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CO-OPERATION

Principles and Substance

D. G. KARVE

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GOKHALE INSTITUTE OF POLITICS & ECONOMICS
POONA, INDIA

Gokhale Institute Studies No. 54

CO-OPERATION : PRINCIPLES AND SUBSTANCE



CO - O P È R A T I O N

Principles and Substance

D. G. KARVE

GOKHALE INSTITUTE OF POLITICS AND ECONOMICS
POONA 4.

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FOREWORD

AMONG THE numerous activities in which the late Professor D. G. Karve engaged himself up to the last moment he lived, Co-operation was the foremost. For over forty years, he was connected intimately with the policy, organization and functioning of co-operative finance in India from the local to the national level. For the past few years, he was equally active internationally and in fact was the Chairman of the Advisory Council for the South-East Asia of the International Co-operative Alliance. In October 1964, the Central Committee of the I.C.A. set up, at the request of the International Co-operative Congress, held at Bournemouth in 1963, a Commission on Co-operative Principles. Professor Karve was appointed a member of the Commission. Further, the Commission at its first meeting held in London in December 1964, elected him as its Chairman. This is a measure of his international stature in the field of co-operation.

The Commission was asked to examine the present application of Co-operative Principles of Rochdale in different types of society, and in different political and economic spheres, and to advise on the right formulation of co-operative principles in the light of their application throughout the world. The Commission submitted its unanimous report in March 1966. The Central Committee accepted the report in April, and recommended its approval to the International Co-operative Congress. The 23rd session of the Congress, held at Vienna in September 1966, adopted a resolution accepting this recommendation, and authorizing the central committee to suggest appropriate changes in the rules of the I.C.A.

In the following pages, we bring together four speeches of Professor Karve, delivered in the context of the Commission's Report. They are presented in chronological order. The first speech made in Copenhagen, at the Central Committee of the International Co-operative Alliance before it took up discussion of the Report, is more in the nature of an interpretative statement than an argumentative presentation. The second, made on a similar occasion at the Vienna Congress of the I.C.A., is necessarily somewhat argumentative as it had to take note of some comments on the Report,

which had been made since its circulation among national co-operative movements. The third speech was a freer contribution made at a symposium on Co-operative Principles, arranged in Manila, Philippines, on the occasion of the seventh meeting of the Advisory Council of the Regional Office of the I.C.A. in October 1966. The last speech has a background of Indian co-operation and has some personal overtones, as it was made in Bombay at a memorial meeting in honour of the late Mr. Vaikunth L. Mehta, the great Indian Co-operator.

There can be no doubt that the lectures will prove a valuable addition to the literature on co-operation. However, in bringing them together in the form of a publication of this Institute, we are prompted primarily by a desire to express our sense of gratitude to Professor Karve and to pay our humble homage to the memory of one who was dear to us and whose association with us was long, unbroken, intimate, friendly and cheering. Professor Karve was a perfect Co-operator—always at peace and in harmony with himself and at peace and in harmony with the world through which he moved.

Gokhale Institute of
Politics and Economics,
Poona 4
26th January, 1968

V. M. DANDEKAR

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CO-OPERATION AND PROGRESS *

IT IS OVER six weeks since the Commission on Co-operative Principles, which was appointed by the Central Committee in October 1964, submitted its report. Thus the Commission, including its Chairman, are *functus officio*. They have finished their task. I am, therefore, no more than a guest-speaker at this meeting, and I wish to convey to the President and to you all, my feelings of gratitude for having given me this opportunity of presenting in person some of the prominent thoughts which occupied the minds of the members of the Commission for nearly fourteen months.

Much as I appreciate the privilege of addressing you I am not without some hesitation and embarrassment about my position. I am here not to present my personal views on matters contained in the Commission's report, but to try and say how the Commission as a whole viewed these matters. I shall, therefore, try my best to keep individuality out of my remarks, and be no more, and I hope no less, than an exponent of the Commission's views. How far I shall succeed in this effort, I do not know. I would, therefore, make this reservation at the very outset: the authorised version of the report in the original should prevail over anything that I say to you if there is any contradiction between the two.

All the members of the Commission took special interest in the choice of words as they occur in the final report. It was this version about which all members were satisfied that it says nothing to which they object, and that it says everything that they think must necessarily be said, on any given subject. The report thus is the authorized text. What I say today is my own elucidation of the thoughts which have gone into the making of the report as it has finally emerged.

I do not know whether the overwhelmingly 'Professorial' composition of the Commission was the result of a deliberate design, or it was only an accident. It is true that four of the members of the Commission, including the Chairman, have been interested for long in

* Statement made by the author in presenting to the Central Committee the report of the ICA Commission on Co-operative Principles. (April 1966, Copenhagen.)

the study and teaching of co-operation. I do hope that this Committee will not on that account consider the Commission's report more academic than practical. In the first place even the professorial element in the Commission has had personal involvement in, and experience of, co-operative activity in a variety of fields. Speaking for myself I can say that for over forty years I have been connected with the policy, organization and functioning of co-operative finance in India from the county to the national level. As special consultant for Land Reforms appointed by the United Nations and the F.A.O. I had opportunities of studying agricultural co-operation in developing and developed countries in all parts of the world. My other professorial colleagues have had similar experiences. Even if all the four of us were less in touch with co-operative realities than we actually were, I am sure that the firm, and almost monumental, dedication to the cause of practical co-operative achievements of our colleague Mr. Cowden, which he communicated to us with a rare degree of persistent enthusiasm, would have prevented us from being purely academic.

All of us, including Mr. Cowden, have studied co-operation, its theory, history and practice, not in one but in several fields. We have weighed the claims to broad acceptance of several enunciations and practices. Judging by the test of experience, and of attainment of co-operative objectives, we have expressed our appraisal of the differing practices followed by different types of co-operatives in different countries. We have tried to find out the common denominator in the varying forms of co-operative practice in different situations. As near as is humanly possible what is presented in the report is an objective account, rational analysis and balanced judgement. Taking co-operative experience as a whole, and relating it to the common objectives of co-operators of all lands, we have tried to set out what appeared to us to be the basic or characteristic features of the co-operative system as distinguished from other alternative systems of organizing economic activity in the context of contemporary conditions.

The Report of the Commission is, therefore, somewhat in the nature of an informed judgement based on material and experience made available to it by over 100 co-operative organizations in more than 25 countries, and by many individual co-operators with rich co-operative experience. The report, I am sure, will be studied by

all co-operators for themselves, and they will be fully entitled to draw their own conclusions. I for one would be the last person to seek to use this opportunity given to me to address you for offering what would amount to an advocate's case. I would, on the contrary, offer a few observations which taken together with the Commission's report may lead to a fuller understanding of its contents.

Co-operation is something more than a way of doing business. It is a way of organizing an important part of our life in a manner conducive to the achievement of certain social and moral ideals. These ideals, enunciated by the Rochdale Pioneers, give moral sanction and material substance to what have come to be described as the Rochdale Principles of Co-operation.

Technological changes initiated by the Industrial Revolution, and the everwidening limits of the market make individual or small-sized efforts increasingly uneconomic and inefficient. Large associations of persons having access to large volume of resources are indispensable to securing maximum possible progress in modern conditions.

Associations of persons brought about either by common employment by a capitalistic, i.e. joint-stock concern, or by common dependence on governmental employers have their own social and moral limitations, even if their economic benefits were granted in full. A form of association in which the dignity and freedom of each individual citizen could be fully secured and in which all constituent members would have an equal status has to be thought of. The Rochdale Society at its inception was an answer to such need in the field of supplying consumable articles to members. Their own ideal however extended beyond this simple effort. They desired to end all elements of trafficking and to set up a community of workers where no single person would be able to make a profit at the cost of another. The essence of Rochdale principles of co-operation is thus to help in the realization of an efficient and progressive society in which the dignity, the equality and the freedom of members would be safeguarded.

The tasks of the Co-operative Movement, to which a reference is made in the relevant resolution of the last Congress, thus include not only the efficient discharge of the functions for which each co-operative association is formed, but also its working in accordance with and in support of the common ideals and objectives of all co-operators. While reviewing the present observance and the effects of the prin-

ciples of Rochdale, as formulated in the Report of the ICA Committee, of 1937, the full extent of the material as well as the moral, the economic as well as the social, commitments of the co-operative movement has to be taken into account.

A clear conception of the essential values in co-operative activity has become urgent as well as opportune because of the tremendous opportunities of progress created by scientific discoveries and by the growing unity of the world. If co-operative enterprises are to be able to utilize well in time the vast possibilities offered by modern technology they must be able not only to act in a big way, but also to set up highly sophisticated organizations which would be economically efficient without being co-operatively unsound.

Verbal formulations of co-operative principles which are adequate to achieve this balance between economic efficiency and co-operative soundness at one stage of technological development are not in all cases relevant for that purpose at a more developed stage of technology. Unless a satisfactory balance is deliberately established at each stage one or the other of the essential values in co-operative enterprise—material success and consumer or user democracy—is apt to be sacrificed. While the basic values of co-operation are of permanent significance their formulation in terms of organizational and operational practice has to be constantly checked in the light of changing structure of industry as well as of society.

In almost all countries of the world, old and new, the number and variety of co-operative institutions are growing. Under pressure of its own environment each institution is often led to improvise new ways of organization and procedure. In a conflict between material success in a highly competitive world and a scrupulous conformity to co-operative value the latter is more easily sacrificed if its formulation has been so rigidly made as to obscure the essential difference between substance and form. In a fast changing world rigid and, especially, briefly worded formulations of what in essence are moral values, are not only unjustified, but they are also unhelpful. Often the practice of convinced co-operators in a challenging situation is more in conformity with ultimate co-operative success than a behaviouristic conformity with a rigidly formulated co-operative ritual.

A living and progressive system of co-operative enterprise must continue to make necessary adjustments in its practical operation.

It is wellnigh impossible to evolve a permanent or universal code of correct co-operative action. Reviewing the present stage of co-operative progress, in retrospect and prospect, some reformulation and elaboration of the most widely accepted co-operative values can be attempted. It would neither be appropriate nor helpful to try and do this by a simple acceptance, rejection or substitution of the forms in which the reputed Rochdale principles have been traditionally expressed. The Commission considered it to be more appropriate and helpful to take each important aspect of co-operative organization and practice, and to outline its own views as to the basic co-operative value or virtue which deserves to be safeguarded.

