangs at weekends in the rubble of bombed branch shops to clean bricks to be used again in rebuilding them. Theft was widespread; goods consigned by both road and rail were liable to disappear in transit. Worthless paper money was to a large extent replaced as a medium of exchange by cigarettes, coffee, spirits and the barter of other goods and services. It was with the utmost difficulty that the Consumers' Co-operatives could regain their old reputation, along with the confidence of their members, for honest dealing and fair treatment of their customers. The share capital contributions of their members in depreciated Marks brought no appreciable increase of their financial resources. Without liberal trade credits and excessive outside borrowing they could hardly have made headway. In the middle of 1948 the Co-operatives had to undergo a revaluation of their assets in terms of the new Deutsche Mark - a traumatic experience, but an operation imperative if progress towards recovery were to be made on a firm basis. With the new currency in circulation production expanded and goods which had been held back came flooding into the markets. With increased employment and the payment of wages and salaries in sound money, retail trade revived and in the industrial and manufacturing districts of the Rhineland, the Ruhr, Württemberg, Hessen and Lower Saxony the consumers' societies for the most part shared in the general prosperity. Yet recovery and the resumption of economic progress, although they induced euphoria and feelings of greater confidence, also brought with them problems which were to tax all the material and mental resources the Consumers' Co-operative Movement could muster for their solution.

(f) The Social Market Economy

The recovery of the Western German economy in the 1950s was described at the time as an "economic miracle". Its explosive power resulted from the combination of political climate, a tidal wave of foreign capital and technology, and German capacity for work and organisation. In other words, the first governments of the Federal Republic, being predominantly Christian Democrat, gave free rein to the private sector of the economy. The dismantling activities of the Allied Occupation had emptied numbers of German factories of much time-expired equipment and machinery. They were thus ready to receive the most up-to-date machines and apply the most advanced processes imported from the United States, together with generous transfusions of capital and technical instruction. The grant of rights of participation and representation to workers in the management of industry (Mitbestimmungsrecht) and the workers' own recognition of the need to rebuild the national economy, ensured for production a minimum of interruption through labour unrest. Social security and welfare services, especially housing, were simultaneously improved. This was what the Minister of Economics, Dr. Erhardt, called the "social market economy", a regime under which the standard of comfort of the Western German workers rose to unprecendented levels. Their increasing spending power, flowing from full employment and expanding production, was rapidly taken up by new forms of distributive enterprise using novel selling methods (self-service) with price policies reinforced by mass advertisement through the new medium of television. Working people not only spent more money, they also spent it differently. They spent proportionately less on bread and bakery products, pork butchery and other simple food products and household cleaning materials, which were traditionally the staple commodities on which the Consumers' Co-operatives had built up their trade, but proportionately more on clothes, furniture, automobiles, sports and recreational appliances, mechanised kitchen equipment, luxury consumption goods and travel, which the Consumers' Co-operatives, with a few exceptions, were not used or prepared to provide for their members. The newly rebuilt shopping streets of Western Germany's war-devastated cities abounded in the department stores, chain bazaars and supermarkets of highly capitalised concerns. Rarely, if ever, was Consumers' Co-operation represented among them.

Naturally, in the residential areas where the working population lived the picture was different. More Co-operative shops were to be seen. Some, well-designed and equipped, had survived the war. More and more were being rebuilt as the population returned to live in reconstructed dwellings. But too often the shops had an old-fashioned look, an aura of the economic puritanism of the early 1900s when display and advertising were frowned upon as "Capitalistic" and needlessly expensive. Unfortunately this was only too often the image of the "Konsum" retained in the mind of the public. The Co-operative propagandist not seldom found his arguments countered by the objection that the "Konsum" was a shop for poor persons, not for the prosperous boom-time shopper of the 1950s. In fact, most of the traditional arguments and slogans employed in the advocacy of Consumers' Co-operation appeared to lose a good deal of their efficacy, failing to carry conviction or arouse enthusiasm in that economic and commercial climate. In very few localities were the newly-formed Co-operatives powerful enough to exercise their former influence as price regulators. In any event the price-fixing tactics of their competitors were destroying the very notion of a fair market price in the minds of consumers. The dividend on purchases grew less attractive as, with narrower trading margins, the rate tended to diminish while wages and salaries rose.

(g) Legal Disabilities and Restrictions

The disabilities imposed by the law, together with the societies' own financial stringency, limited their power to demonstrate in their business operations the functions which Consumers' Co-operatives should and could fulfil in the distributive field. Of course, the central organisations were constantly pressing the government at Bonn to remove these disabilities. They opened a permanent office there to maintain contact with the Federal Parliament and the Ministries, as well as to organise support for proposals to amend the basic Co-operative Law, no easy task, for the private traders had a powerful lobby and had always been accustomed to some protection against the competition of the Co-operatives. By 1954 the Consumers' Co-operative Movement had achieved a certain degree of success in getting the embargo on selling to the public repealed, but they had literally to pay dearly for it. They were forced to accept a restriction on their right to pay whatever rate of dividend on purchases their business results justified. German governments which, like the British, had always recognised the claim of dividend on purchases to be excepted from taxes on income or company profits, now, like the Chamberlain budget of 1933, taxed the portion of societies' surplus not distributed amongst the members - a strong disincentive to allocations to reserves from profits, particularly damaging to the German Consumers' Co-operatives in their difficult financial position. For the purpose of taxation dividends on purchases were assimilated to traders' discounts or rebates, which were exempt, and like them limited to the rate of 3 per cent. Co-operatives paying higher rates lost the right to exemption. Further amendments to the Co-operative Law had to wait for a dozen years and a change of government. They were promoted jointly by the four branches of the Co-operative Movement - consumers', agricultural, artisanal and housing - through their consultative committee, the Freier Ausschuss, and included minor changes facilitating members' investment and withdrawal of capital. They did not restore, or offer any real equivalent for, the right enjoyed by the consumers' societies before the Nazi regime, of accepting savings deposits from their members. These had been, in fact, before 1933 the chief source of their working capital, amounting to more than their share capital and open reserves combined.

(h) Democratic Weaknesses

The reviving Consumers' Co-operatives from 1946 onwards attempted to rebuild and operate the internal democratic mechanism which had formerly been one of their most remarkable features and which had contributed so much to their rapid growth in the big cities and densely-populated industrial areas before the Nazi era. Visiting Dortmund, the headquarters of the then largest Consumers' Co-operative in the British Zone, in March 1947, the present writer was informed by the chairman of the Board (Vorstand) that the society had just completed its first series of local general meetings which had occupied the whole month of February. They numbered about 140 all told, with an aggregate attendance exceeding 8,000, or over a quarter of the society's membership. Such meetings formed the bases of a structure, normal in all medium and large Consumer Co-operatives, rising from local store committes through district committees to the general assembly of delegates and Supervisory Council (Aufsichtsrat) of the whole society and, in the largest, requiring several hundred members to man it fully. Despite the grant of full membership rights to married women and the organisation of numbers of local women's guilds, it did not prove possible everywhere to re-kindle the enthusiasm and missionary spirit which had at one time animated thousands of voluntary workers on behalf of the Movement before twelve years of Nazi dictatorship suppressed every flicker of democracy or word of genuine Co-operative teaching. The moral damage done by the pernicious Nazi doctrine of the Führerprinzip (Leadership principle) was evident in the inertia and lack of free and open discussion in members' meetings.

