

Government and Co-operationHISTORICAL AND INTERNATIONAL PERSPECTIVES

by

W.P. WATKINS

Far ante-dating the predatory urge of our animal nature, far more deeply buried than conscience or territory or society lies that shadowy, mysterious, indefinable shadow of the kind, the instinct for order.

Robert Ardrey: *African Genesis*

The relations of Government and Co-operation, or, if more concrete terms be preferred, of the State and the Co-operative Movement, give rise to a twofold series of problems. These arise, on the one hand, from the State's attitude to the Co-operative Movement and, on the other from the Movement's attitude to the State. Both are mechanisms for the generation and use of power, which are different in the two systems and meet different, though complementary, needs. The State originates in man's need for security, for protection of himself, his family, his community, his property, his expectation of life. In the last analysis it rests upon physical force, the power to compel where it cannot persuade. Co-operation is concerned with the standard of living and man's continual struggle with nature to maintain it and it depends upon association, agreement, bargaining in which men freely engage from a sense of their common or mutual interests. Animating both Government and Co-operation is the "instinct for order" which the anthropologist quoted at the head of this article believes to be more deeply implanted in human nature than

agression or social sense.

Early Attitudes and Relations

It is because Co-operative theory recognises the necessity of government, if order is to be maintained and civilisation is to progress, that it differs from Anarchism, however much some Co-operative and anarchistic projects may resemble one another in practice. The fundamental problem therefore is always how Government and Co-operation may come to terms with one another in order that mankind in general may derive the maximum of benefit from both. No.21 of Dr. William King's "Co-operator" carries the heading "Co-operation Advantageous to Government". Here Dr. King is addressing not, as in earlier numbers, the unenfranchised working men of Brighton intent on starting a co-operative store, but the governing classes of England in the days before the great Reform Bill. He begins with a sketch of a well-governed, prosperous, civilised state, not unlike the 'Welfare State' which some of us thought had arrived with the General Election of 1945. He goes on to show how Co-operation can assist in building such a state by making three contributions, namely, a more efficient and fairer economic system, more intelligent citizens and higher moral standards.

Following Dr. King the Rochdale Pioneers in their celebrated "Law First", when they were thinking not so much of the store in Load Lane as of the community which was their ultimate goal, added "government" to the "powers" of production, distribution and education which they said had to be "arranged". Thus they recognised the need for a constitutional framework within which their projected economic and educational

activity could be carried on. There being no proper juristic framework for Co-operative enterprise in 1844, the Pioneers made do with what did exist, the Friendly Societies Act, under which they could register and receive the protection of the law, even though they might thereby sacrifice some freedom of action, e.g. in the matter of reserving money for education.

The Friendly Societies Act proved even less suitable for the Workers' Productive Societies, formed by the Christian Socialists from 1848 onwards, and furnished the reason why Ludlow, Neale and their colleagues did not rest until the Industrial and Provident Societies Act of 1852 was in the Statute Book. It is worth noting that this piece of legislation was monitored throughout its passage through Parliament by men who, barristers by profession, fully understood the nature of the kind of association they were promoting. There is further evidence, in the fact that Industrial and Provident Societies were placed under the care of the Registrar of Friendly Societies to prove that the difference between them and ordinary commercial companies was clearly recognised.

By contrast, the French government when in 1867 it first provided legal protection for Co-operatives, did so by amending its company law. It created a new category of company "with variable capital and membership" that was not so clearly distinguished from the others as Co-operators might wish. It is true that French Co-operators also had the option of registering their societies as civil associations, but if they did, had to accept the restriction of their society's dealings to its own membership.

Developing the Framework

How much more fortunate were the British Co-operatives in the years when Ludlow's service as Registrar overlapped with Neale's General Secretaryship of the Co-operative Union, so that Government and Co-operation were both represented by men sharing the same concept of Co-operation as a social, not merely an economic system! It is worth while recalling how the original Act of 1852 was amended in 1862 to meet the needs of Co-operative growth by making possible a thoroughly Co-operative solution of the problem of whole-sale distribution as well as the emergence of Co-operative co-partnership societies. A further amendment in 1876 opened the way for banking operations. These and some minor amendments were codified in the Act of 1893.

Twenty years later came the amendment which permitted the English and Scottish Wholesales to join forces to develop the C.I.S. into an institution of national importance. On the administrative side other amendments originated in the experience of the Registrar's staff which scrutinised the societies' annual and, for many years, triennial returns and balance sheets which now and again revealed the inadequacy of elective auditors, as societies' operations increased in volume and complexity, notwithstanding the Co-operative Union's courses and examinations in auditing. The result was the requirement of auditing by registered public auditors and later still by professional auditors. Parenthetically, the present writer has always held that the auditing service should have been a function of the Co-operative Union, or, as in several Continental Consumers' Movements, of a special non-trading federation. Under the German Co-operation law of 1889 membership of such a federation was a compulsory condition of societies' registration.