Membership

In the establishment and functioning of a co-operative institution the composition of its membership is vital. In as much as freedom and non-exploitation, that is the abolition of gains made by one person at the cost of another, are essential co-operative values membership has to be, as a rule, voluntary and free—that is without any artificial restriction. Regulation of eligibility to membership arising out of inherent features such a person's legitimate interest in the activities of a co-operative and his willingness and capacity to contribute to its efficient working is a natural and necessary precaution. Sometimes in the interest of operational or economic success of a single co-operative enterprise the size of its operations has to be limited. Except in such cases of natural selectiveness and limitation of size it would be normal to expect that not only does a co-operative association freely admit all eligible persons as members, but it would try and secure the support of as many members as possible. In matters of membership as in several other aspects of co-operative activity a policy of broadening the scope of its influence is implicit in the devotion of co-operators to the building up of a system of economic and social relations which they consider to be the only one consistent with human dignity, freedom, and equality of status.

Democratic Administration

Members' claim to equality of status in a co-operative organization implies their equal participation in its administration. This is correctly represented by the phrase "one member, one vote". Several inherent and implied features of the operation of this principle

have to be noticed. Where membership of a co-operative is of individual persons equality of status is correctly expressed by attributing equal share of authority to each. Where membership is distributed among co-operative organizations themselves distribution of authority in the joint co-operative may be equitably arranged in a variety of ways. Two alternatives emerge directly : one, equal voting by all constituent members—irrespective of their size or transactions—and, two, voting in proportion to individual membership of the constituent institutions. Both these practices are in wide observance in various countries and in various types of co-operative organizations. To ensure responsible participation some joint or secondary co-operative organizations have found it necessary to provide a proportionate share of authority dependent on contribution either to the resources or to the operations of the common organization. Even in such cases the difference between the minimum and the maximum share of authority in the common association has been kept within reasonable limits, as the principle of equal sharing of authority is only sought to be supplemented and not supplanted by that of an equitable sharing. All these variants are legitimate attempts to give effect to the principle of equal sharing of authority by members in a manner calculated to promote the best interests of members and their organizations. A discriminating choice among these practices becomes all the more natural and reasonable in view of the growing importance of inter-institutional co-operation among co-operatives.

The round-about processes of modern business almost necessarily imply that direct participation by members in the authority and decision making of their organizations will be more and more limited. Because of size, as also of technical and economic complexities, representative institutions and professional direction naturally emerge in co-operative, as in other forms of business organization. Educating all members in the nature and special problems of their business, keeping them well-informed about affairs, decentralizing decision making are some of the methods dictated by democratic and egalitarian values which are characteristics of co-operation. In several countries experience of efforts made to keep the essence of democracy undiminished even in large and complicated co-operative business has been gathered in large measure. These efforts deserve to be studied and suitably adopted.

Democracy, or self-rule, implies that co-operatives, as co-operatives, are free from any outside interference or regulation by authority which does not extend to other than co-operative organizations operating in the same field. Self-rule internally and individually for each member, and externally for a co-operative organization as a whole is an essential condition of normal co-operative life.

Interest on Capital

It is a basic co-operative value that a co-operative is an association of individual users or participants with equal status, as contrasted with an association of stock-holders. Capital, in other words, is no more than an instrument, an input which is entitled, like other input or cost items, to receive a fair remuneration. Whenever a co-operative borrows capital in any form, from members or non-members, it stands to reason and it sacrifices no co-operative value, to remunerate the capital by a fair rate of interest. With growing demand for capital such a normal method of financing their operations will have to be adopted by co-operatives in increasing measure.

Raising capital by shares has different degrees of importance in the functioning of different types of business. Where a small and stable capital base suffices for the operations of a business a low stable remuneration by way of interest has been accepted by members as a fair and appropriate arrangement. In a few cases no interest is paid on share capital, which is more in the nature of a qualification or membership stock. But where share capital is an important source of financing the operations of a co-operative a return to it in the form of interest, which will bear comparison with prevailing long term rates of interest in similar activities, has to be adopted.

In fact in some co-operatives which are engaged in capital intensive business with fluctuating prospects a small element of uncertainty recompense may also be justifiable. It is important to recognize in this, as in other aspects of the business of co-operatives, that all bona fide and natural adaptations of general business practices which promote the success of co-operative business without sacrificing any essential co-operative value have not only to be tolerated, but welcomed.

Savings or Surplus

If it were possible for every co-operative business to anticipate and

provide for all cost and investment items before determining the terms on which it would offer its services to members no net savings or surplus would normally emerge. For several well-known reasons this is not generally possible. Hence savings or surpluses, plus and minus, very often emerge. A post-facto disposal of these net items is a matter on which no basic difference of opinion among co-operators is noticeable. The net savings belong to members in proportion to the contribution made to them by each. But before net savings are ascertained due provision for all the legitimate items of sound financial management must be made. Once the net savings are ascertained, members of a co-operative may decide by their free choice whether they would claim their own share in proportion to their ascertained contribution or whether they would prefer to utilize the whole or any part of the saving for the further development of their common business or for providing common benefits and amenities.

The use of the English word dividend to describe a member's share of the saving has not been without its ambiguities and disadvantages. Especially the tendency to measure the success of a co-operative by the size of dividend, which is sometimes looked upon as a necessary feature, has been of doubtful validity. Surplus in the nature of an 'unallocated earning—an unearned income'—is incompatible with co-operative business. Every saving or surplus is the result either of purely conjunctural or accidental factors, or of an imperfect system of settling the terms of relationship with members. It, therefore, follows that if and when there is a surplus members should freely decide for themselves, according to the rules of each society, in which of the three ways—plough back, common benefit or distributed in proportion to transaction—it should be utilised.

Religion and Politics

Speaking so late in the twentieth century, as in this year of grace 1966, it would be safe to say, I trust, that there is no reason why religion should play any more active role in the organization and functioning of a co-operative association, than that of a comparable business unit in the corporate sector. On the contrary, in view of the emphasis on human dignity, freedom and equality of status, which are high co-operative values it would be natural to expect that an attitude of toleration in religious matters would be shown by members of a co-operative towards one another. The same would apply to poli-

tical affiliation and belief of individual members. In the sense of toleration and non-discrimination among members political and religious neutrality would be widely accepted as a natural and desirable attitude.

But speaking for co-operative organizations, or for the co-operative movement, it would be impossible, in fact injurious both to co-operative ideals and co-operative interests, to say that they should or can be neutral to activities of political or governmental organizations. The co-operative form of organization is in many cases an alternative to other forms of organization. Unless the legitimate interests of the co-operatives are pressed on the attention of those who in modern societies have it within their power to help or to mar co-operative activity, both co-operative ideals and co-operative business will suffer. In purely partisan aspects of politics and on issues not affecting co-operation the co-operative movement as a whole will certainly keep aloof.

In fact as avoidance of conflict, promotion of unity, and establishment of a just and peaceful order among men are the objectives of the co-operative movement, co-operative organizations should actively help in all possible ways, the causes of unity, freedom and peace. How in any given situation a co-operative organization may best promote the cause of co-operation generally, and of its own interests in particular, is a matter which has to be left to the free judgement of its members. Co-operators' attitude towards governmental organization and policies cannot afford to be negative. It has to be of a selective and positive action in support of co-operative ideals and interests.

Business Practices

As co-operative organizations doing business have to care both for the immediate and long-term interests of their members they must follow sound financial and managerial practices. What constitutes sound practice is dependent on a variety of circumstances e.g. the state of education and resources of members, the nature of transactions and the structure of business. Practices such as cash trading which for one type of business at one stage of economic progress were considered financially sound and socially desirable have no longer the same compelling appeal. For their own soundness and progress co-operatives have to keep abreast of organizational progress. In fact being more concerned with the welfare of their own members and

being secure in their support and direct participation co-operatives can blaze the trail for new and more successful methods of organizing business. Caring for the business aspects of their activity, co-operatives have to be equally concerned with moral or ethical values affecting individuals and society. Without being less successful as businesses, co-operatives can and must be more mindful of broader considerations of individual and social ethic than any other organization in society.

Education

Good business with equal human fellowship and high ethic is not an easy or an instinctive combination. Education, training and experience are absolutely necessary to create a preference and a capacity to develop the co-operative way of living and of doing business. For the individual co-operator to secure acceptance of this chosen way by his fellow-men, and for the co-operative institution to ensure successful and progressive operations a continuous process of spreading the right type of knowledge among the right type of people is necessary. For sheer survival no co-operator and no co-operative can afford to neglect any aspect of co-operative education: education of all citizens in the meaning and merits of co-operation, education of members in appropriate co-operative as well as business practice, and education of administrators, managers and other personnel in the skills of their respective jobs. Not that every co-operative can directly attend to all these aspects of education. But all co-operatives have to be interested in them and have to make such financial and other provision for them as is appropriate.

In promoting the inter-institutional aspect of co-operation the most promising, as well as the most challenging, dimension is the international, or more correctly that of common action by co-operators of all parts of the world. The emphasis on common humanity and on non-trafficking, i.e. non-exploitational, business incorporated in the Rochdale tradition is a constant spur to co-operatives of the world to unite in appropriate ways of democratic organization for the realization of these ideals. Before co-operative business is internationalized, co-operative thought and co-operative education will have to be more fully and more deliberately internationalized. The International Co-operative Alliance acting through its several organs has over the years achieved considerable progress in these respects.

For further rapid and purposeful action a major effort at establishing a system of international co-operative education, and at intensifying and expanding promotional activity in the field of international co-operative business are urgently called for.

In Brief

If the better business and better life which advancing technology render possible are to be secured for human beings in keeping with the ideals of Rochdale—human dignity, freedom and equality of status—co-operative institutions must continue in substance, to be organized and worked according to the dictates of the basic values enunciated by their rules. Changing formulations and changing practices, to meet changing economic and social conditions, are unavoidable. They are often necessary to secure co-operative progress. Subject to such variations, in space and in time, it is still true that (a) voluntary and unrestricted membership of all eligible persons, (b) democratic administration, with suitable structural modifications, especially for secondary associations, (c) limited interest on capital, (d) return of net savings to members in any of the three enumerated ways, freely chosen by them and (e) a continuing interest in co-operative education should characterize all co-operatives formed and operated in support of co-operative objectives.

It is specially opportune to add that if the maximum possible advantage is to be secured out of co-operative activity and if co-operative ideals are to be realized over the widest possible area, spontaneous and unrestricted co-operation among the co-operative institutions themselves must become more widespread than at present. All for one, and one for all—the co-operators' call to action, is at least as relevant to inter-institutional and international co-operation, as to simple co-operation among individuals. Correct co-operative conduct is to be measured not in comparative or quantitative terms of individual principles of co-operation but by the combined qualitative impact of co-operative ideals and practice on the actual life of the people.