There was at least one other external factor, the impact of the cheap motor car and television on the way people spent their leisure, and one internal factor, which militated against the transformation of mere customers into active members. This internal factor was the lack of a good understanding, a really Co-operative relation, between the store manager and his staff and the local store committee. In the Movement's palmy days this had formed a regular part of employee training. The effect of the introduction of self-service was to sever the relationship and make the training obsolete. Loyal and devoted workers could still be found here and there but not enough of them effectively to leaven the mass of customers. The Central Union's efforts to revive the former members' journal were frustrated when the societies made it clear that what they really desired and were willing to pay for was a shoppers' guide and advertising medium. This was accordingly provided and reached a circulation of between 75 and 80 per cent of the membership. The "Rundschau", the former technical review, which provided a forum for the serious and objective discussion of specifically Co-operative questions was substituted by the present "Der Verbraucher" (The Consumer), a kind of house organ devoted mainly to general consumer policy, the presentation of successful Co-operative business development and official pronouncements of the leadership. The Movement was thus not merely unable to offer the members all the former material inducements to loyal purchasing, but also lacked the moral means of retaining their support while it was building up adequate resources to reconquer its share of the market.

(i) Education and Training

With a true instinct the small group of former officials of the Central Union, who worked at the resuscitation of the Union before it was formally registered, set up a training centre for Co-operative employees near Wilhelmshaven in 1947. It was 1954, however, before the Union was able to establish a properly equipped college at Sasel within easy reach of its Hamburg headquarters. A subsidiary centre for the training of lower grades was later opened in Bavaria to serve South Germany. Even so, the numbers of students did not increase very rapidly nor did the curriculum include enough of the problems of modern management of large-scale distributive undertakings - a deficiency of the majority of European Co-operative schools in the 1950s. For the training of elected officers, like members of supervisory councils, district and shop committees, next to nothing was provided apart from some sparse short-period courses and conferences.

The content of the education provided could not be anything but mainly technical, for the traditional doctrines of German Consumers' Co-operation had abruptly ceased to be applicable with Hitler's seizure of power in 1933. The renascent societies of 1946 had emerged on an entirely strange world of rapidly evolving technology in which the functions and objectives of Co-operation had still to be defined. The Co-operative research institutes established in certain universities from 1947 onwards were feeling their way and building up their equipment, but it was their business economists rather than their social scientists who provided most enlightenment for Consumer Co-operators and that was in the technical more than the ideological field. The Movement was lacking a presentation of the Co-operative idea that would enable Co-operators at different levels to integrate their various purposes and activities mentally and co-ordinate them practically for common objectives.

II. CONSOLIDATION: THE FIRST RECONSTRUCTION

The year 1961 marks a kind of watershed in the development of German Consumers' Co-operation. Before and up to that year it was possible to believe and maintain that the Movement as a whole was making progress, even if at a diminishing rate. After 1961 signs that it was losing both the adherence of its membership and ground in the competitive struggle were too clear to be ignored and were increasing in number and gravity. In 1961 the aggregate membership reached 2,557,000, the highest figure recorded since 1946 and never again equalled. In fact the subsequent record has been one of uninterrupted net decreases at an annual average rate of about 50,000. Not that well-managed societies could not still win new members, but that for the Movement as a whole the entry of new members never made good the yearly wastage through deaths, removals and withdrawals.

For the same year the aggregate turnover of the retail societies amounted to D.Marks 3,378 million and their share of the national market for foodstuffs and beverages was 11 per cent. The money turnover continued to increase, partly through increased sales to non-members as the societies modernised their premises and methods, but the figures need to be discounted for continuously rising prices. It is worth noting that during the period from 1948 well into the 1950s a sellers' market prevailed, because to a considerable extent consumers were buying to make up for the years of shortage and deprivation. As this became satiated it was succeeded by an era of aggressive selling and ruthless competition in which consumers, conscious of their unprecedented spending power, became ever more exacting in their choice of qualities of goods and location and amenity of shops and stores. Private traders suffered from this aggression no less than the Co-operatives. Those of them who were not already members of the powerful federated traders' Co-operatives for joint buying and other services were quick to organise themselves along with wholesalers in voluntary chains - much quicker to combine, in fact, than the professed Co-operators. The reasons for this demand an examination, first of the retail network, second of the federal structure of the Consumers' Co-operative Movement.

(a) Primary Societies

In 1961 the bottom tier of the West German Consumers' Co-operative structure consisted of about 250 primary societies. As in most other European Movements at that time these societies varied in membership from tens, even hundreds, of thousands to a few score and their areas of operation from an industrial or urbanised region to a village. Their capital resources, shops network, processing and service departments and standards of performance likewise varied greatly, not simply between societies of different sizes, but between societies of the same order of size. Their standards of loyalty to and support of their central federations were no less variable, despite their legal obligation to affiliate to a regional auditing union or moral obligation under the rules to participate in district purchasing groups at whose meetings they could negotiate purchases with representatives of the wholesale society approximately once a month. The regional unions' auditors had the right to attend societies' general meetings and address the members or representatives if they were dissatisfied with the financial position revealed by the accounts or with the officers' observance of the rules of the society or union or of the law. Admittedly, the traditional audit, however well designed to ensure the rectitude of the society's accounting and financial management, was less than the societies needed in a dynamic situation, the key to which was constant scrutiny of certain ratios registering the rise or decline of a society's efficiency. The auditors could and did give much general advice on business policy and help in selecting leading officials but they had no power to impose measures necessary to improve efficiency, where good sense and Co-operative loyalty were insufficient to ensure the adoption of their recommendations.

There were other factors more directly affecting the quality and competence of the societies' management in which responsibility at the highest level was shared by the Supervisory Council (Aufsichtsrat), the top elected body, and the Board (Vorstand). In a society of any size, the latter consisted of a small number including the heads of the chief trading departments and sometimes the secretary, who was not only the head of the general office but also responsible for member relations. The chairman of the Vorstand was the nearest equivalent of the British Chief Executive Officer and usually the most powerful personality in the society, exercising authority and leadership far beyond his specific business functions. Although the Chairman of the Supervisory Council normally presided over the General Meeting, both Aufsichtsrat and Vorstand submitted reports formally and directly to the assembly for adoption or rejection. In a small society the Vorstand, except for the store manager, would consist of honorary sparetime members. In the growth of the societies and of the Movement as a whole, even before the Nazi interregnum, the tendency was observable in Germany, as in other European countries, for authority and influence and leadership to accumulate in the hands of societies' full-time salaried officials, as the increasing size and complexity of societies' operations exceeded the power of the elected committees to follow and grasp them. After the Nazi period this tendency became more pronounced because the times were more difficult and the internal democratic structures of societies less effective, for the reasons indicated in an earlier paragraph.

