

Government and Co-operation in France

II. THE FIRST TWELVE MONTHS

by

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The 44th and 45th issues of this Bulletin are fortunately so spaced in time that the drafting of Part II of this article can begin almost exactly twelve months after the Parliamentary election which gave Mitterand his working majority in the French National Assembly. It is thus possible to review the first complete year of Government-Co-operative relations and estimate the progress made.

Mitterand did not wait for the result of the Parliamentary elections before starting to implement the programme outlined before his own election in his letter to the Co-operative leaders. In particular, he made Pierre Mauroy, Prime Minister, responsible for Co-operative policy in general and nominal President of the Supreme Council for Co-operation, while appointing Michel Rocard (leader of an important "current" of opinion in the Socialist Party and Minister of Planning and Territorial Development) Mauroy's delegate as working chairman of the Supreme Council. Long-standing contacts between other Ministries e.g. for Agriculture, Labour, etc. and the relevant Co-operatives in their respective spheres were not disturbed.

A Sector of Social Economy

Two important Congresses - of Consumer Co-operatives at Bordeaux and of workers'

productive Co-operatives at Vichy - were seized by Michel Rocard as suitable opportunities for expounding to Co-operators his ideas for enabling their Movement to play a more dynamic role in the future than it had done hitherto. The basic concept defined by Rocard in speeches and interviews was that of a national economy consisting of a governmental sector, a private enterprise sector and a sector of social economy which comprises economic organisations created by voluntary associations inspired by mutual aid rather than profit, of which the most important but by no means the only groups were the Co-operatives and the mutual benefit societies. Though the economic policy of the new government recognised the need for an extension of nationalised enterprise, notably in banking, as well as industry, it also included the development of the social economic sector, more especially the workers' productive societies, as means of stabilising employment and counteracting unemployment resulting from the shrinkage and collapse of private undertakings. This further took into account that one of the severest handicaps of workers' Co-operatives was shortage and slow growth of capital resources.

The policy therefore envisaged the reinforcement and integration of already existing Co-operative banking institutions through which more ample finance could be channelled.

Demands of the G.N.C.

Rocard was well aware that such ideas were unfamiliar, not only to the public at large, but also to many Co-operators and industrialists who had a keen sense of the unfair treatment meted out to their societies by public authorities, without possessing much vision of the potential

role of the social-economic sector as an agency of progress. Their outlook is illustrated by the matters mentioned by the deputation from the Groupement National de la Co-opération which met Mitterand on the 9th June 1981. The group's demands comprised in the main: the claim of the Co-operatives to be represented at both national and regional levels on bodies responsible for economic and social policy; the need for more ample capital funds for Co-operatives and greater opportunities of training for their leaders and officials; the modification of administrative and financial regulations so as to afford Co-operatives equal chances in competing for contracts against private enterprise groups; and the advantages of permitting Co-operatives to participate in national projects of assistance for the Third World.

The Administrative Machinery Set Up

The importance of all these matters was not contested by the Government but its prior concern was to improve the administrative machinery through which the Ministries could effectively collaborate with the Co-operative and Mutualist Movements. A working party set up for this purpose reported during the autumn and the Council of Ministers (= Cabinet) on the 25th November officially established the Inter Ministerial Delegation for Social Economy as a department of the Prime Minister's office. It would be headed by a "delegate" and would be at the disposal of M. Rocard as Minister of Planning and Chairman of the Supreme Council for Co-operation, for which the delegation would provide secretarial services. The general function of the department, however, was defined as the promotion of co-operative, mutual and other enterprises based on free association.

The Delegation is moreover assisted by a Consultative Committee of representatives of the various elements of the social economy, chosen personally by the Prime Minister. The closeness of the links thus established between Government and the social economy is exemplified by the fact that the chairman of the "bureau" (or steering committee) of the Supreme Council is Antoine Antoni, President of the Groupement National de la Co-operation. Ministers are invited to attend the meetings of the Consultative Committee when its agenda includes questions involving their responsibilities.

Co-operative and Mutualist Movements

It is worth remarking also that while coming into closer relations with Government the Co-operative and Mutualist Movements have been drawing closer to each other. It is not simply that identity of fundamental principles gives them a family resemblance which both gladly recognise, but also for practical objectives they are working more and more together, not on the national level alone, but in the regional associations which are increasing in numbers and activity all over France under the aegis of the Groupement National de la Co-opération. A movement towards decentralised action and responsibility in economic and social affairs is thus contributing to the strength of the social economic sector and to a status which it has never previously enjoyed.

The Field of Finance

By the end of the year 1981 the Government was ready to move in the field of finance. On the Co-operative side there had already been a notable tendency towards collaboration and integration among the several banking institutions which had Co-operative Studies Bulletin 45, August 1982 ©

own purposes by different branches of the Co-operative Movement e.g. the workers' productive societies, the consumers' societies, the credit societies, the housing societies. Moreover, the Groupement National had established a special financial study group to promote still closer working relations. The three most notable of these banks were (in English translation) the Federal Bank of Mutual Credit, the French Bank of Co-operative Credit and the Central Bank of Co-operative and Mutual Societies.