The ideals of democracy, peace and human welfare are so widely accepted, and the opportunities of combined co-operative action on the part of the peoples of the world are so large that on the basis of a firm understanding of the objectives and basic principles of Rochdale, it should now be possible for co-operators everywhere to go

forward to achieve progress over an ever-widening field. The Commission has attempted, in a historical perspective, to restate the substance and the implications of the Rochdale principles to suit contemporary conditions and prospective opportunities.

As I said at the beginning, the report of the Commission has to be read independently by itself. No member of the Commission is committed to anything which the report itself does not say. I have only tried to present to you my own version of the pattern of thought which has helped members of the Commission to attain unanimity in an intellectual endeavour in which their deepest moral convictions were involved. I am sure each one of you will bring a similar but independent outlook to bear on the contents of the report.

THE GREAT ROCHDALE TRADITION*

I HOPE members of this Congress will not accuse me of indulging in an exaggeration if I state that the Report of the Commission on Co-operative Principles ranks among the most important topics which have ever been presented before them. This is by no means the first time when the Congress is seized of this subject. Nearly thirty years ago, at its Paris meeting, the Congress considered and recorded the report of a special committee which had enumerated seven principles as constituting the Rochdale system, and had arranged them into two groups, one containing four, which were declared to be of greater importance in judging the co-operative character of an association, than the other three, which were put into a separate group.

Since then, many members of the Congress seem to have felt that this report, valuable as it was, did not help them to meet all the new situations and problems which confront co-operative movements, especially movements in developing countries; and in countries which have adopted the socio-economic pattern of planning. As most of you are aware, the subject was widely discussed at the last meeting of this Congress. A resolution which was then passed by an overwhelming majority, requested the Central Committee, "to constitute an authoritative commission to formulate the fundamental principles of activity of co-operation under modern conditions." The Resolution went on to suggest that the Commission be empowered to study the principles of the Rochdale Pioneers, and to find out which of them need to be modified or substituted. The Resolution also specifically sought to empower the Commission to formulate new Principles of Co-operative Activity.

The Central Committee of I.C.A., which a year later constituted the Commission as desired by Congress, defined the Commission's task in more specific terms. Recognizing, perhaps, that principles of Rochdale Pioneers taken as a whole are a somewhat wide field of study, the Committee pointedly asked the Commission, "to ascertain how far the Principles of Rochdale—as defined by the I.C.A. Con-

* Speech delivered at the Twenty-third Congress of the International Co-operative Alliance held in Vienna, September, 1966.

gress at Paris in 1937—are observed today and the reasons for any non-observance.” Obviously the Central Committee had in view the Principles as stated in the special committee’s Report which was discussed and recorded at the Congress. The Central Committee further asked the Commission to consider, in the light of its study, whether the Rochdale Principles, so defined and stated, meet the needs of the Co-operative Movement, having regard to the present day economic, social and political situation, or whether any of the principles should be reformulated in order the better to contribute to the fulfilment of the aims and tasks of the Co-operative Movement in its different branches.

This clearer formulation of its task helped the Commission very considerably. Without in any way restricting the scope of its work as outlined in the Resolution of the Congress the Resolution of the Central Committee brought into proper perspective the presentation of the Rochdale Principles in the Report discussed by the Congress in 1937, and the need to examine their relevance and adequacy towards the fulfilment of the aims and tasks of the Co-operative Movement, having regard to the present day economic, social and political situation. Between the Paris Congress of 1937, and the one at Bournemouth in 1963, many winds had blown through the countries of the world and across its skies. The Second World War had given rise to a One World consciousness, and to a world system from which co-operators could not keep aloof, even if they wanted to do so. In fact, co-operation was making rapid progress in new fields and in new lands. When co-operators from all these backgrounds of experience, facing a host of new problems, gathered in ever-increasing numbers in the International Congress, they were bound to feel impressed by the challenging character of the changing scene, and by the urgent need to study the whole subject of the philosophy, theory and practice of co-operation in retrospect and prospect.

In all humility, may I assure you that the Commission spared no pains to benefit to the full both by the freedom and by the guidance given to it. It put itself into touch with all the national co-operative movements—some of which are not even members of the I.C.A. at present—and with a number of individuals having special experience of co-operation under varying conditions. It may interest members of this Congress to know that from the mass of material, written and oral, received by the Commission, three things emerged

very clearly : Firstly, all co-operators, everywhere, concurred in the basic philosophy, or aims, of co-operation as formulated by Rochdale Pioneers, viz. creation of a co-operative working community in which all men have an equal status, and in which no one benefits at the cost of another; secondly, all of them entertained the highest regard for the rules and methods of Rochdale, which they try to follow to the greatest possible extent; and thirdly, all of them have found it necessary, in some respect or other, to recast one or more of these rules and practices, so as to enable them to realize more fully the aims of the Co-operative Movement in their own peculiar circumstances. In fact, the Commission found, that those co-operative bodies who were unwilling or slow to adapt themselves to the requirements of the new situation have suffered avoidable set-backs.

The significance of such unanimous and universal experience could not be lost on any objective student of co-operation. All co-operators follow the same ideal of a free and equitable society; all of them subscribe to some features of their organization as almost axiomatic; and all of them feel called upon, and normally consider themselves free, to regulate the methods of their activity by the requirements of efficient and successful operation. Probing back to the very establishment of the Rochdale Pioneers one can clearly discern that whereas the aims and ideals of the Pioneers were revolutionary—creation of a harmonious in place of a trafficking human community—many of the rules and methods of their functioning were clearly evolutionary. Certain features of their organization and methods were inherent in the ideal which they followed. In that sense they were fundamental truths, more popularly called principles. But some features of organization and practice were evolutionary, changeful. They were true or valid, in one context but not in another. They also were truths, but relative truths, not absolute truths—i.e. not truths, independent of time and place.

Circumstances in which principles are to be practised are variable; and this affects the correct formulation of even those principles which are generally accepted as fundamental truths by co-operators. In other words, judgements and expressions which in their very nature are conditioned by changeful environments do not lend themselves to what may be termed the making or coining of a formula. Having been asked to reformulate co-operative principles, if they

felt called upon to do so, the Commission came to the conclusion that its formulations cannot be formulas. They must be attempts at exact, and at the same time comprehensive and adequate statement of the nature and extent of the truth underlying each formulation. True co-operative principles must be true in both senses; firstly they must be appropriate ways leading to the common goal of co-operators; and secondly, they must explain, as fully as is necessary and possible, all the implications of their justification and results. This means a substitution of formulas by exact and adequate statements. The Commission, both in the body of its report, and in the summary of its findings, which figures as a resolution before you today, has presented carefully phrased formulations which are no more verbose than necessary, but which, we hope, do not leave out any of the essential implications of each statement.

To take the several enumerated principles one after another, we may begin with membership. While like other organizations co-operatives strive for material success, their special claim on the support of their fellow-men is much wider than that. They claim to achieve material wellbeing of their members by a morally and socially superior method. It is obvious that there can be no moral virtue in any behaviour which is not voluntary. It is, therefore, almost axiomatic that membership of a co-operative must be voluntary. On the other hand, as co-operatives are formed for the purpose of mutual aid any artificial restrictions on admission of members would amount to an oligarchic discrimination which would not be in keeping with co-operative principle. It need hardly be added that restrictions arising out of the natural and obvious needs of efficient and economical management would not be treated as artificial.

While, therefore, it is obvious in the case of a primary society that its membership should be voluntary, and available to all eligible persons, without any artificial restrictions some special cases both of primary and secondary, or intermediate, societies would deserve notice. As mutual aid, and not trafficking for profits, is the basic characteristic of co-operation, it should be clear that persons or associations who desire to join, or to form, a co-operative for dealing in commodities or services other than those needed or produced by themselves or by their members cannot be said to act as constituents of the Co-operative Movement. It is not intended to say that there is anything wrong in their doing so, but those who are not basically

wedded to the doctrine of non-profiteering economic activity, cannot, by an act of co-operating among themselves for a specific intermediate purpose, be said to promote the aims of the Co-operative Movement.

The same would be true of any co-operative formed by governmental bodies. They are basically tax-gathering and authority-wielding bodies. They may legitimately use the co-operative method for some of their purposes, but they cannot thereby be said to promote the aims or ideals of the Co-operative Movement. We might also take note of the fact that in the highly dynamic world in which we are living co-operative bodies may be required to join, in the interest of their members, and for specific purposes which they cannot achieve by their independent effort, some other-than-co-operative associations. However natural, or advantageous, these mixed bodies may be, there should be no attempt made to describe or accept them as constituents of the Co-operative Movement.

As regards organization of co-operative associations as democratic bodies, the affairs of co-operatives should be administered by persons elected or appointed in a manner agreed to by the members and accountable to them. It is needless to say that no other system would conform to co-operative principle. The equality of status among members of a co-operative is naturally represented by the arrangement of conferring one vote on each member in a primary society. In the interest of efficient and economical management of secondary organizations it may be natural suitably to adapt this arrangement in a variety of ways, e.g. treating each member-institution as entitled to equal vote, or treating each individual member of a member-institution as entitled to equal vote, or giving more votes to larger societies upto some extent, or by drawing upon the business contributed by a member-institution as a balancing factor. These and similar variations in the organization of secondary bodies must be treated as variable features involving no conflict with the basic principle of equality and democratic management. Similar adaptation in the form of management through elected bodies and professional staff are as inevitable in co-operative democracy, as in other democratic bodies. Maximum amount of decentralization, member participation and member education ought, however, to characterize co-operative

democracy in a much more pronounced manner than is, perhaps, possible or necessary in other democratic bodies.

Co-operatives are users' organizations for mutual service. Hence, any capital owned or employed by them is only an instrument of production. It has to be hired at its market value, i.e. the current rate of interest. Different types of borrowing have appropriate rates of interest. Share capital, in so far as it is used in the business of a co-operative, would be entitled to its appropriate rate of interest, though this would not preclude any society from keeping its share-capital at a low rate of interest or paying no interest at all on it. The only co-operative value involved is that capital in any form used by a co-operative should not have a remuneration higher than an appropriate rate of interest; and that where unequal shares are held the right of participation in the control of the co-operative should not be weighted in favour of those who hold more shares.