Much more therefore than in the past depended on the technical competence and personal qualities of the chairmen of management boards. No less important were the competence, outlook and standards of conduct of those appointed to choose them. The normal procedure was for the choice to be made by the Supervisory

Council and submitted for ratification by the General Meeting (Delegate Assembly). These bodies were not empowered to propose candidates, only to accept or reject the Council's choice. The crucial question was: by what standards of comparison between candidates did Supervisory Councils make their choices? Or more precisely, what relative weight did they attach to candidates' adherence to Co-operative principles and ideals and to their experience, records and proven ability in the business field? The consequences of a wrong choice, say, of appointing a candidate who was a sound Co-operator but not well-found in modern distributive techniques, while the competitive hurricane was blowing full force, might well be disastrous. To anticipate a later paragraph, it is significant that one of the powers demanded for the Central Organisations among the reforms adopted in the 1960s was that of intervening in the appointment of leading officials and demanding the dismissal of those found unsatisfactory. This is scarcely surprising, since it was to the central federations that societies turned for help when they got into difficulties. How far were the central bodies capable of saving societies from foundering, in addition to fulfilling their normal functions? There were limits, which were ultimately reached.

(b) Central Organisations

The administrative organs of the Central Union of Consumers' Co-operatives and the Wholesale Society G.E.G., notwithstanding that the one was registered as a civil association and the other as a company with limited liability, were similar in pattern to one another and to those of Consumers' Co-operatives: that is to say, they consisted of an elected or appointed board for day-to-day management and an elected council representative of the member societies. Not surprisingly, the similarity also extended to the problems of choosing the right types of person to fill these offices and by "right" types is meant the best men and women available who combined a sound understanding of the nature of Co-operation with administrative ability, economic knowledge and technical skill in business. Individually and collectively such persons must also be capable of exercising leadership in both thought and action within the framework of a Co-operative's democratic constitution. In Co-operative Movements which are double-headed, in the sense that they possess two central federations, one for education and representation, the other for commerce and production, members of the federal administrative organs need an extra endowment of Co-operative spirit, since it is their duty to collaborate not only with the members of their own board or committee but also with the corresponding organs of the other federation. When the constitutions of the two West German federations were drawn up in 1948 it was wisely provided that their boards should be interlocked, in the sense that representatives of each should be co-opted to the other's board. In 1951, when the Chairmanship of the Central Union's Board became vacant, it was further agreed that Gustav Dahrendorf, the Chairman of the G.E.G. Board, should also preside over the Board of the Central Union. This was not simply a tribute to Dahrendorf's outstanding personal qualities. It was the best possible way of avoiding those tensions between ideal and material considerations which are liable to arise in double-headed Co-operative Movements. Dahrendorf was perhaps the one available man capable of harmonising the attitudes and the policy-concepts of the Central Union and the G.E.G. His untimely death in 1954 was an unmitigated calamity, for there was no one to replace him as a leader and as a link between the two organisations.

Separation and a certain rivalry in prestige prevented them from exercising the authority necessary effectively to unite the Movement for the practical solution of the problems posed by the social market economy - an authority which could only be theirs when they were unanimous and acting in concert. Representing the German Consumers' Movement in the Central Committee of the I.C.A. and its Auxiliary Committees on wholesale and retail trade, the leaders of both federations were made aware that their colleagues holding equivalent positions in Central, Northern and Western European countries were all engaged in a similar struggle to keep pace with the distributive revolution. The measures they were adopting were all designed to consolidate their Movements' strength by concentrating their resources and rationalising their organisation and operations, so as to be able to command economies of scale. The equivalent could only be done in Germany if there were sufficient authority at the centre to unite the societies in the acceptance of a common discipline and code of practice that met the demands of the times. So long as there were two differing authorities at the centre the "wild" men, the semi-autocrats and oligarchs managing the primary societies, subject to very inadequate criticism by their own members from within and ignoring the advice and warnings of the federations from without, as well as the "tame" men, lacking in initiative and energy, would continue trying to extend their little kingdoms on inadequate financial resources, until the inevitable crisis heralded a take-over as the alternative to collapse. Between 1961 and 1967 the total number of Consumers' Co-operatives declined by over one quarter (by 78 from 257) mostly through amalgamations made from weakness rather than strength, not according to any well thought out plan of regionalisation or rationalisation.

(c) The Necessity of Rationalisation

The Consumers' Co-operatives whose managements really kept up with the times, to say nothing of anticipating further developments in distribution, were relatively few. The great Hamburg society "Produktion" first experimented with self-service as early as 1948 without being entirely convinced of its importance, for it was simultaneously trying out "quick service" by mobilising additional sales staff and other methods in large grocery shops at rush hours. Generally speaking the Consumers' Co-operatives were slower than their competitors to grasp the meaning and scope of the changes taking place and, in particular, the fact that self-service was not simply a technical innovation but the spearhead of an entirely new distributive system involving consequential changes of policy, organisation and methods that reached back from the retail selling-point through warehousing to the production not of finished articles only but even of raw materials. Merely to convert the traditional type of grocery and provision store to self-service achieved little or nothing. It was no doubt difficult for the older managers who had survived the Nazi epoch to adapt their outlook and methods to the changed circumstances. They had to bridge over two generation gaps - one among their members and customers who included increasing numbers of young married people without Co-operative traditions who took some pride in being up to date, and the other among their subordinates who instinctively preferred the new systems. In addition, the revolution in passenger transport created problems of shop location. The properties restored to the Co-operatives after the war included many shop-networks which were "home-oriented", i.e., shops were established where members could reach them easily on foot or by tram. But these tended more and more to be by-passed by members shopping by car, after Volkswagen, Opel and other automobile manufacturers had gone over fully to peacetime production. Again, there was the packaging revolution. After self-service was introduced, the branded products manufactured by or for the G.E.G., with no salesman or woman at hand to point out their merits, were too often the ones left by purchasers on the shelves, creating problems for the Wholesale Society of packaging, advertising and finance.