As mentioned earlier, the Government's idea was to encourage the Co-operative organisations to frame projects to extend the scope of their business and increase employment and to assist the financing of these projects through the Movement's own financial network - a kind of partnership between government and non-governmental institutions, in which the Supreme Council for Co-operation would be the organ of communication, discussion and eventual approval and decision.

Nationalising the Banks: Position of Co-operatives?

For this the Government intended to use its legislative as well as its administrative powers presumably in order to take a firmer grip of the financial system as a whole. In January 1982 it introduced into the National Assembly a Bank Nationalisation Bill providing for the nationalisation of 36 banks in the private sector but expressly excepting the three Co-operative banks just mentioned on the ground that "the greater part of their capital belongs directly or indirectly to societies of a mutual or co-operative character".

On the 16th January the Constitutional Council declared the clause just quoted to be invalid, because it violated the principle of equality, a pillar of the French constitution. Like other countries with written constitutions the French Republic has a high judicial authority empowered to pronounce upon any proposed legislation whose conformity with the constitution may be called in question. The Council was not content to disallow the clause excepting the Co-operative banks because they should have equal treatment with the private banks, but went on to amplify its decision by declaring that the clause "was justified neither by the specific character of their (i.e. the banks') status, nor by the nature of their activity nor by the eventual difficulties in the application of the law liable to operate contrary to the objects of general interest which the legislation intended to pursue".

The Co-operative Reaction -

Whatever the precise meaning of the concluding phrases of this sentence, every Co-operator knew that the character of the three banks and the nature of their activity were specifically different from those of the 36 commercial banks. To treat them as equal seemed a misinterpretation of principle due either to high judicial ignorance or to wilful disregard of the specific nature of Co-operative enterprise expressed in the common assertion that Co-operatives are "a business like any other". The Delegation immediately called the leaders of the three banks into conference to draft new clauses for the government to substitute for those rejected. The Groupement

sent telegrams to various Ministers urging the Government to stand firm. There were hot discussions in the select committee working on the draft Bill and in the Socialist Party and the all-party Group of Parliamentarians interested in Co-operation, but to no result because the Government was unwilling to risk having the Bill as a whole declared unconstitutional.

In the end, the article disallowed was amended to provide for the transfer to the State of the shares in the three banks held by private individuals or legal persons not belonging to the public sector. A further article was added stating that after nationalisation had taken effect a new law would be introduced taking into account the specific character of the Co-operative and mutual credit organisations and providing for the banking instruments necessary for their activity.

- And the Outcome

The nationalisation of the three banks was desired by neither Government nor Co-operative Movement, nor even by the parliamentary majority whose vote made the Bill law. Still more paradoxical was the inconsistency between the procedures it laid down for compensating former shareholders in nationalised Banks and the pre-existing law regulating the disposal of a Co-operative's assets on its dissolution, or again, the restricted degree of customer participation in control in nationalised banks and the democracy of genuine Co-operatives. After some months of discussion a piece of legislation was worked out to avoid the three banks finally passing into the field of application of the Nationalisation Act. This was the law of 17th

May 1982, determining the legal status of banking Co-operative Societies.

It consists of two parts. The first part comprises general provisions, beginning with the definition of a banking Co-operative society as one "in the form of a version of Co-operative societies subject to the present law and not contrary to the provisions of the law of 1947" determining the status of Co-operation. Members of such banking societies may be only Co-operatives, mutual societies, insurance societies in the form of mutuals and non-profit associations within limits of 30 per cent of capital and voting power. Among other provisions is a rule that the management and supervisory committee of the banking Co-operative shall be comprised of 10 members elected by the membership and 5 members of the personnel, one being an official, elected by the whole body of employees. The society may accept deposits from any physical or legal person but must transact at least 80 per cent of its business with associations of the same types as are admissible to membership.

The second part of the law consists of transitional regulations relating to the three Co-operative banks which were nationalised and laying down the conditions and procedures for their adoption of the form and status of banking Co-operatives no longer subject to the nationalisation law.

Other Financial Aspects

Meanwhile, other aspects of the problem of financing the industrial and commercial elements of the Social Sector had received serious attention, more especially since the establishment of the Delegation. In 1981 for the first time the Society for Co-operative Studies, Bulletin 45, August 1982 ©

annual Finance Bill debated in both houses in November and December included a special allocation for the social economic sector of Frs. 9.8 million, of which Frs. 3 million would be spent on preliminary studies for the formation of workers' productive Co-operatives and 1.5 million on middle management training in such societies. In the year ended in May 1982, the total number of workers' societies exceeded 1,000 - actually 1043 compared with 855 in May 1981. For the most part Co-operatives and, more particularly, the workers' societies, are not among the social economic sector's large surplus earners. Moreover they are still limited by legislation not yet repealed, in increasing their own capital by raising the value of their shares beyond certain maxima.

It is for reasons such as these that Michel Rocard and his Ministry are so insistent upon the closer association of the Co-operatives with the mutual organisations which take care of the workers' savings and pension funds and so have money to invest.

An Institute of Development?

