

Future Forms of British Co-operation

THE CO-OPERATIVE DEVELOPMENT AGENCY - A REASSESSMENT

by

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Economic stringency, like the hangman's noose, concentrates the mind. In the case of the proposed Co-operative Development Agency hard times have led to harder thinking than when the proposal was first put forward in the late sixties. The overwhelming emphasis then was on the consumer movement's need for capital resources. It was argued that the State should lend capital to the Co-operative Movement through a CDA as it did to private industry through the Industrial Reorganisation Corporation.

I. BACKGROUND

The concept of a Co-operative Development Agency which is now being studied by an official working party is in one sense much broader and in another sense less ambitious than that earlier concept. There are few today who expect the government to be able to lend sums like £100 million, which have sometimes been proposed, to enable consumer societies to develop their retail services in new towns and areas of housing development.

On the other hand current proposals take a much broader view of "co-operative development" and seek to overcome the British Movement's one-sided development. In other countries co-operative principles have been successfully applied in activities which have been grossly neglected in Britain - notably in housing, in worker-owned factories, in agriculture, and in the provision of credit.

It is now realised much more clearly than ten years ago that a Co-operative Development Agency should be as much concerned with these aspects of co-operation as with the forms of co-operative activity traditional in Britain. The potential of co-operative forms of organisation is being recognised increasingly as the limitations of private enterprise on the one hand and of nationalisation on the other come to be revealed.

Governments of different complexions have taken piecemeal action to help co-operative development in various fields. The Conservative government in its White Paper of 1963 and the subsequent Housing Act facilitated the establishment of co-ownership housing schemes, and recently a Co-operative Housing unit has been established within the Housing Corporation. The Labour government of 1967 set up the Central Council for Agricultural and Horticultural Co-operation to give State support to the growing farmers' Co-operative Movement. Under the Industry Act grants have recently been provided for a few workers' co-operatives, and there was all-Party support last year for the passing of the Common Ownership Act. Recently the government announced its intention to legislate on behalf of credit unions.

Thus there have been ample precedents in recent years for the encouragement by the government of co-operative enterprises in a variety of fields. What is now being examined is the possibility of moving forward from this piecemeal approach to a concerted programme of co-operative development under the leadership of a specially established agency.

Despite these precedents, however, there are some who still question whether the State can appropriately play a role in encouraging what must always be essentially a voluntary movement if it is to retain its character and inner strength. Such a view, however, ignores the many

examples in Britain of successful partnerships between the State and voluntary organisations without any real detriment to the principle of voluntarism. In the sphere of co-operation itself we have the example of agriculture where the Central Council for Agricultural and Horticultural Co-operation successfully administers a scheme of grants designed to aid co-operation in production and marketing.

The nation as a whole is faced with the fact that there are serious current problems in industry, commerce, housing and services for which co-operative solutions seem to be valid. Therefore society at large, and consequently the State, has an interest in applying co-operative principles to the solution of those problems. This process cannot await a slow development comparable with the first century and a half of co-operative development on a voluntary basis. Progress needs to be much more rapid. Resources need to be marshalled on a very different time scale than hitherto. Therefore what is required is a partnership between the State and the Co-operative Movement. The State can provide the basis on which voluntary activity can effectively grow.

II. THE CO-OPERATIVE SECTOR AS A THIRD ELEMENT IN THE MIXED ECONOMY

Whatever their ideologies may indicate, all political parties in Britain today accept, and are prepared to operate, a mixed economy. Since 1945 every government has administered, and has not proposed radically to change, an economy consisting partly of a nationalised sector and partly of a private enterprise sector. No Party proposes to denationalise such basic industries as fuel, power and the railways. At the same time no Party proposes to nationalise the whole of industry and commerce. The particular mix varies of course with the Party ideology, but it remains a basic feature of the British economy that

for the foreseeable future there will be both the nationalised and the private enterprise sectors.

There is, however, a third sector, at present small by comparison with the other two, but potentially of equal significance with them. This is the co-operative sector. It has certain features common to the other two sectors, but it is radically different from both.

The essence of the private enterprise sector is that capital is privately owned and enterprises are operated with a view to providing a return on capital satisfactory to shareholders. The essence of the nationalised sector is that enterprises are owned by the State and those who operate them should do so in a way satisfactory to the people as a whole as represented in Parliament and in the government.

