Letters to the Editor

Resources for Development
Letter from Lord Taylor: Journal 60

From Malcolm Kennedy [redacted]
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No doubt the purpose of printing the letter from Lord Taylor of Gryfe in Bulletin 60 was to stimulate a response. I am sure that I will be only one of many who feel obliged to justify that purpose. No doubt also I will fall into his well set trap by identifying myself as a Co-operative Party member and therefore, in his terms, an "ideologue".

I was horrified to read the sentiments expressed in the letter and have read it a number of times to see if my response would modify with a closer consideration of the ideas expressed in it, to no avail.

What strikes me as basically dishonest in Lord Taylor's approach is his use of language to identify the goodies and the baddies in the debate he seeks to generate. He is in favour of dramatic change while others put only ideological barriers in the way of that change. The linkage of ideas is clear. Dramatic = radical = progressive therefore = good. Ideological = irrational = (by contrast) conservative = bad.

I would suggest that all of us cannot help but be influenced by ideology in our arguments. Arguments in social life are fought at the level of ideas. Ideas and theories inform our understanding of life itself. We are whether we like it or not "prisoners of our histories and our ideologies" as Lord Taylor puts it. This is also true of Lord Taylor who though hardly a prisoner of Co-operative ideology seems captured by Thatcherite ideology as evidenced by his rather Owenite type response of "If you can't beat them - join them".

Commercial Success - and Co-operative

I am afraid I am prejudiced (another one of Lord Taylor's perjorative words) when someone suggests that the solution to the problems of the Co-operative Movement is to become a Non-Co-operative Movement. yes I do want to see a commercial successful Co-op but not at the expense of Co-operation because if that is lost we have failed no matter how commercially successful we become. If, as Lord Taylor suggests, we have already lost much of the Co-operative content in our business we should be contesting that and showing how it can be replaced, not getting rid of what remains. If Lord Taylor's defeatist project is to establish its hold on our Movement then it can do so without me. I'll invest my money in Marks and Sparks and buy my groceries at the new Asda store up the road. I will see no special reason to shop Co-operatively again.

1 September 1987 *Malcolm Kennedy*

From A.L. Mackintosh

[redacted]
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Surrey

Back in the days of my immaturity which, at least Co-operatively speaking, lasted until my early 30s, and even further back when I believed that the Hitler evil could be defeated by turning whatever cheeks were available and, thereafter and illogically, out of the resultant chaos the "revolution" would emerge, I also cherished a belief in the triumph of the pure milk of consumer Co-operation unadulterated by the filth of capitalism, unsullied by the baser instincts of humanity and other rhetorical platform phrases.

During my subsequent career when advising often unsophisticated Co-operators in developing countries to seek finance for development wherever and however it could be raised, even from capitalists, my youthful Co-operative conscience would surface and cause, as they used to say, "some soul searching". Until, of course, from frequent use the callouses grew and the advice ceased to feel quite so heretical. Particularly so when the Co-operators seemed to be able to absorb the heresy without too much dilution of principle, with some business success and when even a modicum of those principles filtered into the citadels of capitalism with which they were dealing.

Ends and Means

The observant will also doubtless recognise in this advice the Jesuitical/Marxist saw that the means can be justified if the end seems good. But enough of philosophy's impracticalities, since it was Lord Taylor's more practical invitation to consider seriously the future capitalisation of the Movement in the light of his SCWS/Garfield Weston and Saarbrucken Co-operative examples which set off this nostalgia.

The "unsophisticated Co-operators" of whom I speak had little history or ideology in the Co-operative or Taylorian sense though many of them knew well their "Rochdale" principles and found them good. They could, therefore, discuss financial matters with little of the prejudice identified by Lord Taylor and untrammelled by vociferous moles intent on their own ploys.

May I add two further examples to his which pushed Co-operation forward financially with little or no loss of principle and, possibly more importantly, helped to move quite a lot of folks a little further away from total starvation.

Example One: Bank Loans for Farmers' Co-operatives

The first was brought about by the need for a group of peasant farmers' Co-operatives to find money for loans to enable members to feed their families before the crops were harvested and sold. Loans had previously been made to them by village produce buyers at exorbitant rates of interest and were now refused to those who had joined the Co-operative and who were no longer willing to sell produce to these previous lenders; a classic story known to all who have interested themselves in developing countries.

For a variety of reasons the only source available at commercial interest rates for the relatively tiny sum required was the local branch of a large continent-wide banking conglomerate. With good reason the manager was reluctant to take on such a commitment. He knew that farmers are not the innocents they sometimes seem; they had their own ways of making the traders squeal. He knew too that the usurious traders were not quite as rapacious as their interest rates seemed to suggest: bad debts were high and endemic. He wanted guarantees the farmers could not give.