Once it is made clear that capital is not entitled to anything more than interest, any surplus or saving, which would emerge after due provision is made for all cost items and for business reserves which are parts of the balance sheet, should be returned to members in proportion to the contribution which they may have made towards its creation by the business which they brought to the Society. A co-operative cannot make a net 'profit' at the cost of its members, nor can it adopt an arrangement which enables any one of its members to benefit at the cost of another. But as members of a democratic body it should be open to the members themselves to decide how the surplus or saving which belongs to them should be distributed : either by the traditional method of distribution, in proportion to transactions; or by utilization for development of the business of the co-operative; or by providing common services. Any choice among these different ways made by the free decision of members would be perfectly compatible with the aims of the Co-operative Movement.

I may take this opportunity to refer to a matter which has occasionally exercised the mind of some co-operators when they refer to the undistributed savings or reserves of a co-operative enterprise. If it is clearly understood, that undistributed reserves are the result of a deliberate and voluntary act of immediate self-denial on the part of members there should be no moral or legal inhibition against the distribution of these reserves among members at any later date.

Co-operative business is becoming so complicated and massive that both for financial and tax reasons all kinds of earmarked, general and contingent funds and reserves have to be created. There is no general principle involved in debarring members for all time from having a share of these reserves. Even in the exceptional event of a dissolution, it would hardly be tenable to urge that the reserves do not belong to the corporate body of members—past and present. It is not beyond the ingenuity of managers and accountants to find a way by which in any scheme of distribution either of whole or of part of the residuary surplus no member, past or present, benefits at the cost of another. On the other hand, it would also be natural in many cases for members to feel that the best use of the undistributed reserves after dissolution would be to aid in the strengthening of the co-operative movement as a whole. Making a choice from among these several ways is a matter which must be left to the decision of members, subject to the rules of their own organization, and to the general law of the land.

On one subject, that of education, the Commission has felt compelled to emphasize that all Co-operative Societies should make provision for the education of their members, officers and employees and of the general public, in the principles and techniques of co-operation, both economic and democratic. I have noticed that the use of the word "provision" has created some misunderstanding in the course of translation into some languages. By "provision" in this context is meant no more than "making suitable arrangements" and not necessarily or exclusively "a financial allotment". It should be observed that what manner or size of provision could or should be made by each co-operative, considering its own resources, has been left to the decision of the co-operatives themselves. But if it is realized that what the co-operators are trying to build is not only a business, but a faith and a way of living, which has to justify and establish itself in competition with other ways e.g. the purely capitalist or the purely authoritarian, the temptation to look upon education as a secondary matter, dependent on surplus finances or on actual business need will, I hope, vanish.

In fact it is becoming increasingly clear in the opulent societies that there is not much of an economic, or even associative, benefit which a co-operative gives, that cannot be matched by other even

more aggressive and attractive ways of doing business. If co-operation is to survive and progress, as business and as way of life, every co-operative, in the measure and in the manner in which it would be appropriate and possible for it to do so, must make provision for co-operative education of its members, of its staff and of the general public. Even the professional need of education of all concerned with co-operatives continues to be a compelling one both in developed and in developing countries.

The Special Committee, of 1937, had held that observance of co-operative principles does not depend on the adoption of the following three principles of the Rochdale System : Promotion of Education, Cash Trading and Political and Religious Neutrality. For reasons already mentioned, we felt that co-operative education must be treated as a necessary concern of co-operatives. As regards Cash Trading, while it is obvious that in its crude form it has lost much of its relevance, the positive value of adopting, at all times, only such trade practices, as are both economically and socially sound, remains unchanged. So also, while it can be easily agreed that co-operatives cannot, in fact, they ought not to remain indifferent in all circumstances to matters of political, religious or similar far-reaching importance, the general lines along which co-operative action in these spheres should be guided must be clearly understood. Choice of action in both these respects—i.e. sound business practices and appropriate public policy—must be left to the free decision of each co-operative institution. The Commission has discussed the underlying issues in some detail in the relevant part of its report. A careful perusal of the sections on Politics and Religion, and Business Practices, may help co-operators to ensure that any course of action, or of inaction, adopted by them does not offend against any of the ideals, and principles, of co-operation.

In one very important respect the Commission felt called upon to act on the freedom given to it and to suggest the formulation of a new principle. The rallying call of the co-operative movement, "one for all, and all for one", was not intended to be confined to the members of a single co-operative. It is a call to which all co-operators in all institutions and in all countries must spontaneously and unreservedly respond. The process of concentration and common action is gathering momentum in other forms of organization. The need and

the opportunity for whole-hearted, progressive and joint action among co-operators was never so great as at the present moment. A new Industrial Revolution of unprecedented magnitude and potentiality is sweeping over the world. National, regional and world bodies are being set up by private business, as well as by governments. If the co-operatives do not act without loss of time in support of their cause, singly and in combination, they may soon be swamped by the new forces of giant units, in the public and private sectors. Co-operation among co-operatives, almost as an instinctive and compelling action, must henceforward be treated as an essential and indispensable course of action on the part of each co-operative.

I do not think that I shall be justified in taking up any more of your time. As Article One of the I.C.A. Rules mentions : "The I.C.A., in continuation of the work of Rochdale Pioneers . . . seeks to substitute for the profit-making regime, a co-operative system organized in the interest of the whole community and based upon mutual self-help". Like the Rochdale Pioneers, all of us have to be pioneers in our own day, trying to recreate and spread our faith in the ideal of co-operation, and devising appropriate methods to enable us to overcome all obstacles in our way, so that we may successfully face the competition of alternative faiths which are trying to build gigantic international combines in support of their own interests. Nothing short of an immediate world-wide movement among co-operators in support of the Rochdale ideals, repeated in the I.C.A. covenant, is the need of the hour. The reformulations and rearrangements of co-operative principles suggested by the Commission constitute an invitation and an aid to the co-operators of all nations to achieve this supreme task which now devolves on them as heirs to the great Rochdale Tradition.

SUBSTANCE OF CO-OPERATION*

IT GIVES ME great pleasure to be with this select and representative gathering of co-operators. The subject on which I am asked to speak is one of those which has been in the thoughts of co-operators of all countries for quite some time. And if at the recent session of the International Co-operative Congress, a certain consensus of agreement has been arrived at with regard to the principles of co-operation, it ought to be a matter of some satisfaction and of considerable interest to all of you. I therefore thought that I might utilize this opportunity so kindly offered to me to present to you the whole subject in proper perspective.

The Commission was asked, among other things, to consider whether any of the Rochdale Principles should be reformulated in order the better to contribute to the fulfilment of the aims and tasks of the co-operative movement. The Commission naturally had to make up its mind as to what is involved in the term "principles"; because if you misunderstand the terms of reference, not unlikely you come up with somewhat inadequate recommendations. We thought it necessary to be clear in our minds as to how principles were to be distinguished from two extremes. At one end are found things which have some importance in successful co-operative activity, but which, obviously, are not so basic as to be styled principles, and at another end are the high ideals of the co-operative movement which ought to inspire all genuine co-operative activity.

The Rochdale Pioneers, oldest among co-operative institutions which have continued to do successful business to the present day, clearly embodied their own objectives in a manifesto. Initially, the membership of the Rochdale Society was very small, hardly a score. But they had high idealism. Their ideal was gradually to transform human society into a community of workers, instead of a bargaining association between capitalists and workers. They aspired to build a community of workers on the basis of a harmonious relationship of

* Speech delivered at a Symposium on Co-operative Principles held in Manila, Philippines, October, 1966.

equal status among all its members, irrespective of the financial resources that they may have. As members of society, all human beings should rank as equals. The creation of an equalitarian, harmonious and just society was the objective of the Rochdale Pioneers, and it has continued to be the objective and the ideal of co-operators around the world. Quite obviously, this ideal or ultimate objective is much more important and exalted than a principle of routine co-operative activity. It rests on a pedestal of its own. We follow it as we follow a star in the heavens.

Then at the other end, you have some important things which at a particular time and place appear to be very important, so important in fact as to call forth binding obedience on the part of those who conduct a given co-operative activity. Again to go back to the Rochdale Pioneers themselves: They stipulated that business should be done strictly on a cash basis. They bought for cash; they sold for cash. No other manner of adjusting obligations was permitted. This, of course, must have appeared to be very important when the Rochdale Society was established. But by no stretch of imagination can one read into their insistence on cash transactions, such a logical and unbreakable link with their ideal of establishing an equalitarian and just society, as to lead one to look upon the two desiderata as being on equal level. Cash trading in the particular environment which confronted the Rochdale Pioneers was obviously very important. It was one of the practices which they thought should be so invariably followed in their own context that it should be made an inviolable rule. But every operational rule of a co-operative society, important though it may be for the particular society at a particular time, does not automatically become so important as to merit the description of "Principle."

We had therefore to exclude the ideal because it was too high and it was so ingrained in the whole activity of a co-operative that we could not lower it to the level of being only one of several principles of organization. On the other hand, things like cash trading, considered in given context very desirable trade practices, had also to be excluded as not demonstrably essential to the attainment of co-operative objectives.

In between the two extremes of an ideal of the co-operative movement and a recommended trade practice, we had to define for ourselves

what a principle of co-operative activity stands for. Principle, as we understood it, is a way of organizing and conducting co-operative activity which is an inherent and indispensable corollary of the ideal or the objective of the co-operative movement.

Taking another example from the Rochdale Pioneers themselves, they had provided that the affairs of the Rochdale Pioneers' Society would be conducted in a democratic way. Each person who is a member, irrespective of his social or financial status, will have an equal vote in conducting the affairs of the society. This provision we recognized as a principle, because we cannot think of any other variant of this arrangement which will still lead to the establishment of an equalitarian and just society, in which the dignity of an individual member is recognized as being on equal footing with that of all other members.

We thus made up our minds that some things are an ideal, an incontrovertible goal, towards which all co-operatives aspire to move, and some things are currently prescribed practices, and that in between, there are some things so essential to the organization and functioning of a co-operative that without them the ideal itself will be endangered. These last we accepted as principles.

In 1963 at Bournemouth Congress of the I.C.A. a resolution was passed inviting the Central Committee of the International Co-operative Alliance to set up a Commission. Why in 1963? Why not earlier? What was the occasion for it? It is very interesting to seek answers to these questions, because it is only against that background that the work of the Commission and its modified enunciation of the co-operative principles become meaningful.