The co-operative sector, which consists of a multiplicity of co-operative societies of various kinds, is constituted and motivated very differently from the other two sectors. It relegates to a secondary role the return on capital and on the other hand it does not rely to any major degree on State power. Its motivating force is not primarily individual financial gain, nor the authority derived from government; it is essentially the mobilisation of human resources, their organisation in accordance with democratic principles, and the return of the fruits of collective activity to those who made it possible in their capacity either as consumers or as producers.

With such motivation co-operatives are capable, in many areas of economic activity, of overcoming the weakness of private enterprise on the one hand and of State enterprises on the other. Unlike private enterprises, they can avoid both conflict between workers and owners and misdirection of resources into "unsocial" activities.

Unlike nationalised enterprises, they can avoid bureaucratic remoteness from the ordinary man and woman, and can respond to both consumer and producer needs.

III. PURPOSES OF A CO-OPERATIVE DEVELOPMENT AGENCY

For these reasons a Co-operative Movement encouraged to expand to its full potential has a most important contribution to make towards the solution of the nation's most pressing problems. It is the general purpose of the Co-operative Development Agency to provide the means for helping the Co-operative Movement to achieve that potential in order to make its maximum contribution to the social and economic viability of the nation. What are the main obstacles to that viability which a diverse and strengthened Co-operative Movement could help to surmount?

One of the most urgent and difficult is inflation. The role of consumer co-operative societies in this respect is potentially a valuable one, as indeed it has been throughout the years. There can be no doubt of the restraining influence which co-operatives have had on prices. The co-operative dividend is an important means of accumulating small savings which act as a curb on inflation. Dividend is also a formidable brake upon private traders who might otherwise raise prices unduly. Although dividends now represent a smaller return per £ of sales than formerly, they nevertheless ensure that any surplus over costs is returned, as a price rebate, to consumers. Moreover consumer ownership and control of the retail movement provides the best guarantee of "value for money" in an inflation-ridden economy.

Equally pressing are the allied problems of industrial democracy and increased productive efficiency, and here too the potential contribution of co-operatives is highly significant. The co-operative form of economic

democracy rests upon the full participation of the worker and/or consumer members in managerial decision-making which flows from the fact that co-operative enterprises are owned by them. By the same token it is the members who receive the surpluses (profits) of such enterprise and who therefore have a vital stake in maximising productivity.

Restrictive practices, slowdowns in production and industrial disputes stem from employees' dissatisfaction on the job and their fears of wage cuts and redundancy. The most effective way of increasing industrial efficiency is to offer workers job security, a large degree of self-government in their productive relationships, real participation in relevant decision-taking and a fair share of the fruits of their efforts.

British co-operative experience has been predominant in the creation of a consumers' democracy, but elsewhere in the world (for example in France, Italy, Spain, Asia and many parts of Latin America) there is abundant evidence of the value of worker partnership in the ownership and operation of factories. Moreover in recent years in Britain there has been a revival of interest in workers co-operatives, particularly where private enterprises are threatened with closure. In some cases the workers, faced with redundancy, have decided to take over the factories themselves and run them as co-operatives. It would be a major function of the Co-operative Development Agency to find ways of encouraging this development both in respect of existing enterprises and of expansion into new areas of co-operative activity

Neglected Services

Thirdly there is a range of problem areas arising in modern industrial society in which groups of people are finding themselves inadequately served because neith

private enterprise nor State enterprise finds it profitable to meet their requirements. Villagers need better bus services; old people cannot buy in bulk at supermarkets as more mobile young shoppers can; students have housing, travel and equipment needs but their buying capacities do not attract orthodox suppliers; disabled people have special needs beyond those which the State or private enterprise can suitably meet. Increasingly such people are asking if there is a co-operative answer to their problems.

They should not have to ask in vain, because the ways in which co-operative principles can be applied to the solution of human problems are very diverse indeed, and there is much practical evidence throughout the world of their versatility. However, as we have seen in Britain, co-operatives as developed so far have failed to make the most of this potential. The movement had developed great strength, but this has been mainly in the field of consumer co-operation, together in more recent years with a considerable growth of co-operation among farmers for their supply and marketing purposes. Co-operatives in other sectors of the economy have been relatively weak.