By some political pressure, the use of family connections and a little rending of heart strings some of which could be described as hypocritical, the Government concerned was persuaded to guarantee any shortfall in repayments by the Co-operatives to the bank. The Co-operatives were then able to lend their individual members at commercial but not unreasonable interest rates the few pounds needed to tide their families over the "hungry season".

The collaboration between Co-operation and capitalism greatly helped the development of a countrywide network of village marketing and credit Co-operatives to the benefit of both sides. There were two side effects: the manager of the bank became something of an expert in Co-operative principles and management and was not above reminding recalictrant Co-operatives of any back sliding; the Government on the other hand went "capitalist" and levied an impost of 1/2% on all loans from the bank on which it gave the shortfall guarantee. Nonetheless the interest charged by the Co-operatives to their members was well below what these members had previously paid to their village traders who, incidentally, benefited from cash sales of their goods and very few bad debts.

Example Two: Co-operative Union Shareholding in Transport Coy

The second example concerned the need for speedy and efficient evacuation of some 10,000 tons of produce from village marketing Co-operatives many of which were in isolated river and creekside sites with few or no roads. Most of the capitalist produce-buyers had solved their problem by co-operating in the formation of a limited liability River Transport Company which owned barges and tugs and could make contract arrangements with owners of local sailing craft to move their produce. The Co-operatives had to rely inefficiently on whatever ad hoc and piecemeal arrangements were possible, all of which delayed the payments for produce so badly needed quickly by the farmers.

Eventually the problem was largely solved by the central Co-operative Union becoming one of the shareholders in the River Transport Company the other shareholders of which were the competing produce-buyers most of which were subsidiaries of French and U.K. based companies which had provided the initial large capital investment in river craft.

At the Company's meetings to arrange transport schedules Co-operatives were able to suggest fairer methods of allocating services which had previously not occurred to the other shareholders. The management too became less secretive and less dominated by the larger shareholders. Not always perfect by any means but a bit fairer, a bit less costly and, from the Co-operatives' point of view, a great deal more efficient. Margins were so tight, however, that the small profits realised had to be ploughed back to keep the craft mobile. None of Lord Taylor's problem there about Co-operative patronage bonus versus capitalist dividends!

Extending Co-operative Principles

Much of these two arrangements was possible because, other than me, few of the Co-operators were the prisoners of the histories and ideologies Lord Taylor rightly queries. Our principles do little for us hidden away from the real world out there. They can stand up in any company and can be applied I am sure in ways still undreamt of. Perhaps, for example, in the recently privatised industries. It is unlikely that they will ever again become State monopolies but an injection of Co-operation and cross-capitalisation might well preserve their accountability.

Is there a modern Adam Smith or a Latter Day Co-operative Saint who can show us how? I fear it isn't me.

29 September 1987

Archie Mackintosh

From Ken Penney
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Without having access to further information and the books of the SCWS Flour Mill at Leith, and the Saarbrucken Co-operative Society mentioned in Lord Taylor's letter in the last issue (no 60) of the Journal it is difficult to comment upon the reasons why both Co-operative enterprises were in bad shape; however one can guess that the replacement of Co-operative objectives by capitalist ideology was a major contributory factor, and one is tempted to ask why the management of the Scottish mill did not negotiate a sales package rather than a complete sell-out.

It is possible, though, to cast light upon the reasons why so many public and Co-operatively owned assets are such a delicious morsel for the funny money property magnates who contribute so little to the real wealth of society. Private and Co-operatively owned enterprises greatly depreciate the value of their fixed assets (plant, equipment, etc) until their book value bears little relationship to their current market price. Occasionally the market adjusts the share value of private firms to the current value of their assets, but when it does not, the asset strippers can and do move in and make a quick killing at the expense of jobs and wealth creation. As long as enterprises are Co-operatively owned, this unacceptable side of capitalism cannot wreak its havoc, unless management such as Lord Taylor's happens to be in control.

Co-operative Assets and the Private Buyer

Furthermore, through the medium of creative accountancy, public and Co-operative assets can be made to look even more attractive to private buyers in the hands of unscrupulous managers. For example, a few years before the recent sale of a certain nationalised industry, the labour force was "slimmed down" to make it more attractive to purchasers by means of heavy redundancies, and these costs were met at public expense. Only when the redundancy costs had been met and the enterprise was about to show a profit was the industry packaged up for sale.

Since the Stock Market is now dominated by large pensions funds and multi-national finance corporations all of which are renowned for what is nowadays called "short-termism", a devolution to private ownership such as that advocated by Lord Taylor would throw even more jobs and wealth creating enterprises into the lap of those who are only interested in the quick buck and own no loyalty at all to any local community or to the nation. In our own self-interest we must preserve the Co-operative sector from those who wish to see it privatised.

19 October 1987 *Ken Penney*