The Rochdale Pioneers, when they formed an association in 1844, were too much in the initial stage of their own activities to think about themselves in the glorified terms in which we look back to them. They could hardly have thought of enunciating any permanent provisions as Rochdale principles. They were people who knew where they wanted to go. They knew what were their contemporary conditions. They were improvising what they thought were suitable ways to change their conditions and to realize a future which would satisfy their aspirations for a just and harmonious living.

The Rochdale Pioneers' society was not the first co-operative institution that was established, but it was the first successful co-operative

institution which has survived to this day, and which has served as a source of inspiration to numerous other institutions. There were a number of co-operative associations known by different names, which were established before the Rochdale Pioneers' Society was established, but they did not succeed. The Rochdale Pioneers continued to attract more people. It conducted its business in an exemplary fashion both as a social unit and an economic unit. It inspired hope among other people similarly situated. It was because of these outstanding merits that gradually, social reformers and social historians, people for instance like Mr. Holyoake, began to study and assess what they considered to be characteristic features of the Rochdale Pioneers. It was the judgement of reformers and historians that some particular features of the functioning of Rochdale Pioneers were an essential part in their scheme of good work which must be followed if other people want to achieve the same results.

For a long time, as usually happens in regard to new social philosophies, everybody interested in co-operation paid tribute to what the social historians described as Rochdale Principles. At the same time, however, as everybody had a different environment and a different complex of personnel and resources, both within Great Britain and in other countries, they went on modifying some of the practices to suit their own conditions.

The circumstances which imperceptibly and inevitably led to this practical reformulation of some of the practices and principles of the Rochdale Pioneers were quite obvious. For instance, take a simple thing. When there were only 20 members among the Rochdale Pioneers who were running a consumers' store, for them to say "Come one, come all, membership is open to everybody" was quite the right thing to say. The more of their own fraternity, the more of their own neighbours joined them, the more easily they could do better business. But if for instance you already have a consumer society of say 200 members, or 20,000, or sometimes even more than 20,000 members, a society would like to be sure how far it can go on expanding, whether it may not be more manageable and more economical to start another society.

So also with such a simple thing as honorary or voluntary service. A consumers' store of 20 members selling the essentials of domestic life could hardly hope to employ a manager and an accountant who

would be full-time employees. On the other hand, certainly you could not run a co-operative store even of 2,000 without engaging some staff. It is easy to recognize that these are inevitable modifications.

When the International Co-operative Alliance was established in 1895, all these facts and trends were known. It was not as though everybody who joined the International Co-operative Alliance had ever considered it either desirable or possible that everything that was done by the Rochdale Pioneers in the year 1844 must continue to be done by all members of all co-operatives in the year 1895. It would have been very strange for them to entertain any such ideas. Everybody knew that consistent with the co-operative ideal, and for its very success, several legitimate and appropriate modifications are inevitable. The critical question to be considered was whether in making what appeared to be necessary adjustments, something is done which takes you not towards but away from the ideals of co-operation. In spite of several modifications of the Rochdale pattern, people felt that they were worshipping in the same faith of an equalitarian, non-profiteering and just society which was preached for all humanity by the Rochdale Pioneers.

In the meanwhile, co-operation travelled, not only across the Atlantic but also across the English Channel, which in certain respects is even a wider gulf dividing people of different cultures and traditions. More recently, co-operation has travelled further beyond. Asia and Africa among the old, and Australia and New Zealand among the new continents, have adopted and developed co-operative forms of their own. Rules and norms relevant to the conduct of consumers' stores had little relevance to their major needs.

For instance, a poor villager in a predominantly agricultural country like India has such simple habits and so much of what he needs is raised on his own farm that the very notion of a consumer store would be beyond his comprehension. Domestic purchases are not a part of his continuing routine of life. The important activity in respect of which conditions similar to those which had operated in the Rochdale Pioneers' own experience had developed in the life of an Indian peasant is that of finding the means to till his field and to sell its products. The Rochdale Pioneers were in revolt against continued social injustice under a system of doing business, in which without anybody committing an illegal or even a socially unpopular

act, in actual fact some people are enriched at the cost of some others by being in a position to charge far more for their services and goods than is justified by the cost or effort of supplying them.

It was this situation described as the truck system which had led to the establishment of the Rochdale Pioneers Society. The Rochdale Society had to operate against the background of the British Factory system in the early days of the Industrial Revolution. A comparable background was often witnessed, in other countries, in agriculture, or in small artisan business. In India, farmers felt the squeeze of the money-lender and the trader. To a large extent, similar was the case in Germany where Raiffeissen had earlier promoted the establishment of agricultural co-operatives. It was in Germany again that Schulze-Delitze initiated the formation of a special type of artisans' societies. It was inevitable that the societies so formed should show special characteristics of their own.

In the earlier years of the British Industrial Revolution, there was great social callousness and the government did not take much notice of the social evils which were engendered by the factory system. It was natural in these circumstances that those who started new organizations for self-protection, should feel some hesitation in aligning themselves with other discordant elements or with government. The society at large and the government looked upon any combination or association among the socially oppressed sections with suspicion and fear. When the Rochdale Society was established, workers could not form a trade union. The fact that their membership was primarily a working class membership was, however, bound to attract attention.

The employers, financiers and government would naturally take a cautious, if not a hostile, view of such a co-operative society. They would suspect that what the workers could not do by way of a union because that would be against the law, they would try to do by forming a co-operative society. The social and political atmosphere in which the Rochdale Society was formed, was peculiar to the circumstances of contemporary English life.

Between the co-operative units on the one hand and the rest of the society, there was a good deal of coolness, if not animosity. In several other countries which adopted co-operation after the experience of the Industrial Revolution in Great Britain had already been

gathered, both society and governments, including some of the kingly governments, welcomed co-operation as a desirable policy. They recognized that farmers and artisans are among the poorer sections of the community, and government, the church and other social institutions must do all they can to help them. Therefore, the attitude of the church, the state and several other social institutions was not basically hostile to the formation of co-operative institutions. They actually promoted the establishment of co-operatives, as for instance in many countries of Africa. In India, in 1904, the then British Government of the country passed a law for the legal registration of co-operative societies. Under that law, in each province of the country, a high level officer, called the Registrar of Co-operative Societies was appointed. In practice, this officer went much beyond registration. He actively helped the co-operative education of farmers and the regular working of societies through their elected office-bearers. Thus in a variety of ways, the background and practice of co-operation underwent changes which could not have been foreseen in Rochdale.

Till after the First World War, there was, to my knowledge, no pressure from any source for classifying co-operative movements as genuine and non-genuine. All over the world—in Great Britain, on the Continent, in America, in the rest of the world much of which was colonial territory—several varieties of co-operative activity were going on in their natural environments, doing what good they could. Towards the end of the First World War, an epoch-making event, namely the Russian Revolution, took place. The Russian Revolution, after a long period of transition marked by events which it is unnecessary at this distance of time to recount, led to the establishment of various new types of society. Somewhat unexpectedly for many people, both in Russia and outside, co-operative organization found a place in two spheres of socialist life. One sphere was distribution of consumer goods, where the government itself was prepared to undertake responsibility for distribution, but it was also ready to share it with co-operatives of consumers. The consumer co-operative movement in Russia, because of the outlook of the new rulers, found it possible to reorganize and develop into an almost nationwide organization. The other, and somewhat more controver-

sial sphere of co-operative activity in socialist states was co-operative farming.

Thus, under an altogether new type of society, there still survived, or, let us say, revived, something which was co-operative activity. Russian co-operators welcomed this trend as they considered that co-operative activity was a better way than state activity, as they had earlier held that co-operative activity was better than private capitalist business. At its best governmental distribution would not be so satisfying a thing as it would be if consumers in each neighbourhood, each village, each city, were to form themselves into a consumers' co-operative group. The Russian co-operative movement was a member of the International Co-operative Alliance long before 1917; and after the Revolution also, they maintained the continuity of their own national organization. Therefore, the membership of the Russian co-operative movement in the international co-operative association was continued more or less as a normal occurrence.

In some other socialist countries, the period of co-operative transition was not so easy. Some of them were either not members of the ICA at all, or if they were members of the ICA earlier, there had been such a big gap between their earlier membership and the setting up of their new organizations that their membership was discontinued. Until very recently, they were not admitted to membership.

Gradually, during the inter-war years, a new controversy arose within the International Co-operative Alliance. The origin of the controversy was that some of the older co-operative movements strongly disapproved of the principles of social organization in Russia and other communist countries. They believed that their own society, namely capitalist society, is so very different from the principles of socialism that they would not like to be associated on equal terms with the so called co-operative movements of the latter type. They felt that the field of free activity which co-operatives in socialist countries enjoyed was very limited, and that even in that field the co-operatives were under the domination of government. They would, therefore, have preferred to terminate the membership of even existing co-operative movements of socialist countries. In any case, they were not going to admit new ones. An element of sharpness was imparted to these feelings on account of some inconvenient and unpalatable debates which Socialist members occasionally brought up.

While these bickerings were going on, the Great Depression engulfed the whole world. The Great Depression did not distinguish between Communist and non-Communist countries. Some of the most capitalist governments such as that of the United States, were confronted almost overnight with the colossal problem of unemployment which affected all segments of society, especially in the rural areas. They therefore found that if the consumers in the city and the farmers in the villages were to be helped to help themselves, this could be democratically and effectively done only by forming them into co-operative societies.

During the Depression, the U.S. Government took active steps to promote credit associations of farmers on a co-operative basis. These associations were helped with financial assistance in a variety of ways, and definite directives of policy in the use of these resources were given. As the Depression lifted, and prices of farm products rose, the producer associations repaid government's finance, and regained the autonomy which is claimed as a characteristic of co-operatives. In other countries and at other times, similar assistance under similar conditions has been given to co-operative enterprise by governmental and semi-governmental bodies. In doing so, neither government nor co-operators had a feeling that they were doing anything in contravention of co-operative principle. In fact, they recognized that without such assistance, co-operative enterprise would not come into being, and if it did, it would not survive in competition with other powerful factors.

After the New Deal and its counterparts had become an accepted part of the social and economic policy of modern states, socialist as well as non-socialist, it was difficult to build any meaningful classification among co-operatives on the basis of aloofness from government. In fact, as a result of changing economic and social policies in capitalist countries, and on account of comparatively more stable forms of co-operation emerging in socialist countries, the discussion about essentials of true and genuine co-operation assumed a new direction.