Undoubtedly the fact that by 1961 the Consumers' Co-operatives had conquered 11 per cent of the foodstuffs market of the Federal Republic testifies to the gallant efforts made in the 1950s to bring them into the main stream of technical progress. Unfortunately, in the 1960s the pace of competition grew hotter and the Movement, instead of continuing to overtake began to slip back in the race. Short of drastic re-structuring, they had gone as far as they could go. In their anxiety to enlarge their share of the market Co-operators made mistakes which had serious financial consequences. The societies were in constant danger of being trapped between the blades of the price-cost shears, of which the upper blade was the continuous downward pressure exerted by competition on prices and profit margins and the lower the irresistible rise in costs, especially wages, attendant on full employment. An essential feature of the expansion of trading volume was the broadening of the goods assortment offered by Co-operative shops. The overwhelmingly greater part of the trade of Co-operative shops consisted in the sale of the traditionally staple food products on which the margins of profit were lowest. The private supermarkets, in order to benefit by higher profit-margins, carried various lines of luxury foods and non-food articles. For the same reason and also in order to retain their customers, who looked increasingly for these articles as their standards of living rose, the Co-operatives were obliged to follow suit. Under such pressures - and also perhaps because managers' salary scales bore a direct relation to turnovers - the temptation was strong to open new shops and keep open old shops which it would have been safer to close down, for the sake of higher aggregate turnover, regardless of the possibility that that might have been achieved or maintained at too high a cost, for example, in interest charges on borrowed capital invested.

(d) Finance and Banking

For reasons indicated earlier, most of the Consumers' Co-operatives began business after the war and continued for years without adequate resources in the form of owned capital - shares, reserves and values written down or off - and were dependent more than was really sound on trade credits and bank credits, the interest on which would be a heavy overhead cost. Before the Nazi era the G.E.G. had operated a banking department and the primary societies had been able to use it for the deposit of savings, surplus to their own capital requirements, collected from their members. The Nazis deprived them of all these possibilities, which have never been restored.

Henry Everling, who came out of retirement in 1945 to head the provisional board of the Wholesale Society, held a firm belief in Co-operative and trade-union collaboration to promote what he called "Gemeinwirtschaft", i.e., collective or communal economic enterprise. The most notable example of this enterprise was the establishment of the two societies, Voksfürsorge (People's Provident) for life and industrial, and Eigenhilfe (Self Help) for property insurance. The shares in these societies were held exclusively by trade unions and Co-operatives. Everling's idea was that after the war the two Movements should establish a joint banking institution. The idea could not be carried out immediately because it ran counter to the de-cartellisation policy of the Occupying Powers and it had to wait for its realisation until it could be established under the laws of the Federal Republic. Meanwhile regional banks were unobjectionable, so five such Banks for Collective Economy were set up, their capital being subscribed in equal amounts by the Trade Union and Co-operative Movements. These were the Co-operatives' principal bankers until they could be amalgamated in 1958 to form the Bank für Gemeinwirtschaft which is today one of the most powerful in the Western German economy. In its foundation capital Co-operative participation was reduced to a 25 per cent holding by the G.E.G.

Since the Bank für Gemeinwirtschaft was destined to play a major role in the affairs of the Consumers' Co-operative Movement in the 1960s and 1970s, it is essential to take note of the ideas which inspired and still inspire its policy and operations. In 1958 the Bank appointed to its Board (Vorstand) Walter Hesselbach, a man of varied banking experience and socialistic political views, who became the Chairman in 1961. Like Henry Everling, he was an advocate of Gemeinwirtschaft but understood the term in a different and broader sense. He claimed to have discovered a form of enterprise which made it possible "to pursue altruistic aims by entrepreneurial means, even in modern economic life". More concretely, he included under his definition enterprises like the Neue Heimat (New Home) housing organisation of the trade unions, the "Volksfürsorge" insurance society and the Consumers' Co-operatives, along with their federal organisations. Hesselbach's views have been expounded by himself and colleagues in a number of lectures and brochures which have been published in several languages and widely circulated by the Bank. There thus exists a body of theory which explains and determines the Bank's manner of handling Co-operative affairs.

What Hesselbach's translators describe as a "commonweal" enterprise, in order to distinguish it from municipal, nationalised and other enterprises usually included in the public sector of the economy, is in law

> "a capital company, in most cases a joint-stock company or a society with limited responsibility (liability). The board of directors (Aufsichtsrat) is nominated by shareholders: therefore it consists of presidents of trade unions or of members of boards of directors of consumers' societies. The management and the staff are recruited from experts belonging to the respective branch ...
>
> "Commonweal enterprises are not concerns catering exclusively for trade union members or for members of Consumers' Co-operative societies. On the contrary, they are offering their goods and services to everybody ... Commonweal enterprises aim at the consumer in general and they are trying to regulate prices in the entire market. At the same time, they are pursuing entrepreneurial aims in the general interest. In this way they represent something new, by comparison with all other types of enterprises of the workers' movement which existed before."

In another passage Hesselbach describes the purpose of the Bank as "not to procure advantages for a few individuals", but "to influence the entire credit market in a positive way. We shall only reach our aim fully whenever all other firms imitate our conditions." This statement carries with it the corollary that in a distributive system becoming increasingly capital-intensive, instead of labour-intensive, the "commonweal" is a superior type of organisation to the Co-operative.

(e) Reform

From 1960 onwards the necessity of drastic changes in the organisation of the Consumers' Co-operative Movement, to enable it to fulfil its basic task of procuring tangible economic benefits for its members, became increasingly recognised. The German Consumers' Co-operative Movement clearly had to join those others in Western Europe which, in conformity with the resolutions of I.C.A. Congresses, were engaged in adapting their structures and operations to the new competitive conditions while maintaining their fundamental Co-operative character. The great need was as soon as possible to bring the laggard societies into line with the foremost and the ultimate aim on the retail level was to consolidate them into regional units capable of realising the most advanced marketing concepts and thereby presenting a more uniform and attractive image to the public. Behind the retail front it was imperative to readjust relations between the primary societies and the central federations, notably by rationalising overlapping functions, such as warehousing, and vesting in the central bodies certain over-riding powers in the formulation and application of business policy.

The Congress of 1963 accordingly authorised the setting up of a Reform Commission. The Commission was constituted in 1964 under the chairmanship of one of the Movement's best academic friends, the late Professor Dr. W. M. Kirsch of Marburg University. The other members were the chairmen of the Boards of the Central Union, and the Wholesale Society G.E.G., together with the chairman of the Supervisory Council of the Union who was also chairman of the Board (Vorstand) of the Dortmund retail society, the second largest, and a representative of the regional auditing unions. The Commission reported to a special Congress held in Hamburg in the spring of 1967, when its recommendations were adopted. The next ordinary Congress, which met at Bonn two months later, approved the constitution of a new central organisation which should be the supreme policy-making and, as far as might be, policy-enforcing authority. It was entitled the Bund deutscher Konsumgenossenschaften

(Confederation of German Consumers' Co-operatives) replacing the former Zentralverband deutscher Konsumgenossenschaften.