In comparison with other countries

In tracing the history of Government-Co-operative relations in Europe through the 19th century the revolution year of 1848 marks a dividing line. Before then the old-fashioned autocratic-bureaucratic governments mostly treated popular movements with grave suspicion, as tending to subversion, and subjected them to the close attention and regulation of the police. Though these attitudes did not entirely disappear until some decades after 1848 (e.g. in Prussia and Czarist Russia) most governments learnt the lesson of the 1848 upheaval, namely that the working classes had real political and economic grievances and that liberty to set up associations for constructive ends would canalise resentment which would otherwise become subversive.

The broadening of the electoral franchise more or less kept pace with increasingly liberalised legislation extending the powers of material benefit societies, co-operatives and trade unions. In one case the French law of 1884 recognising the legitimacy of trade unions (syndicats) aimed to benefit the urban wage-earners was turned to their own advantage by the peasantry, as in contemporary Poland. From this date the peasants organised syndicats agricoles which became the nursing mothers of agricultural Co-operation. More and more also, as the working population, both urban and rural, learned to appreciate the power of the ballot box, there became discernible an increased tendency on their part to supplement, if not substitute, Co-operative association by pressure for legislation, as being easier or promising quicker results.

A Landmark

The year 1895 is also a historical landmark in both Europe and Asia which had nothing to do with the formation in that year of the International Co-operative Alliance. In that year the British Governor of the Indian province of Madras sent one of his officials to Europe to study systems of Co-operative organisation of thrift and credit. The official, Frederick Nicholson, returned from his mission completely converted to the Raiffeisen system of rural Co-operative credit as a possible alternative to government lending to cultivators which had made no impression at all on the huge mass of Indian rural poverty and usury. Within a decade followed the first Indian legislation on Co-operation which preluded the growth over the whole sub-continent which has illustrated on the largest possible scale what government can and cannot do to promote genuine Co-operative development. The full meaning of that statement cannot be explained here. It would take volumes, for the Indian example was imitated over a great part of the former British Empire and inspired the foundation of the Co-operation Movements in many countries now independent.

There is also something to be learned from the establishment in 1895 by the Prussian government of a Central Co-operative Bank as a channel through which financial help could flow into the agricultural Co-operative Movement to provide capital for large-scale development of Co-operative marketing of produce and supply of fertilisers and equipment. In 20 years the Bank expanded its services to the whole of the German Empire and began to collaborate with the People's Banks of the artisanal co-operative movement

started by Schulze-Delitzsch. Between the two world wars the representatives of the federal banks assumed increasing responsibilities in the activity of the Central Bank. Its headquarters, at first in Berlin, could no longer work effectively when Germany from 1945 onwards was divided into zones of military occupation, so with the combination of the three western zones into one economic unit it became both necessary and possible to transfer the headquarters to Frankfurt-on-Main, the financial capital of the new Federal Republic. In the new constitution of the Bank the government contributed only a minority of the foundation capital, the rest being supplied by the Co-operative organisations, whose representatives composed the whole of the Management Board. Government representation was confined to a small minority of the Council of Supervision. The general meeting consisted overwhelmingly of representatives of the federations of agricultural and artisanal banks and credit societies. The institution which had begun in 1895 as a state bank for Co-operatives became in 1949 effectively a bank of Co-operatives, the role of the state being reduced almost to a sleeping partnership.

After the First World War

In contrast, it is necessary to recall how political reaction after the first world war gave rise to state action restrictive of or hostile to Co-operation. Preceding and underlying this was an economic reaction, already discernible before the war, away from free competition and free trade, in the direction of formation of cartels and trusts and the erection of tariff barriers. Under various names the concept called the "Corporate State" gained a foothold in Central and Southern Europe. The two essential elements were centralised.

dictatorial government and the organisation of industry and trade in specialised 'corporations' or 'chambers' which controlled the policies of once independent enterprises. Trade unions were dissolved or transformed and the workers grouped under direct or indirect ministerial dictatorship. Co-operatives were also brought under control, being assigned to one or the other group, as they were considered to belong either to the commercial or the labour category, if they were not dissolved outright.

Again, there is enough material for a volume, but it must be sufficient here to recall that the absorption of Co-operatives by corporate states began in the early 1920's when the Fascists seized power in Italy; was carried on by the Hitlerites in Germany and the smaller neighbouring countries as they were taken over by Hitler's Reich; was beginning in the Baltic States just before they were swallowed up by the Soviet Union; and dated in Spain from the establishment of General Franco's government. The liberation of the Co-operative Movement could come only through the collapse of the reactionary government following defeat in war or the death of a dictator leading to a new regime. The restoration of a national Co-operative Movement to its full vigour and initiative has usually been a long and difficult operation, depending largely on the number of genuine Co-operators who were fortunate enough to survive the reactionary state.