Recognizing that a major difference of opinion as to the applicability of Rochdale Principles to contemporary conditions existed among its members, the I.C.A. had proceeded to appoint a Special Committee to enquire into the facts, especially in their application

to consumers' societies. The first report of the Special Committee referring to this more restricted field was presented at the London Congress of the I.C.A. in 1934. The Report, as was perhaps natural, had left out of consideration many other forms, such as, different types of producer societies of workers and agriculturists, credit societies and co-operative banks. Representatives of these types of societies received the report in no friendly spirit, and the Congress eventually decided to adjourn its decision until the work of the committee had been completed. The second or the revised and completed report of the committee was presented at the I.C.A. Congress at Paris in 1937.

That report stated that the Rochdale system consists of seven important features or principles. Of the seven principles, four are in one class. They are essential principles. There is another class, in a sense below the line, a class of three principles which also are part of the Rochdale system. In that sense, they are also Rochdale principles; but they are not so essential, nor so important as the first four principles.

The first or prior class of the Rochdale principles consisted, as I said, of four, and the committee described these four principles in the following words: One, *open membership*. Then two, *democratic control*. They did not stop there; they went on to say democratic control, i.e. *one man, one vote*; that is number two. Number three: *distribution of surplus in proportion to members' transactions*; and four: *limited interest on capital*. These four were the essential principles of the Rochdale system. The less essential principles were the following: these were three: No. 1, *political and religious neutrality*; No. 2, *cash trading*; and No. 3, *promotion of education*. All these three are important, but not essential. A co-operative association may be accepted as genuine even if it does not follow any of these three non-essential principles.

It does not require much imagination to see why the moment the Congress received this report, there was almost a universal shaking of heads, more horizontally than vertically. The Congress failed to obtain either enlightenment or guidance. Almost each one of the committee's statements of principle raises a question, in some cases more than one question.

Open membership : now take a co-operative housing society, or even a consumer society. By then we had not only consumers' societies in small areas, but consumers' societies in big areas. There were other societies like insurance societies, financing societies, etc. Of course, nobody would arbitrarily try to keep people out of these. But, depending on the optimum size of the business, almost every society would desire to limit its membership at some point. The committee's report failed to give any guidance in such situations. To tell concerned people simply that membership should be open, was not helpful enough. So, naturally, co-operators concerned with such societies shook their heads in continued doubt.

So also in regard to No. 2, democratic control (one man, one vote). I freely admit that this provision is inherent in the ideal of co-operation. But merely stating this is not enough. There is the whole class of what we call secondary societies, e.g. marketing societies, processing societies, federations of all kinds. In the constitution of federations, if we were to decide that one person should have one vote, the question arises : who is the relevant person? Is it the person of a member of the primary institution? Or is it the legal person of a constituent member organization of the secondary institution? Should every member of the constituent primary society have a vote? Or, should a member society of a secondary organization have a vote? In all these things, there was no guidance in the Committee's report to answer the relevant questions.

Discussion about co-operative principles is not an abstract, theoretical subject. Such discussion must be conducted in a manner which will help people who have co-operative problems of association, of successful business, of competition with other organizations, and so on, to solve them. True enough, problems have to be solved within the four corners of the co-operative ideal. In doing so, more constructive guidance is needed. The committee's formulation and classification failed to meet this need.

Now, take the third principle : distribution of surplus in proportion to members' transactions. This formulation was perhaps adequate before questions such as building up reserves for meeting ups and downs of industry, and of keeping surplus reserves within the business to strengthen its competitive capacity gathered critical importance. Obviously, this is not a subject on which one can frame

a neat little principle which will easily cover all present and future conditions. As a matter of fact, even for using the word "surplus" there was great opposition from the most unexpected quarters. The American movement was largely against the word "surplus". Their argument is that there is never any surplus in co-operative activity. The members just pay what is necessary in cost to make the services available to them. There is never a surplus. There can be savings, they readily admitted. That is to say that which is due to a member, may at his instance be kept with the society as his savings. Thus, there is saving, but there is no surplus! This refinement of co-operative terminology was one of the several interesting things which I learned during the course of my work with the Commission. The problem confronting American co-operatives vis-a-vis the laws of their country is a serious one. Rigidity of terminology or of formulation of correct co-operative behaviour in such matters can be achieved only at the expense of legitimate progress of co-operative activity, and the attainment of co-operative ideal.

Fourthly, there is limited interest on capital. Apparently, this is a most unobjectionable thing. But the question arises: Limited to what? Further, has interest necessarily to be paid? The formulation itself gives no guidance. This system of describing major truths or major principles of important social and economic activity by catch phrases, e.g. "open membership," "democratic management," "limited interest on capital", has its limitations and pitfalls. It is a good thing for memorization, but not for understanding and guidance.

If you are seeking an adequate answer to the difficulties which the co-operators are facing, you will have to give a sufficiently explanatory formulation. It need not be prolix, but it must be adequate. This was the decision of the Commission. In enunciating principles, we have not tried to be brief if it involved the risk of being vague or misleading.

For instance, in regard to membership, the Commission has used, even in its summary statement, as many as 40 words to explain what it feels are the essential considerations in regard to membership. There appeared to be some controversy as to what is more characteristic of co-operation: is voluntary membership more characteristic or is open membership more characteristic? Now, for those who follow the trend of the ideal set by the Rochdale Pioneers there can be no two

answers to that question. Probably both are important; but what is important as an essential corollary of the ideal of equalitarian association is voluntary membership. If anybody can be compelled to be a member of a co-operative, right at the start there is no freedom or democracy. Somebody directs and others obey. Even when a full description of a principal characteristic has been attempted, there could be some doubt. This should be provided for by indicating the lines along which fresh doubts, when they arise, should be resolved. Neither excessive rigidity, nor relegation of a doubtful issue into the background are justified.

The institution of two classes of principles, one important and the other not so important, is not calculated to strengthen respect for either, as truth in both cases is made to appear a measurable quantity. An apocryphal story is told about a small principality in Central Asia. Its ruler had instituted several orders and titles of distinction, and had arranged them in different classes like first, second and third. According to the importance of the person, a higher or lower class of distinction was conferred. Sometimes the same person went on receiving by stages a higher class of the same distinction. The Central Asian state had an Order of Chastity for distinguished women. The good lady of a foreign envoy at the court of the ruler, had earned the high opinion of the ruler by several good deeds. It was, therefore, natural that when the distinguished envoy himself received an honour from the ruler, it should be thought appropriate and becoming that some distinction should be conferred on the good lady as well. According to the prevailing standards in the state, the highest virtue in a lady was chastity, and hence to confer the Order of Chastity upon a lady was regarded as a high distinction. The lady in question, therefore, appropriately was recipient of the Order of Chastity. But as she was only the wife of a foreign envoy, and it was the first time when a distinction was being conferred on her, the class of the order was Third, neither first nor second. When, therefore, the award was announced as Order of Chastity, Third Class, the ruler and his advisers failed to see why the lady, her husband the envoy and their friends felt very embarrassed.

The moral of this story is that for an attribute to be a principle, it has to be essential, and if it is essential, there is no more or less about it; you just cannot do without it. If you judge that in some cases you

can do without it, it is more correct to say that it is not essential, it is not a principle. We should try and make the statement of the principle itself as realistic and practical as is proper. So stated, all principles have equal validity.

That is why the Congress, it seems, did not feel happy about the three principles which in the 1937 report were recorded as non-essential. Take religious and political neutrality. A mere statement that co-operatives may or may not follow religious and political neutrality, gives no direction at all. If, by implication, you intend to say that in certain circumstances and in some ways, co-operators must be active in public affairs, is it not expected of you that you state your version of such circumstances and ways? This is what the Commission has tried to do. In varying circumstances different ways may be possible and co-operators are entitled to expect some guidance in regard to these from their advisers, so that when a co-operative society or a whole co-operative movement is confronted with a situation they may have the benefit of deep thinking and objective experience.

Another principle listed as non-essential was cash trading. I do not know what the situation is in Manila, but in some of the best shops in Western Countries, it is a mark of higher social and economic status to have a "charge account" than to pay cash. In a society which is so different from the one in which the Rochdale Pioneers commenced business that to pay cash is almost a suspicious act, merely to say that cash trading is less important, is not enough. When the Rochdale Pioneers prescribed cash trading for themselves, they were not keen on the word "cash". They were keen on prudence, on thrift. In the present context, there are different ways in which the same goals may be pursued. We should specifically say so.

Among the members of the Commission, we were lucky to have a colleague, Prof. Bonner, who, unfortunately is no more. He was not only a devoted student of British co-operation, but he was connected, through one of his ancestors, with a family which figured among the original members of Rochdale Pioneers. He always used to remind us of anything we missed from the good Rochdale model. He drew our pointed attention to an important trait of the Pioneers' business: they claimed always to give pure quality and correct weight. In these days, if the co-operators claim special virtue for pure quality and

correct weight, I am afraid that at least some interests other than co-operative will feel awfully offended. Therefore, in things which were once considered so important as to need specific mention, but which later become part of all decent trade, it is better to enunciate the basic virtue and leave its expression to changing circumstances. That is why the Commission has stated that co-operative institutions in all their activities should be characterized by a high sense of moral and social rectitude.

The Rochdale Pioneers were inspired by a desire not only of improving the lot of their own members, but of transforming the whole society into a harmonious and just community of workers. This social idealism is of the essence of co-operation. In no part of their activities, howsoever practical and business-like they may be, must co-operators forget this. This is brought out by the Commission in the following statement: When there is scarcely any branch of commercial activity in which co-operatives of one type or another may not now be found, co-operative institutions should be able to justify their existence, not only by the advantages they yield to their members, but also by their sense of responsibility and their high standards of probity in all that they undertake. Even when no mention is made of cash trading and correct weight, the standards of behaviour are fully upheld.

The comparative neglect into which education has been allowed to pass by some co-operative institutions, and even by the special committee of 1937, is apparently inexplicable. The Rochdale Pioneers were blazing a new trail of social reorganization, and they knew that for strengthening their own organization and for spreading their faith in the rest of the community constant emphasis on educating members, as well as non-members, in the aims, principles and practice of co-operation is called for. This urge is inherent in the idealism and the pressing needs of co-operators. To consider education as optional, or less important, is to jeopardise the success and spread of the co-operative movement.