The Bund was registered as a company with limited liability. It was managed by an appointed Board (Vorstand) of which Oswald Paulig was chairman. Herr Paulig was a former employee of the G.E.G., had had some Co-operative experience in Sweden, and was at the time of his appointment director of the Hamburg Housing Finance Bank and leader of the Socialist fraction of the Hamburg City Council with the prospect of becoming First Burgomaster. The highest elected authority was the Beirat (Advisory Council) consisting of prominent members of affiliated societies. The change of title from "Verband" to "Bund" corresponded to the underlying concept of a closely-knit, firmly disciplined organisation (in contrast to a somewhat loosely organised union of autonomous Co-operatives) expressed by the German term "Verbund" for which no precise equivalent exists in English. The constitution of the Bund made it obligatory for all its member societies to conform to the policy directives laid down by its governing bodies and gave the latter rights of intervention necessary to ensure that the policies were carried out. One of the chief of these was the right of the Board to be consulted on the appointment of leading officials of the member societies, to withhold approval of candidates selected, to intervene and demand the dismissal of a manager whose society or department was showing unsatisfactory results. The Bund also had rights of consultation on societies' investments involving large sums of capital. With the dissolution of the Zentralverband there was established a national auditing union, absorbing all the former regional unions, the Revisionsverband which, in addition to carrying out the annual statutory audits of societies' accounts, fulfilled important advisory functions in the spheres of accounting, finance and commercial law.

The relations of the Bund and the Wholesale Society G.E.G. were re-defined so as to make clear the over-riding authority of the Bund on questions of broad policy while allowing the G.E.G. the requisite freedom of decision and action in its business operations. The company constitution of the G.E.G. with its Gerchaftsleitung (Board) and Aufsichtsrat (Supervisory Council) was left unchanged except in two respects: all the voting power of the shareholding Co-operatives was transferred to the Bund, to be exercised on their behalf; only members of the Bund's Advisory Council (Beirat) were eligible for election to the Supervisory Council of the G.E.G. Alfred Bussmann, chairman of the Vorstand of the Dortmund society, formerly chairman of the Supervisory Council of the dissolved Zentralverband, was elected chairman of both Beirat (Bund) and Aufsichtsrat (G.E.G.). In the shareholders' meeting of the Bund the G.E.G. held 10 per cent of the voting power.

The constitution of the Bund represented a considerable step in the direction of consolidation. Carl Schumacher, retiring chairman of the Zentralverband Board, ended his address to the Bonn Congress with the word "Kooperation", at that time coming into use in the German language to signify "co-operation" in its broader sense of "working together". This idea, he declared, should animate the Bund. However, neither the idea nor the Bund produced any electrifying effect on the behaviour of the Movement as a whole. True, the will to unity found expression in 1969 in the adoption of the logo "Co op" as the uniform symbol of the Movement. In this it came into line with the Danish, the Dutch and the Swiss Movements. The reality behind the symbol was much less impressive. The targets indicated from time to time in the speeches of Herr Paulig for the amalgamation of the smaller societies were not being reached. The ultimate aim was stated to be 20 regional societies, their boundaries drawn according to business and economic geographical considerations, but by March 1971 there were still 131 separate societies and those fusions carried out in the 1960s had not followed any strictly regional plan. Reluctance to negotiate was not all on the side of the smaller Co-operatives.

The managements of some of the larger took up the attitude that, while they might be moved by solidarity to take over a weaker neighbour, they were not willing to do so at the behest of a central authority.

A division between the stronger and weaker societies seemed to be appearing, similar to that which existed in the Netherlands and which led in the end to the collapse of the national Consumers' Co-operative Movement. In Holland some progress had been made towards realising the concept of "Co-op Nederland", but an important obstacle to its achievement had always been the long-standing reluctance of the more successful societies to accept the direction of the central federation, to which they left the task of rescuing Co-operatives in difficulties and sometimes taking them under its own management. The central federation finally broke down under the burden and the receiver who took over its affairs disposed of its productive undertakings to a voluntary chain and the shops of the weak societies to a competing multiple concern. The "rump" of viable Co-operatives formed an association based on Utrecht instead of Rotterdam. The disastrous situation of the Dutch Movement became known internationally too late for any effective action to be taken by I.C.A., Eurocoop or strong Movements like the Scandinavian to save it.

Returning to Germany, the Movement after "reform" showed little sign of possessing the cohesion or the striking power required to make up the leeway which separated it from its competitors. The aggregate membership slipped down year by year towards and then below the 2 million mark. A venture into mail order trade started encouragingly. An annual turnover of DM 100 million was built up. Preparations were made for further development by establishing a big central textiles and durable goods warehouse at Kamen in East Westphalia, representing an investment of DM 30 million. But from the first the retail societies insisted on participation and restricted the trade to their own members and customers. A great part of the field was therefore left open to the private mail-order concerns whose turnover expanded to thousands of millions of D.Marks and effectively occupied the field in which the G.E.G. desired to expand. Characteristic Co-operative features tended to disappear. The dividend on purchases system was abandoned by society after society in favour of discount or net-price systems. Differences in privileges between members and mere customers ceased to be significant. The very notion of a Consumers' Co-operative Movement went out of fashion. The tendency became more and more pronounced to speak and write of "Die Coop Gruppe", i.e., the Co-op group of enterprises, after the manner of capitalist conglomerates. Along with this went a stronger inclination to look with favour on the advantages of the company form of organisation among which was the possibility of central organisations exercising control over primary Co-operatives through the ownership of a majority of the latter's shares. As hopes of an amendment of the Co-operative Law, sponsored by the Coalition Government headed by Chancellor Willy Brandt, removing the long-standing disabilities of the Consumers' Societies, remained unfulfilled, it became more and more likely that the next crisis would bring transformation into company legal form much nearer.

III. TRANSFORMATION: THE SECOND RECONSTRUCTION

The shadow of things to come was clearly visible at the Bund's third congress which met at Berlin in 1970. The agenda included an address by Alexander Möller, Federal Finance Minister, in the course of which he declared that the legal form of a collective (gemeinwirtschaftlich) undertaking was no more than a garment which could be put on or off according to the prevailing circumstances without changing its fundamental character. The congress adopted a resolution which embodied no decision on the main question of conversion to company form but requested the Board of the Bund to submit concrete proposals for consideration at a special congress. The first proposals put forward in 1971 were not accepted by the special congress held at Oberhausen, but the regular congress, meeting at Munich in June 1972, registered fundamental agreement upon the need for structural reform to continue.