Under Communist Governments

In certain other countries the collapse of a totalitarian government or the expulsion of an invader has not meant liberation for their Co-operative Movements but an exchange of one

centralised dictatorship for another. The attitude to Co-operation may be different, but the external control no less strict. The Communist governments of Eastern Europe are all in countries which possessed ordinary self-governing Co-operative Movements before the first world war. But the Communist governments which were established in Russia after 1917 and countries to the immediate westward from 1945 onward had different concepts of Co-operative policy and development based upon their own political doctrines, particularly as expounded by Lenin. In general, the smaller countries followed the example of the Soviet Union in endeavouring to change the land system; to introduce state trading, especially in the towns and cities, leaving to co-operative organisations the collection and distribution of agricultural produce; and to control the national economy by a system of planning devised and enforced by central government.

Co-operation was valued where it offered economic advantages helpful in realising the plans and provided means for educating the common people away from individualism and towards socialistic modes of living, but the Movement was treated essentially as an instrument for attaining goals fixed by the governing party. At first these concepts were applied often in a crude and rigid manner, and the co-operatives naturally failed to yield even the expected economic results, but with the passage of time and greater experience, it has been observed that the management of Co-operative organisations has become more flexible and that the central planning authorities have allowed co-operatives greater latitude, even to the extent of doing a good deal of planning for their own development.

Co-operators in Politics?

In Great Britain shortly after the time when Lord Rosebery called the Co-operative Movement "a State within the State" some Co-operators began to think that their Movement was important enough to play a larger role in the government of the country than it had hitherto done. Their ideas went beyond the establishment of the Joint Parliamentary Committee of the Co-operative Union and the two Wholesales which kept in touch with the different Government Departments and with Parliament. They thought Co-operators ought to be in Parliament and submitted resolutions to Congress to that effect, with no significant result until the cavalier treatment of the Movement during the first world war by various sorts of government representatives, from Prime Minister Lloyd George downwards, detonated the explosion of anger and resentment which forced the passage of the resolution on representation by the Swansea Congress of 1917.

As with many another Congress resolution, those charged with its implementation, the committees and officials of the Co-operative Union in particular, have had to contend with the mental inertia so often displayed by the mass of Co-operators when confronted by new ideas. Without rehearsing the history of the Co-operative Party, it must be noted for the present study that it is unique. No other Co-operative Movement than the British has adopted this particular solution in its relations with Government. Most of those in the Western World have adopted and kept strictly to a policy (miscalled a principle) of neutrality. A minority have clearly declared their allegiance to a particular political or religious doctrine

or organisation. However, the larger Co-operative Movements grow the less and less possible it becomes for them to avoid dealing with essentially political problems or expressing opinions about them.

State Finance?

As early as 1904 a resolution welcoming State financing of co-operative enterprise provoked a heated debate in the I.C.A. Congress at Budapest, followed by a split in the Alliance. The older German Co-operative Unions which were established when government policy was *laissez-faire* withdrew. They rejected government financing because they saw in it a danger to Co-operative independence and self-government. But *laissez-faire* was already discredited and Dr. Georges Fauquet, writing nearly thirty years later took for granted an economic system divided into three sectors: governmental, private-capitalistic and co-operative. Adult suffrage and increasing insecurity of employment due to the alternate boom and slump of the trade cycle made government intervention and recourse to governmental aid inevitable.

In Great Britain and elsewhere midway in the 20th century new co-operative movements appeared alongside and largely independent of the older ones dating from the 19th Century. The British Parliament enacted legislation providing for technical and financial assistance, in which a leading role was taken by a Co-operative Development Agency.

The Desirable Relation?

It would seem now to be an appropriate time to reverse Dr. King's phrase and to enquire how can and should Government be advantageous to

Co-operation. The end of an overlong article is no place to try to produce a conclusive answer, but two remarks on basic attitudes may be permissible.

The first is that the necessary condition for establishing vigorous, self-supporting co-operatives is that Government, in its dealings with Co-operative organisations shall respect the nature of Co-operation as a system of voluntary mutual help enabling the common people to assume responsibility for and make contributions to their own welfare. The second is that Co-operators and Co-operative institutions shall win the respect of Government by being united, efficient, courageous, long-sighted and progressive in their outlook. A Movement is by definition dynamic. Therefore Co-operators should at all times be mindful of their participation in a world-wide movement which, in words addressed to the Plymouth Congress of 1910, "transcends the State and all States" and can lead mankind to grow out of the nation-states of today as it grew out of the city-state of the Middle Ages.

Hence, if we are seeking an orderly, harmonious and fruitful relationship between the two power-systems of Government and Co-operation, we may find it in the concept of stable progress, paradoxical though that may seem. The state is obviously the stabilising element, for state and stability derive from the same Latin root conveying the notion of standing. The Co-operative Movement is the progressive element, for progress is a kind of movement. It is deplorable that among some people regarded as Co-operative leaders, the term "movement" has almost fallen into complete disuse and is replaced by some such term as "group", in rather unintelligent imitation of the Movement's

competitors. But stable progress is like walking, firmly placing each foot before the other, not advancing by a series of somersaults, like Karl Marx standing Hegel's philosophy on its head.

Jean Jaurès came very near expressing the progressive role of Co-operation when he described the Movement as "a laboratory in which the problems of future society are investigated". When the solutions are found and proved they are adopted and conserved by the state for the community at large.