The ultimate aim of the Delegation is the establishment of an Institute of Development which would serve the same financial purposes for the Social Economy as the already existing institute for industrial development and the commercial banks for the private sector. During the year under review the regulations of the Central Bank for Co-operative Credit have been brought up to date so as to enable it to participate in financing non-agricultural organisations in the Social Sector, while the mutual agricultural banks are permitted to operate in urban

areas by lending money to individuals to meet housing and other family needs. A convention has been signed by the Ministry of Finance and the French Bank for Co-operative Credit creating a guarantee fund for the benefit of enterprises in the Social Sector.

Relations of Government and G.N.C.

The difference of outlook between the Government and the Groupement National de la Co-operation previously mentioned became evident at the first plenary session of the Supreme Council for Co-operation, held on the 24th March 1982, when the Minister, M. Michel Rocard, presided. Antoine Antoni, who is Chairman of the Council's steering committee and also President of the Groupement National de la Co-operation, in his opening address emphasised that although collaboration with the public authorities had been entirely satisfactory on the intellectual plane, the list of questions on the agenda remained the same as that presented to M. Barre in 1981. Thus forced on the defensive, M. Rocard began by stating that three results had been achieved, namely the establishment of a permanent secretariat for the Council carried out by the Delegation; the installation of the Delegation itself; and the superior status accorded to Co-operation by the inclusion of its evolution in the working calendars of government departments.

M. Rocard went on to say that the Delegation was the first of its kind in the whole world. The Government was pivoting its action not merely on an economic but also a political axis. Support for Co-operative activities had no meaning for it unless that formed part of a wider action which embraced kindred forms of

activity (Mutuals, Associations) so as to constitute a whole range of activities as homogeneous as possible which are neither capitalist nor governmental.

Dealing with the remoter features M. Rocard declared that the Government's ambition was to enable the Social Economy to acquire sufficient economic power not to be continually obliged to seek Government intervention to make good this or that structural or conjunctural handicap. The acquisition of economic power is a stage which it is absolutely necessary to pass through before the new sector can enter the stage of social experimentation.

Agreement - and Differences

Evidently there is no basic difference between the Government's and the Co-operative Movement's aims but only a difference of outlook resulting from different points of view. One wonders whether the twenty-three years in which no Socialist government held power in France have left the party somewhat deficient in personal experience in working the machinery of legislation and administration. The bank nationalisation episode certainly suggests something of the kind. There was also the incident of Antoine Antoni's polite and gentle remonstrance with the Prime Minister for having called only trade union and employers' representatives into conference to discuss unemployment, but not the Co-operators. M. Mauroy in reply admitted that the decision had been his, but offered no excuses, contenting himself with repeating the often-heard assurance of the Government's interest in Co-operation and with recalling that the Movement could always express its views in the Consultative Council of the Delegation.

On the other hand the various Co-operative organisations can hardly be blamed for feeling and expressing their disappointment that the Government had not carried out more than a few of the legislative and administrative reforms for which they had already been asking under the presidency of Giscard d'Estaing. It is true, of course, that the Mitterand government has had to contend with deepening economic depression, aggravated by the silent refusal of certain capitalist elements to collaborate with a Socialist government. These hindrances have obliged it to substitute some deflationary measures where it could have preferred to continue its policy of expansion. Nevertheless progress is being made in the decentralisation of authority and the wider diffusion of economic power which are capable of transforming France when the worst of the depression is past. Not only is the Groupement National de la Co-operation steadily covering the country with its network of regional Groupements, which also embrace the mutual associations, but the Delegation on the governmental side is appointing regional correspondents who will keep it fully and promptly appraised of any developments of importance and pass on new ideas and suggestions worthy of wider than regional application.

In fact, the first twelve months take Government and the Co-operative Movement no more than half way through the Government's preliminary two-year plan. The sky over the horizon is still bright.

Postscript

The latest issue of the G.N.C. newsletter, received since the completion of the foregoing article, reports that the Council of Ministers Society for Co-operative Studies, Bulletin 45, August 1982 ©

has approved the outlines of five pieces of legislation submitted by M. Rocard and designed to facilitate the practical working of several types of Co-operative Society.

A new law for artisanal Co-operatives will harmonise their position with that of other Co-operatives and enable them to create indivisible reserves which will reinforce their owned capital.

Harmonisation will also be the object of a law for fishermen's Co-operatives which have hitherto been operating under a law passed in 1913.

A law for low-cost housing Co-operatives will extend their competence in serving their members, while rigorously ensuring the protection of the latter's financial contributions.

Collaboration between Co-operatives, mutual societies and voluntary associations will be facilitated by a law permitting them to form Co-operative unions for common objects, instead of companies or associations as hitherto, for example, in the fields of tourism, health and training.

The maximum rate of interest payable on Co-operative members' shares will be raised by another law to 8.5 per cent, which is the rate fixed for savings banks for deposits withdrawable without notice.

It is hoped that the appropriate bills will be ready for consideration by Parliament in the autumn session of 1982 and that the necessary financial adjustments will be incorporated in the Finance Act of 1983.

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