A special congress in December of the same year adopted concrete measures, the chief of which was the conversion of the G.E.G. into the Coop Zentrale Aktiengesellschaft which displaced the Bund as the central authority of the Co-op Group. The Bund remained in existence as a convenient instrument for purposes of representation and the maintenance of external contacts, e.g., with the ICA. Any suggestion of carrying conversion further down to the retail level met with stubborn resistance, especially from the larger and stronger Consumers' Co-operatives of the northern regions. But even some of these encountered cash-flow difficulties as the rate of price inflation accelerated, accompanied by increasing unemployment due to a slackening of economic growth, in 1973 and 1974. The situation of the Coop Zentrale A.G. was also deteriorating because of its high management costs, the difficulties of some of the productive enterprises, its rigid administrative system, and the burden of the weak societies it was already carrying. The business results of 1973 revealed a critical situation which threatened to become catastrophic and the Bank für Gemeinwirtschaft, involved with the Consumer Co-operatives to the extent of DM.500 million, took action early in 1974.

(a) The Bank in Control

The discussion of the next change of structure occupied most of the year 1974. The original draft envisaged reconstruction almost entirely on joint-stock company lines. That is, the Coop Zentrale A.G. would become a holding company in which the Bank für Gemeinwirtschaft and the Co-operative Central Organisation would participate on a 50-50 basis. Besides the Bund and the Revisionsverband, the Swedish Wholesale KF and the Danish Wholesale FDB would also be shareholders. Under the control of the holding company through its ownership of 50 per cent of the capital would be three big companies, covering between them the territory of the Federal Republic and consisting of all the Consumers' Co-operative undertakings in their respective areas. The former members of the Co-operatives absorbed could become shareholders in one of these companies, but the effective control would be in the hands of the Bank. The plan finally adopted at a Special Congress in November 1974 was more complex, but more Co-operative, and allowed for a less drastic, more gradual process of integration which, however, fell somewhat short of the "Verbund" concept. The basic components of the Group would be: first, legally registered Co-operatives which were still financially stable and commercially viable; second, joint-stock companies, formed from Co-operatives whose members would own the shares; third, consumers' companies controlled by the Coop holding company, with individuals holding altogether less than 50 per cent of the share capital; fourth, retail subsidiary enterprises of the Central Wholesale. The former G.E.G. would become controlled jointly by the holding company and the Bank für Gemeinwirtschaft. Its title would be changed to Coop Handels- und Produktions-Aktiengesellschaft (Co-op Trade and Production Company), its Board reconstituted, its administration streamlined and its manufacturing and service enterprises grouped under legally separate companies in which the Wholesale held the share capital.

Even before the formal adoption of the plan many of its features had already become fact. The pace of change was forced by the more rapid deterioration in the financial situation, not merely of weak but of apparently solid and prosperous societies, as well as an alarming loss of confidence amongst the membership, the employees, and traders from whom the societies drew supplies. The Co-op Group was the second largest retail distributive concern in the Federal Republic, the largest being the "Edeka" chain, a Co-operative organisation of private retailers, and the third largest the "Karstadt" emporium concern. Both the latter, despite the recession, were still profitable. The Co-op Group, despite its aggregate turnover of DM.7,220 million, had been in the red by DM.40 million in 1973 and would be in by twice as much in 1974. Its aggregate debt to the Bank of DM.500 million would not have been abnormal for its aggregate turnover, but the rapidity of the decline demanded instant intervention to avoid a disaster like the Dutch, but on a much larger scale, which would have damaged the image of Consumers' Co-operation throughout Europe. Through its Coop Holding A.G. the Bank came to the rescue of the largest Co-operatives in difficulty by enabling the Coop Zentrale A.G. to acquire a majority interest in them, a process which was continued as more and more of them adopted the company form. As it also, by the same means, took control of the wholesale organisation, it quickly embarked upon a slimming and co-ordinating operation on both wholesale and retail levels which began to reduce the rate of loss for 1974 and held out the prospect of gains in 1975. Among the measures taken was the transfer of the headquarters of Coop Zentrale A.G. from Hamburg to Frankfort-on-Main. The significance of this move could not be lost upon those who had been habituated for generations to look up to Hamburg as the home of Consumers' Co-operation.

The generalissimo of all these operations and presumably the author of the plan of campaign was Horst van Heukelum, a member of the Board of the Bank für Gemeinwirtschaft. He became chairman of the Board of the Coop Zentrale A.G. which consisted of three members. The two others were Christian Metzen who came from the Essen-Duisburg amalgamated Co-operative and Bernd Otto from the trade union movement. The Supervisory Council of Coop Zentrale A.G. which held its first full meeting in February 1976 included two employee representatives. Its chairman was another member of the Board of the Bank für Gemeinwirtschaft, Werner Schulz. Its two vice-chairmen were Oswald Paulig, President of the Bund and now also of the Revisionsverband, and Günter Döding, a trade union official and employee representative. Other members of the Council were Ebbe Groes, President of the Danish Wholesale Society, FDB, and Fritz Baumann, also a trade union official and employee representative. "Co-operative" participation is thus recognised by representation on both governing organs, but rather less than proportionally to its capital holding.

The capital of the Coop Zentrale A.G. is composed as follows:-

	D.Marks	
Bund deutscher Konsumgenossenschaften	50	million
Reteiligungsgesellschaft für Gemeinwirtschaft	25	"
Revisionsverband	15	"
Kooperativa Forbundet (Sweden)	5	"
Faellesforening (Denmark)	5	"

The Reteiligungsgesellschaft is a holding company created by the German Confederation of Trade Unions (Deutscher Gewerkschaftsbund) for the administration of all trade union participations in collective ("commonweal") undertakings.

(b) Financial and Commercial Strategy

The strategy for recovery of the new controllers of the Co-op Group has been outlined in articles appearing in its press organ, "Der Verbraucher", and can be illustrated by quotations from them. In an article published immediately after the formation of the present Coop Zentrale A.G., Horst van Heukelum pointed out that the Group in its new constitution not only possessed the advantage of the experience of collaboration previously acquired by its members, but also advantages conferred by its tighter organisation and centralised direction: uniformity of practice at the level of the best, a wider spreading and better balancing of risks and an internal information system which, he claimed, would make its structure and operations easily and quickly intelligible to all concerned. In all his statements van Heukelum draws a clear distinction between emergency measures to prevent collapse and policies designed to bring and keep the Group abreast of its competitors. In the same article he touched on one of the chief financial problems, the dependence of continued rationalisation of organisation and methods on adequate investment capital. Some undertakings, he declared, were to be consolidated, not because they were weak, but because they had overstrained themselves. They had constructed efficient enterprises at considerable expense against the background of chronically weak balance-sheets and had now run out of steam - not through carelessness, but because of market necessities which drove them beyond the limits of their financial possibilities as Co-operatives. The strengthening of the balance-sheets of these enterprises was an emergency operation. After these weaknesses had been overcome these enterprises would expand into the desired profitability. Naturally, emergency help was not enough. What was decisive was long-period financing for persistent efforts at rationalisation. All the Co-operatives which were today, through forming larger units and changing their legal form, establishing conditions for adhesion to the Group might assume that the financing of their investments, when the market will support them, was assured.