I would ask you to believe me when I say that this insistence on education on the part of the commission does not stem from its predominantly academic composition. We had in the Commission, an eminent co-operator, Mr. Howard Cowden, who is also a leader of successful co-operative business. He was then Chairman of the Inter-

national Co-operative Petroleum Association, which has a number of oil interests both in the United States and in other parts of the world. Mr. Cowden, I may tell you, was no less keen than the rest of us on insisting that co-operative education should be something like an instinctive urge, a law of being, to every co-operative institution. There is a two-fold reason for such insistence, which I shall explain by reference to conditions in India.

Very often, people join a co-operative society either because they get scarce things without much trouble, it being government policy to distribute them through co-operatives; or because they get things cheaper than they get them in the free market, which in conditions of chronic scarcity tends to be the black market; or because they get loans much more easily and much more cheaply than they can get them from the private banker or the private money-lender. On the face of it, there is nothing wrong in this. But, the responsibility of co-operative association and management, the self-discipline and the devotion to the purposes of co-operation have rarely been appreciated by the large body of members. Members then tend to be no more than clients of convenience. Their lack of appreciation of co-operative values leads to all kinds of undesirable things in the management of co-operatives.

This is largely the experience in developing countries, and even in the more advanced countries, there is considerable scope for improving members' appreciation of co-operative values and responsibilities. If the co-operative institutions are to operate with the same degree of devotion to co-operative values which the Rochdale Pioneers gave to their own society, intensive efforts to spread the co-operative creed are called for.

For the satisfactory functioning of the co-operative, as an association and as a business unit, the education of members, of office-bearers and of staff in all aspects of co-operation is absolutely necessary. This education has to be both co-operative and functional. It is equally necessary to educate non-members with a view to turning them into co-operators. Actually, this process has to commence in childhood, and therefore, if the general educational courses in a country do not provide for this, co-operatives should arrange for educating the children of members and non-members as well. Commercial, and sometimes even governmental practices tend to promote "under the

counter" procedures which co-operators with their sense of social responsibility are not expected to follow. There is always a risk, therefore, that on account of the lack of appreciation of the special merits of co-operatives, both their members and the general public may develop an undeserved prejudice against them. A purposeful programme of informative and educative service must be undertaken by the appropriate co-operative institutions.

Never was an intensive and purposeful campaign in support of co-operative values and potentialities so urgent as it is at this juncture. A technological, scientific and industrial revolution of massive dimensions has been taking place ever since the end of the Second World War. The entire shape of our industrial and social life is undergoing a change. The changes which are likely to take place in the next twenty years, will be immensely greater than the changes which have come about during the last twenty years. Now, the fateful question for human progress and human culture is: who is going to guide and organize the change? Is transformation going to be state-sponsored and state-organized? Or, are the gigantic capitalist corporations going to dominate the coming age? Are the co-operatives going to be swamped by one or both of these? Or are the co-operative movements going to gird their loins and grasp the challenge and the opportunities of their times? Answers to these questions will depend largely on the co-operators' own efforts to equip themselves for the task. Education in the broadest sense will determine the size and quality of co-operative performance in the new age.

The challenge of the new age is real even for the small farmers in India. Take the new varieties of rice, cotton and wheat which are now available. Take the new fertilizers which are being provided; take the new pesticides, the new machines and several other producer aids which will enrich the farming business. If all these opportunities are to be shared by the large body of small independent farmers, it is only through co-operation that they can do so. If the co-operators fail to grasp their opportunities, large sized private enterprises and state farms may monopolize the economic advantages of modern scientific farming.

It has become imperative for co-operatives to take a new look at the tasks and opportunities which devolve on them. They must be not only progressive, but aggressively committed to progress. So long

as they keep in the path set by co-operative ideal as proclaimed by Rochdale Pioneers, they must not be deterred by the prospect of having to modify their procedures for the success of their efforts. In elaborating their views on the subject-matter of the several Rochdale Principles and in suggesting certain modifications and changes, the Commission intended no more than to assist progressive co-operators of all lands to be strengthened, not weakened, by their co-operative faith and organization.

It is against this background and approach that I would ask you to receive the recommendations of the Commission as, I am happy to say, they were received at the last session of the Co-operative Congress. The only amendment to the resolution expressing general acceptance of the report, which was later incorporated in the resolution itself, was to add the word "racial" to the Commission's recommendation on membership, which as amended ran as follows :—

"Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, *racial* or religious discrimination, to all persons who can make use of its services, and are willing to accept the responsibilities of membership."

Asserting that membership should be voluntary, and recognizing that certain restrictions are inherent if co-operatives are to succeed in their tasks, guidance is offered as to the lines along which such unavoidable restrictions may be laid.

Our recommendations as regards the reformulation of other Rochdale Principles have also been made in the interest of ensuring greater success of these very principles through more and more efficient and enterprising co-operatives. On democratic management, self-regulation and equal voting among individual members of primary societies have been accepted. But the democratic basis of secondary societies or federations is left to be decided in several appropriate forms, to be selected by the primary societies who join to form inter-institutional societies. As regards interest on share capital, it is made clear that there is no co-operative compulsion to pay interest, but if it is paid, it should be limited to an appropriate rate of interest. Some indication is given in the report about different standards of propriety in this respect.

Regarding the distribution of surplus or savings, the main object which the Rochdale Pioneers sought to achieve was the elimination of profit, that is the possibility of one member benefitting at the cost of another. The Commission's formulation of the implied principle explicitly sets this out, and, as in other cases, leaves the choice among several possible and justifiable alternatives to the members of each society. Similarly, while the manner in which a society may promote co-operative education was left to be decided by its own members in keeping with their resources, the co-operators' obligation for spreading a continuing enlightenment about their ideals and methods was not left in doubt. Up to this point, as you will observe, all our recommendations were obviously in the nature of reformulation of what we considered to be the substance of co-operative truth in the several commonly expressed Rochdale Principles.

We have avowedly added one principle which actually states explicitly what is implied in the co-operative ideal itself. The basic idea of co-operation has often been expressed as : one for all and all for one. That exhortation was not intended only for individual members, but also for societies and for co-operative movements. Unless all co-operative organizations, at local, national and international levels actively co-operate among themselves in every practical way, the best interests of their members and their communities will not be served. With a great future opening before the co-operators, there was special need to emphasize their obligations in this respect through which alone they can successfully grasp all their opportunities.

I would like to conclude my speech by referring to a particularly satisfying experience at the last session of the Congress during the discussion of the main resolution on the report of the Commission. Quite a number of speakers took part in the debate. Many, I should say most, supported the resolution which was carried by a large majority, after two somewhat poorly supported amendments had been defeated. But what has stuck in my memory, what in fact I treasure as a specially appropriate recognition of the merits of the Commission's report, was a speech by Mr. Applegate, the present chairman of the Rochdale Pioneers' Society. As first speaker from the floor, he recognized that a review of the traditional Rochdale Principles was overdue and that the Commission's reformulations and recommendations were as good and satisfactory a review as could

be expected at this stage of the progress of co-operatives in the different countries of the world. What better certificate of good performance a Commission on reformulation of Rochdale Principles should have hoped for than the unreserved approbation and support of the Chairman of the Rochdale Pioneers themselves.

SELF-HELP AND CO-OPERATION*

WE HAVE assembled here on this day, to remind ourselves of our departed friend and leader, Shri Vaikunthbhai Mehta, who left us two years ago. Speaking for myself, and basing my observation on what I saw of him, and of others, during the thirty odd years that I knew him, I can state without any hesitation that I have not come across any person who possessed innate purity of motive and behaviour, and who spontaneously and unreservedly took every fellow-man to himself as a brother, in as great a measure as Vaikunthbhai. To remind ourselves of so good a man, even for one day, or one week, in a year ought to be an act of self-purification. For those who can rarely put Vaikunthbhai out of their mind, this must be a day of rededication.

Vaikunthbhai had many sides to his life. The call of humanity did not mean for him only, or even primarily, the relief of distress. He had such a deep appreciation of human dignity that developing the capacity of each individual for self-help, so that there should be no need for charity from others, was the greatest service which he desired to render to his distressed fellow-men. Not that a word of sympathy or a handful of charity was difficult to be had from him. In fact they flowed freely enough. But that was not the ultimate good which he desired to do for his less fortunate brethren. Self-help was what he desired to promote, as he knew that a dignified existence was possible only on that footing.

From his insistence on human dignity was derived his unswerving faith in equality of status for all human beings. All distinctions of caste and class, and of course of colour, were abhorrent to him. The maintenance of an equalitarian social order, along with the successful pursuit of all-sided development, is the need and the challenge of our times. Vaikunthbhai, contrary to certain outward appearances, was no less keen on development, than on equality. In the co-operative form of social organization he found a reconciliation among all the

* Bombay Gandhi Smarak Nidhi — Vaikuntha L. Mehta Memorial Lecture, October, 1966.

three values on which he had set his heart: human dignity, equality of status, and successful pursuit of all-sided development for all.

Vaikunthbhai was no dreamer and he had enough of hard practical sense to distinguish between hope and performance. But from his own studies and experience he had convinced himself that for the weaker and poorer many, at any rate, there would be no hope of participating in free and progressive living except in purposeful association with their fellow-men on a footing of equality. He did not underrate the difficulties in the way. He recognized them at least as objectively as did the critics of the co-operative movement. Where he felt that the defects in the working of co-operatives were avoidable he openly deplored them. But such defects, which he thought were avoidable, he strove to remove, both by the education of all concerned, and by offering to them adequate and timely assistance in the shape of the necessary means of improvement. Such assistance either individually, or through a bank, or through government, was for him a good social investment. In human terms—economic, political and social—he hoped that such a comprehensive effort at reconstruction on the basis of self-help and mutual aid would lead to the creation of a world where freedom, peace and welfare would have the best chance to survive.

Under Vaikunthbhai's inspiration and leadership co-operation in independent India developed some special traits which were, for the most part, absent from Indian co-operative policy till then. These somewhat special features of Indian approach to co-operation in recent years may be summarized thus. A life of sanctified inequality, conflict and state inaction has sometimes been described as the competitive system of free enterprise. Largely, this was the accepted policy of British Government in India. It was only after India attained independence and adopted Part IV of its Constitution as a solemn declaration of guiding principles of State policy that it was possible, in fact it was necessary, to take a view as to the type of society which we, as citizens of free India, desired to evolve. It was in this context that co-operative leaders could urge that the unregulated, unguided and socially unsupported system of so-called free enterprise should be replaced, to the largest possible extent, by a social system in which, while preserving incentives to individual enterprise and effort the association of individuals for a common economic

effort would be on a footing of equality free from any form of exploitation. Only co-operative institutions, suitably formed, equipped and organized could conform to these requirements. In the establishment and development of co-operative institutions along right lines the whole community therefore has a vital interest.

