

Government and Co-operation

THE CASE FOR GOVERNMENT HELP?

by

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The degree to which attitudes to government-Co-operative relations are still reminiscent of the debates of eighty years ago, especially in the retail movement, is rather striking. At that time, the movement was faced with demands from sections of its membership for political involvement, particularly in partnership with the emerging Labour Party. Most of the opponents of these demands argued that the Co-operative movement had developed by its independence of any political activity. The supporters of the demand tended to the arguments either that Co-operatives were all very well in their way but did not go far enough or that they could not achieve their aims fast enough. Either way, government action was vital. At its extreme, this view saw Co-operatives as only a step towards total government ownership of the means of production, distribution and exchange.

Co-operative Attitudes: Pro and Anti-Government

Both of these views of Co-operation and government - Co-operation as different from and independent of government, and Co-operation as complementary to or even a preliminary stage of government enterprise - were, of course, conceived in and conditioned by a particular kind of political and economic environment. In particular, it was an environment of laissez-faire and minimal government. British Co-operatives had emerged in a world where government intervened in economic and social life as little as

possible, guaranteeing little more than defence from foreign attack, public order and the barest minimum standard of life. One school of Co-operative thought tended towards acceptance of this state of affairs and worked it to Co-operative advantage. Lacking government protection in their economic activity and their welfare, people banded together to provide services for themselves. Retail Co-operatives were an important manifestation of this approach, for example, which in their case ensured a distributive system offering good quality goods at fair prices and, unintentionally, a savings bank for their members.

The development of Co-operatives in this climate, however, did not long precede the political emancipation of the (male) working class. Faced with the battle for the working class vote, political parties for the first time seriously grappled with the problems that faced that class and gradually built up a body of legislation that provided increased protection for it, e.g. legislation against adulteration of foodstuffs, public health legislation, welfare measures such as old age pensions and national insurance. The universality and apparent decisiveness of such action compared favourably (for some people) with the selectivity, slowness and uncertainty of Co-operative action. Until the state acted, voluntary Co-operative effort was praiseworthy but ultimately inadequate.

This classification is over-simple, of course. The realities were much more complex than presented here. Nevertheless the anti-government/pro-government attitudes did exist and still flavour discussion about the relation-

ship between government and Co-operatives that government should leave Co-operatives to mind their own business or that it should do everything in its power to ensure the success of Co-operatives (in the areas where it wants them to succeed presumably). But to the degree that both views are conditioned by an age long past, neither takes sufficient account of the very significant changes that have taken place in the political environment.

Changes in the Environment

In particular, the growth of governmental intervention in the economy has been most marked. It was a trend that became apparent in the First World War as the government found it necessary to intervene extensively in economic life to ensure the continuing supply of essential supplies to the civilian and military populations, to prevent undue profiteering, and to ensure that the military had sufficient men. The experience of that government intervention (none of which favoured Co-operatives) had a dramatic effect on the movement, leading directly to the establishment of the Co-operative Party, itself a highly significant step in this context.

The experience of the inter-war period left post-war governments even more convinced that extensive intervention was necessary, initially to maintain full employment and promote economic growth, more recently to perform the difficult balancing act of maintaining full employment and preventing undue inflation and, most recently, stressing the defeat of inflation. Despite differences in emphasis, approach and style, widespread intervention has been the substance

of post-war governments of all political persuasions. Even the current government's attempts to "roll back the frontiers of government" have been notably unsuccessful.

Thus, attempts to create models of government-Co-operative relations based on laissez-faire government are entirely inappropriate. It is no longer sensible to talk of government leaving Co-operatives alone. On the other side, experience of government enterprise suggests it is not sensible to see that as a universal solution to current problems. Interventionist governments are a feature of the contemporary world and sensible discussion must recognise that. Equally, however, it should be recognised that interventionist governments do not alone create successful Co-operatives which also crucially depend upon the quality and loyalty of their membership. But, having said that, some of the conditions for the successful development of Co-operatives are or can be created by government and these should be considered in some detail.