Under the heading "Group Marketing" Christian Metzen expounded in "Der Verbraucher" the basic marketing concepts of the Coop Zentrale A.G., which its experts are engaged in working out with other qualified persons from the Group. They envisage three types of retail unit. The first is a Co-op supermarket, further developed and tuned up, with an assortment aimed at price-conscious customers. The second, which the writer calls "depot", is a discount or consumers' market offering specially low prices. The third is the "plaza" type of self-service department store offering good value for money. These three, because of their differences of style, can serve different segments of the market, exist side by side in the same catchment area and cover two-thirds of the demand for food products. The Co-op Group will deliberately disregard the rest of the demand in order to concentrate on these three types. Complementary to this will be the introduction of "system brands", that is, a few selected articles which serve as visible tokens of the Group's efficiency, drawing attention not so much to the product as to the Group's performance as a distributive system. Store types and system brands are to form the basis of supra-regional campaigns to bring to the notice of the employees and the public the revival of the Group, a method already successfully adopted by "Edeka" and other groups. Beyond such action lies the field of improvement in planning and management and improved communications, leading to enhanced productivity and renewed attachment of consumers to the Group.

(c) Early Results

Reports published in "Der Verbraucher" in the first months of 1976 on the year's trading and the progress made with reconstruction in 1975 encourage a certain degree of optimism. The year brought what some observers regard as the most serious trade recession since the foundation of the Federal Republic. Private consumption rose by 8.4 per cent in money, only 2.3 per cent in real terms. The retail turnover of the Co-op Group rose by 9.5 per cent to a total of DM.8,630 million, compared with an average increase of 8.9 per cent for retail trade as a whole. That carries with it a slight gain in the Group's share, now estimated at 8.4 per cent of the food-stuffs market. Some two-thirds of the turnover is accounted for by the 11 largest regional enterprises, which have an annual trade ranging from DM.304 million (Bremen) up to DM.760 million (Saar and S.W. Germany). Simultaneously with a decline in the total number of shops - 279 closed against 146 new openings - the total floor area increased by 87,000 sq. metres or 6.3 per cent. For the current year a general increase in turnover of about 9 per cent under somewhat easier business conditions is expected. So far as results are concerned, there was a perceptible improvement in the Group's position. In contrast to the preceding year, 1975 was expected to show a small overall surplus, for enterprises not showing a profit have been able to reduce their losses. The Co-op Group's share of the total retail trade is still barely 3 per cent.

Writing in "Der Verbraucher", on 15th February 1976 under the caption "The Group grows together", Horst van Heukelum stated that in the last year a significant part of the Group's potential - expressed regionally in command of market, management knowledge and skill, importance of turnover, distributive and productive capacity - had by contract and decision been united under the aegis of the Coop Zentrale A.G. The regional units which are already co-operating within its framework are Southern Bavaria, Swabia, Rhine-Main, North Rhine (which includes Rhineland, Essen-Duisburg and Emsland) and Bremen. Medium sized societies within the areas of operation of these big enterprises are also joining them.

(d) An Exception

In order to support the assertion previously made, that if the standard of management and Co-operative insight of the best Consumers' Co-operatives had been general throughout the Movement, its recent history would have been very different, some notes are given here on an outstanding society for which detailed information is available.

The Dortmund Society has already been mentioned as one which held its series of local members' meetings within a few weeks of beginning to trade under its own name in 1947. It was then the largest in membership in the British Occupation Zone but was later overtaken and passed by "Produktion" of Hamburg. Among the 11 regional units mentioned in the preceding section Dortmund stands fourth with a turnover of DM.695 million. The Dortmund Society serves an industrial district in the Ruhr valley and Westphalia. In 1974 its membership rose by 11,430 to a total of 267,856 families, a figure which should be multiplied by at least three to give the number of persons served. The society claims that every fourth family in its area is in membership with it. In addition to crediting members with dividend on purchases at the rate of 2.7 per cent, totalling DM.12.9 million, it raised its own capital by DM.2.3 million to the figure of DM.42.3 million, which includes reserves. During the year the society opened eleven new shops, including a self-service department store, closed 14, increased its selling space by 87.200 sq. metres and raised the average turnover per shop by 10 per cent.

Dortmund Society has so far declined to abandon the Co-operative form of constitution. In a press interview in 1975 the Chairman of the Board, Alfred Bussmann, declared:

> "The society's policy is guided by the Co-operative examples set by Austria, Sweden and also France. The convincing practicability of Consumers' Co-operative action depends on being successful in day-to-day business. At the same time the principles of an association of persons must be successfully applied through appropriate organisation, information and motivation. Communication with the membership is nowhere near achievable in any other juristic form. Besides this we pursue collaboration with the Coop Zentrale A.G. so far as our juristic form makes it possible."

IV. EVALUATION

(a) Survival : an even chance

After approximately two years it would appear that the components of the Co-op Group have been pulled back from the brink of financial catastrophe and are now facing in a direction along which they can advance to greater profitability, more satisfactory financing, with a better ratio of owned (shares and reserves) to borrowed capital, and a clientele more firmly attached by a higher level of performance and better prospects of sharing in the resultant earnings and growth of the retail enterprises. This change for the better could not have been achieved without using some of the Group's open and hidden reserves, closing down unremunerative shops and plants and reducing personnel. Beyond this, as Horst van Heukelum has more than once pointed out, the Group has reserves of knowledge and experience which can be exploited more effectively by enhanced unity and uniformity. Cohesion would both facilitate and reward the planning of large-scale, supra-regional operations, whether in business organisation or in publicity and public relations, besides ensuring the minimum of loss or damage in periods of trade recession. Thus the Co-op Group is still in business, with an even chance of making headway once more against the ruthless competition of massive capitalistic conglomerates which shows no sign of abating within any time foreseeable for the present. Moreover, both van Heukelum and Alfred Bussmann, whatever their differences of view, are in agreement that success in daily business is the necessary pre-condition of the fulfilment by the Group or any other Consumers' Co-operative organisation of tasks beyond the economic in the fields of public enlightenment or social welfare.

(b) The Co-operative Balance Sheet

Assuming that the Group's financial balance-sheet will soon be, if it is not already, rectified, what of the Co-operative balance-sheet? It was Dr. Georges Fauquet who pointed out that a Co-operative is the union of an association of persons with a business enterprise, and it is a growing practice among the workers' Co-operative productive societies of France to present to their members a Co-operative as well as a monetary balance-sheet, meaning by that a report on their society's successes or defeats in the application of Co-operative principles and the realisation of Co-operative social aims. This might well become a general practice throughout the International Co-operative Movement and suggests a method by which a later study may attempt to estimate whether the Co-operative character of the Group and the justice of its claim to the title "Co-op" have been impaired by its reconstruction on the lines described in this paper. To what extent does the adoption of a company legal constitution involve sacrifice of Co-operative principles? This is no purely academic question. It has important and immediate practical bearings upon the Group's future evolution, its relations with other elements of the Co-operative sector of the Western German economy and its participation in the International Co-operative Alliance, the "Inter-coop" wholesale organisation and other international Co-operative institutions.