The proposal for a Co-operative Development Agency is put forward partly in order to correct this lack of balance in co-operative development. This means that the CDA would have as one of its main purposes the encouragement of co-operative development in areas which have been neglected. These include rural transport, bulk buying groups, workshops for disabled people, student facilities, credit unions, construction and maintenance of housing, servicing of consumer appliances, contracts with local and central government authorities for construction of roads, schools, hospitals, factories and other community facilities, and the supply of co-operatively produced manufactures.

Employment

Fourthly there is a contribution that co-operatives can make in the field of job creation. Throughout history self-employment has been a most important method of creating jobs; and throughout co-operative history self-employment has been one of the objectives of co-operative enterprise. Recently there have been examples of privately owned factories needing to close down and workers seeking to retain their jobs by running the factories as workers co-operatives.

This can be helpful, but salvaging the failure of private enterprise is not the most promising approach for co-operative development. However, if the Co-operative Development Agency can stimulate and help the Co-operative Movement to combat inflation, to increase productive efficiency, and to expand into the areas of neglected services described above, really significant progress will have been made in solving the problem of unemployment.

IV. A CO-OPERATIVE DEVELOPMENT AGENCY - ITS FUNCTIONS

On the basis of the above assumptions about the general character and purpose of the CDA (and bearing in mind that a report from the official working party may take a different view) the following paragraphs set out in schematic form only the main functions that such an agency would need to fulfil.

A major premise is that because of the present stringency governing national expenditure, we are precluded from envisaging an agency which itself disposes of major development funds. Nevertheless there is much else that needs to be done and a successful and inexpensive beginning along the following lines could open up

the possibility of the agency assuming broader functions in a more propitious economic environment.

1. Consultancy Services

To offer to existing and prospective co-operators advice, tailored to their specific needs, over a wide range of accounting, marketing, personnel, management, technological, financial and legal problems; and in particular to refer them to available sources of more specialised technical information and assistance in these areas.

2. Financial Assistance

To direct co-operators to those sources of governmental, co-operative or private finance most appropriate to their particular requirements; and

To be prepared, if so requested by those financing institutions, to monitor and/or administer on their behalf the funds made available by them to co-operators.

3. Negotiation with Government Authorities on behalf of Co-operatives

To act as the focal point of public efforts to promote co-operatives by proposing to and collaborating with central and local government authorities on various measures such as:-

- the guarantee of Co-operative Bank loans to co-operative projects;
- the achievement of tax equity for co-operatives;
- subsidies for job creation through co-operatives;
- purchase and development of land and conversion of existing properties for co-operative use;

- provision of accommodation in units small enough for workers co-operatives;
- transformation of ailing private firms into co-operatives; and
- negotiation with state or municipal officials of contracts with co-operatives for construction and maintenance of public buildings and facilities.

4. Legislative Advice

To advise the government on gaps or defects in existing legislation affecting co-operatives and the need for revision or consolidation, and to promote new legislation where needed.

To consult with co-operators, particularly newly formed groups, on their rules and constitutions and appropriate Acts under which to register.

5. Promotion of Co-operative Training Facilities

To assist co-operatives in providing essential training for management, staff and lay leaders by:-

- utilising the Co-operative College as a focal point for the expansion of training facilities;
- stimulating the introduction of courses on Co-operation in Universities and Polytechnics;
- commissioning the preparation of co-operative training materials;
- helping co-operators to obtain training grants from appropriate government departments; and
- directing individual co-operators to sources of relevant training.

6. Research

To engage in practical investigations designed to identify co-operative needs and fill gaps in the availability of specialised knowledge - for example in relation to management, employee representation, markets, and the possibilities of mobilising finance from within the Co-operative Movement.

To investigate and summarise experience from abroad relevant to these problems; and

To liaise with academic and research institutions interested in Co-operation.

7. Providing a Common Meeting Ground for Co-operators

There are in Britain a number of national organisations responsible for co-operative development in various sectors of the Movement, for example the Co-operative Union, the Central Council for Agricultural and Horticultural Co-operation, the Co-operative unit of the Housing Corporation, the Co-operative Productive Federation, the Industrial Common Ownership Movement and two national organisations representing credit unions. However these organisations have no central forum in which to share experiences and confer on policy decisions. It would be a major function of the Co-operative Development Agency to forge links between these organisations and to provide a means for regular discussions and exchange of information and co-ordination of activities.

It is not envisaged that the CDA would take over any of the functions at present fulfilled by these organisations on behalf of their constituent members. Rather it would be a central organisation to which each of them could go for advice and through which they could co-ordinate any of their activities which they might wish to undertake jointly.