Need and Conditions for Government Help

Firstly, for example, even the least interventionist governments must be concerned with the law. Nobody would suggest that a good legal framework for co-operatives will cause them to succeed. Indeed, there are examples of Co-operatives developing under other systems of corporate law in countries where no specifically Co-operative law exists. Nevertheless, where there are the beginnings of Co-operative enterprise, there seems little doubt that appropriate Co-operative legislation can considerably ease Co-operative development. Our own Industrial and Provident Societies Act of 1852, and more

particularly the 1862 amendment, illustrates this well. More recently there seems little doubt that one of the obstacles (if not the only one) to credit union development was the inappropriate legislation, since rectified by the amendment to the I and P Societies Act. Because of their use of public finance, housing Co-operatives are subject not only to the I and P Societies Act but to various Housing Acts as well, from which they make use of provisions designed for other forms of housing tenure. The general experience seems to have been that access to these provisions has been better than nothing but has considerably distorted housing co-operative development. Many observers favour legislation specifically designed for housing Co-operatives, especially given that they depend to such a degree on public finance and are thus bound to be subject to a much greater degree of public regulation than is usual for self financing co-operatives.

Secondly, regardless of whether a government wishes to assist Co-operatives or not, its general economic policies will have a profound effect on them. Money supply, interest rates, taxation, government expenditure: all of them are as important to Co-operatives as to any other form of business. It may be the case that such policies affect Co-operatives no differently from other forms of business but certainly in particular cases there have been contrary examples. In the late 1960's for example, it was certainly felt that Selective Employment Tax, despite its neutral intentions, discriminated against retail Co-operatives. Because of their infancy housing Co-operatives would claim that current cutbacks in housing

finance unfairly discriminate against them because, unlike other forms of housing provision, they have nothing to fall back on. There appear, however, to be no examples in Britain of deliberate government discrimination against Co-operatives in their general economic policy.

Thirdly, on the other hand, there are examples of specific government policies that assist Co-operatives. Examples from Britain include the assistance given to agricultural marketing Co-operatives via the Central Council for Agricultural and Horticultural Co-operation, the establishment of the Industrial Common Ownership Fund or the Co-operative Development Agency, and the support given to Housing Co-operatives and the Co-operative Housing Agency from 1976 to 1979.

One caveat to this catalogue of support, however, is that premature withdrawal of support can be disastrous and can be seen as an argument in favour of those favouring total independence of government, even if it does lead to initially slower progress. The other major caveat is that while direct public encouragement (notably financial) of new Co-operatives is all very well, this may not be sufficient, especially for Co-operatives which have to sell goods and/or services to non-members. The success of industrial Co-operatives in France, for example, is due at least partially to the large number of building and construction Co-operatives being able to rely upon positive discrimination in the distribution of public contracts, notably from municipal authorities. There is no equivalent tradition in Britain.

It would seem, therefore, that given a will and competence on the part of Co-operative members, appropriate government support via legislation, general economic policies, and specific support policies can considerably assist Co-operative development.

Why Should Government Help?

The question then remains: Why should a government assist Co-operative development? The answer rests on certain assumptions about the kind of political society that one wishes to see and thereby becomes involved in areas of political and value judgement that this note has until now attempted to avoid. Recognising that change of perspective, however, it can be argued that the kind of state Co-operators might aim at should recognise the democratic, the social and economic benefits of Co-operatives.

The democratic benefits arise from the extension of choice which Co-operatives provide additional to that already provided by public and/or private enterprise. The social benefits arise from the unique organisational system that Co-operatives provide for people to have a greater share of control over economic matters which directly affect them, in contrast to the increasing remoteness and insensitivity of the great commercial organisations or public bureaucracies. The economic benefits arise from the direct and tangible advantages derived from the individual member's contribution.

All these benefits are those that the democratic state could usefully encourage.