Horst van Heukelum was quoted by the German weekly review, "Der Spiegel", of 1st July 1974 as saying that the Consumers' Co-operative was "a beautiful old idea from the last century" which was "no longer compatible" with "the market conditions of today". At best this statement reads like a rather hasty generalisation based on contemporary German conditions. It is directly contradicted, not merely by such examples as the Dortmund Consumers' Co-operative, but also by the Austrian, the Swedish and the Finnish Consumers' Co-operatives, which are the leaders of their countries' distributive systems, to say nothing of the Swiss "Migros" which after years as a multiple shop form altered its constitution so as to qualify for registration as a Co-operative under Swiss law (but not for membership of the International Co-operative Alliance) and has not revoked that decision after over thirty years' experience. The regular Swiss Consumers' Co-operative Movement is second in magnitude only to "Migros". It is only fair to say, however, that Horst van Heukelum's recent observations suggest that closer contact with Co-operators and Co-operatives in the last two years has given him a truer appreciation of the Co-operative idea. But it is equally fair to look at the constitution and practice of the Group from the standpoint of Co-operative principles as they stand formulated today in the rules of the International Co-operative Alliance.

(i) Shareholding and Democracy

A thorough examination must wait until it is possible to study the articles of association of some of the new companies, but certain critical points can be indicated at this stage. It will be necessary first of all to look at the conditions under which consumers can become or cease to be shareholders in the new consumers' joint-stock companies - not that they are likely to involve any of the social, political or religious discriminations which are eschewed by all genuine Co-operatives. More fundamentally, however, the Co-operative conception of membership, its rights and responsibilities, is different from that of ordinary shareholding which is essentially a "cash nexus". There is a greater difference when democracy comes in question. Co-operative principles allow of very few exceptions to the rule of one member, one vote. The normal usage in companies is to make voting power proportional to shareholding. This system permits a small group to determine the policy of a company or even to limit the power of the whole body of individual shareholders to something less than the power of an external organisation over a given enterprise. In such a case there is participation, but no democracy. Co-operative unions and federations are not normally bound to the principle of one member, one vote, but for that very reason, adopt rules which safeguard the whole body of members from being over-ridden by a minority group.

(ii) Distribution of Profit

When it comes to money, Co-operative principle and practice limit the rate of interest paid on share capital to a figure closely aligned with the long-term market rate, seeking to eliminate any element of profit. Profit is, of course, dealt with by other rules, accordingly as it is used for common purposes or distributed among the members in proportion to their transactions with their society. As has been shown, the difficulties imposed by German legislation on the observance of these rules by Consumers' Co-operatives, unlike that of most other "mixed economy" countries, have played an important role as motives for the Co-operatives' adoption of the company form. But when, for example, it is claimed that one of the objects of the transformation is "participation of the members in the profit and economic growth of the enterprise", the questions arise: how will that be done when the members are simply shareholders, and how far will the methods satisfy the principle of equity which Co-operators attempt to apply in practice?

(iii) Education and Co-operative Collaboration

Again, with regard to education, the question arises: for what kind of education, apart from staff training and some consumer enlightenment, will the new companies make themselves responsible, and what role will Co-operation play in that? And with regard to co-operation among Co-operative organisations, to what extent will the dependence of the Co-op Group on the support of the trade union movement present obstacles to its collaboration with other forms of Co-operation?

(iv) An Association of People

All the above points are of great practical importance for the realisation of the Co-operative idea but of less significance for the Co-operative balance-sheet than the observance of certain underlying values, of which the principal is solidarity, from which Co-operation originates and for which it exists. If we try to construct a Co-operative balance-sheet for the German Consumers' Co-operative Movement after its revival in 1946 we are compelled to admit that, just as it was deficient in own capital as a business, it was deficient in solidarity as an association of people. Knowing what material and moral injuries had been inflicted upon it by the Hitlerite regime, we could hardly expect anything else. Despite the devoted labours of the older leaders who guided its revival, it had not been working long enough to develop a normal degree of solidarity before the tempest of the distributive revolution broke upon it. For if solidarity is to be permanent it must grow within an association through an educational process based on working together. If collaboration is imposed from without it falls to pieces when the external pressure is removed. The reason for the failure of the earlier attempts to promote solidarity from the top through the Bund deutscher Konsumgenossenschaften is precisely that solidarity must germinate and grow up from the grass-roots with the increasing understanding by the Co-operative membership and their leaders of the fundamental Co-operative values. It was because the solidarity of the Co-operative Movement was not strong - or strong enough - that the Co-operative business system could not save itself and could only be rescued by outside help.

No one but can recognise that it was a good thing for the commercial and industrial fabric of the Consumers' Co-operative Movement to be saved from collapse. It forms part of the patrimony of the German people for which their fathers and grandfathers toiled and saved and spent their leisure. If it still exists for the present and future generations to improve and develop, thanks are due to the trade union movement and its Bank für Gemeinwirtschaft and the latter's belief in and support of "commonweal" economy. As Horst van Heukelum might say, the solidarity of the trade union movement came in to make good the lack of Co-operative solidarity, in the form no doubt of friendly but firm pressure when action became urgent. As "Der Spiegel" reports him as saying: "Economic compulsion speeds things up." Very probably solidarity of a kind will develop within the Co-op Group as its structure takes shape and all the human elements concerned become habituated to working together, which is what the German term "Kooperation" denotes. In the speeches of Hesselbach, Paulig and van Heukelum an indication is discernible to couple Co-operative and "commonweal" by hyphen, but whether genossenschaftlich-gemeinwirtschaftlich or gemeinwirtschaftlich-genossenschaftlich is correct only the speakers can say. What is certain is that the two concepts, even if they overlap, are different. "Commonweal" seems to be essentially economic, even if it allows some room for social considerations. Co-operation, on the other hand, is essentially social but works through economic organisation. If we look back to its origins we can see clearly that the declared aim of the Rochdale Pioneers was social change - a new social order based on an appropriate economic system in which the two abstractions, producer and consumer, were combined in the person of a member of a community. The defence or promotion of consumers' interests under the existing economic system was just an incidental benefit on the way, not part of the ultimate purpose of association. Raiffeisen also, while intent upon rescuing the German peasantry from the clutches of the village usurer, was aiming at elevating rural society. Every genuine form of Co-operation is haunted by a vision of society as potentially a grand fraternity, the acme of solidarity realised in daily life. What Co-operators must wait with some anxiety to discover is whether the Co-op Group will develop beyond the stage of being an instrument for maximising the purchasing power of consumers' money incomes into an effective agency of social as well as economic change. If it does, there will be no reason to regard its latest phase as its last.