The foundations of political democracy and of planned welfare could not be surely laid except by the creation of a continuing habit and experience of fruitful, associated and equalitarian living among the people such as membership of a co-operative body offers. The act of casting a vote for candidates, almost all of whom are virtual strangers for the large mass of the people, could hardly bring home to the citizens either the privileges or the responsibilities of democratic living. The creation, out of a state of economic backwardness and of meagre resources, of a modernized, efficient and progressive economy needed the mobilization on the one hand of all the material resources of the people and, on the other, of their unstinted devotion and readiness to undergo the necessary self-denials during the initial period of growth.

The normal functioning of co-operative business would be the best aid to inculcating among the people the habit of democratic living and of operating a modernized industrial economy. When a traditional and class-bound society is almost suddenly confronted with the challenge of practising, preserving and strengthening its freshly acquired democratic existence it must set the highest value on promoting co-operative institutions as a regular feature of the normal life of the people.

Thus raising co-operation from the level of *one* of the several alternatives which were open to individual citizen without any indication of the choice of the community as a whole, to that of a highly regarded and integral part of national policy was the principal feature of the new co-operative policy which was enunciated under Vaikunthbhai's leadership. In a sense co-operation was always a part of government policy. But that policy itself favoured the withholding of collective support from all individual efforts, whether in the co-operative or in other sectors of economic life. In free and democratic India, Government has adopted a policy of actively recognizing in due measure the national or collective importance of the several ways of organizing the creative effort of people. To confer on co-opera-

tion a relatively high order of preference was a deliberate act of national policy which emphasized the responsibilities of the state as well as of co-operative institutions. A certain partnership of faith is created among the two, and whether this partnership is, or is not, accompanied by partnership in resources and in decision making is a comparatively less important matter.

A mere pious expression of approval, or even of strong appreciation, of the co-operative form of organization would avail little either for the progress of that form or for the improvement of the capacity of common men, especially in heavily populated agricultural communities. To secure these positive results it is necessary to take active steps to equip the would-be members of progressive co-operative enterprises at least with the minimum equipment needed to start them on the career of self-reliant co-operative business.

In this connection I am reminded of a discussion which we were having over ten years ago at an international meeting on techniques of planning. One leading Western participant was very strongly urging for nations and for men the virtues of self-reliant development. He interlaced his somewhat longish talk with a rather frequent repetition of the familiar phrase "You must raise yourself with your own shoe-strings". I could not resist the temptation of offering, in my own speech which followed, an obvious retort. I said: "To raise yourself by your own shoe-strings, you must in the first place have a pair of shoes on your feet, and those shoes should have strings of at least the minimum strength." The obvious moral, that for the initial equipment, at least for the quantum needed to produce a catalytic effect, the less developed or undeveloped parts of the national and of the world community have a strong claim on the aggregate resources was not lost on the other participants.

One of the first things which Vaikunthbhai did, after he assumed the twin charge of the Finance and the Co-operation portfolios in the then Bombay Government, was to set the minds of co-operators at rest on one issue: namely, that any assistance which they can legitimately desire to enable them to be, at least eventually, not only self-reliant, but also strong and useful members of the national community would be made available to them by Government on behalf of the community. The policy of state participation in co-operative effort, with a view to strengthening its material as well as social strength,

was adopted only gradually and selectively as a necessary corollary to the adoption of the objective of substituting, at least in some measure, the co-operative form of mutual service in place of the usurious or exploitative form of mercenary business, which in the special conditions of India acted as an impediment to the economic and social progress of the countryside.

A very telling example of this inevitable logic of the situation is supplied by the long experience of anti-usury measures. For several decades before the first popular government came into power in Bombay there were anti-usury measures on the statute book. But for want of alternative sources of credit, which could be trusted to operate within the four corners of the law, these measures had remained a dead letter, if indeed they had not made the situation more burdensome for the borrowers. Helping the co-operatives to establish themselves on a sound basis and to do business on an expanding scale was thus necessary to ensure the success of this and of several other measures of social and economic reform.

Both these features of co-operative organization, viz., its significance as an integral part of the scheme of national reconstruction and development, and the active participation of the state in the equipping and functioning of co-operatives were quite unfamiliar things, not only in India, but also in most other countries. It is not surprising that many of the developing countries, especially those which had some struggling institutions in the co-operative movement, initiated by erstwhile colonial regimes, had similar problems, and they were trying to meet them along lines similar to those which we were led on to adopt in our country. The socialist countries as a class had adopted co-operative organizations as an integral part of their machinery of distribution of consumer goods, and quite frequently as a permissive form of agricultural production.

We are not concerned in the present context with the economic success or otherwise of these features of socialist systems. In international co-operative circles, ever since Russia became a socialist state, the Russian co-operatives had appeared to Western observers as unsuitable colleagues of theirs in the International Co-operative Alliance. Russia was already a member of this organization, which was founded in 1895, and the Russian co-operative movement continued to claim and receive its rights of membership of that body. The

large majority of members of the Alliance were drawn from capitalist countries, who naturally disliked the whole system of authoritarian central planning and the so-called co-operative institutions, either of production or of distribution, which accompanied it. No new member from the socialist group of nations was admitted till recently, and where the continuity of old co-operative institutions in such countries was broken their earlier memberships were held to have lapsed.

Russian co-operators valued their separate recognition in the Russian social and economic system very highly, and they continued to urge within the International Alliance and its triennial Congresses that the essential common features of co-operatives, as distinguished from their available alternatives in any pattern of social life, capitalist or socialist, should be clearly defined, and that such of the co-operatives as followed these essential principles should be recognized as full members of the International Co-operative Alliance. The initial instinct of co-operators from the capitalist countries was to stick to the position that the principles of organization, and methods of practical operation, associated with the premier co-operative institution, namely the Rochdale Pioneers of Manchester, established in 1844, should continue to be recognized as the essential principles of co-operation. Any co-operative institution which did not in all respects conform to these principles should be refused recognition as a co-operative.

This led to an almost continued wrangle at Co-operative Congresses for a number of years. As a first step to meet the demands of dissenters the Congress appointed a special committee to define what these reputed Rochdale Principles were. The first draft of this committee's report, which was based almost exclusively on the constitution and working of the Rochdale Society, and other consumer organisations, failed to satisfy large sections of the Congress. The committee was, therefore, instructed to take a wider look at the functioning of all types of co-operatives and to resubmit its report. This revised report was presented to the Paris session of the Co-operative Congress held in 1937. Having reviewed the historical evolution of the co-operative form from the early days of the Rochdale Pioneers to modern times this committee, in its report, enumerated seven principles in all as comprising the Rochdale system. In their turn, these seven principles were grouped by the Committee into two classes, one class containing four principles, which were held to be more essential

than the other three which formed the second class. The Committee's list of the more important principles was as follows :—

- (1) Open Membership.
- (2) Democratic Control (one man, one vote).
- (3) Distribution of Surplus in proportion to members' transactions; and
- (4) Limited Interest on Capital.

The remaining three principles described by the Committee as of lesser significance, were :—

- (5) Political and Religious Neutrality.
- (6) Cash Trading, and
- (7) Promotion of Education.

This approach to, and pattern of disposal of, the whole controversy about the common essentials of co-operative activity underlying its variagated forms pleased nobody. Even the older co-operators were not happy at the institution of a second class of principles. The ambiguity of content, and of evaluation of each principle remained what it was. And the Paris Congress, of 1937, before which this Report came up for consideration could do no more than "record" it, thus leaving the controversy unresolved.

The Paris Congress was soon followed by the dislocations of the Second World War, which in turn was followed by the setting up of new regimes in several countries, and by the establishment of the United Nations. The gigantic task of reconstruction, rehabilitation and development, which confronted all nations, socialist as well as non-socialist, altered the whole concept of the relationship of the state to its citizens. For a long time before the war the word Planning was almost a bad word in capitalist countries. But under the guise of promoting defence and welfare, consolidating peace and securing full employment the state, even in the leading non-socialist countries, took to itself so many powers of regulation and positive performance in the economic field that the absolute concept of individual freedom and of non-involvement with the state, by which the Rochdale Society appeared to have laid great store, could no longer be sustained.

As the result of the emergence of the One World System, in politics and economics, as well as in educational and social affairs the old pose of 'holier than thou' could not be indefinitely sustained among nations with different social systems. At last at the Bournemouth

Congress, held in 1963, a Russian resolution asking the Central Committee to set up an independent commission "to formulate the fundamental principles of activity of co-operation under modern conditions" was passed by an overwhelming majority.

In due course, in October 1964, the Central Committee of I.C.A. set up a commission of five members and asked it specifically to ascertain how far the Principles of Rochdale—as defined by the I.C.A. Congress in 1937—are observed today, and the reasons for any non-observance. The commission consisted of the following members:—

1. Mr. A. Bonner, Senior Tutor, Co-operative College, U.K.
2. Mr. Howard A. Cowden, Chairman, International Co-operative Petroleum Association, U.S.A.
3. Prof. Dr. R. Henzler, Director, Institute of Co-operation Hamburg University, Germany.
4. Prof. I. Kistanov, Professor of Economics and Co-operation, Moscow Institute of Peoples' Economy, and
5. Prof. D. G. Karve, Chairman, I.C.A. Advisory Council for S.-E. Asia. At its first meeting held in London, in December 1964, he was elected Chairman of the Commission.

In December, 1965, that is after the Commission had visited Finland and Soviet Russia, and had held several preliminary discussions, Prof. Kistanov had to restrict his movement out of Moscow for reasons of health. His place at later discussions was taken by Prof. G. Blank, Head of the Department of Economics, Moscow Co-operative Institute, who, therefore, signed the unanimous report of the Commission which was finalised in London, in February, 1966.

Apart from undertaking independent studies of their own, and holding frequent discussions among themselves on the many important aspects of their terms of reference, the Commission addressed detailed questionnaires to the National Co-operative Movements of over seventy countries, some of whom were not then members of the International Co-operative Alliance.

It may interest the present audience to know that among persons who were approached with a view to membership was Vaikunthbhai. For obvious reasons of health, he could not accept the invitation. But he utilized the occasion to record his own views on the subject, which were posthumously published in an issue of the *Indian Co-*

operative Review. The Commission found this note of great value in formulating its recommendations.

Over one hundred replies, many of which were profusely documented, were received from co-operative bodies, as well as individually from some co-operative leaders. Besides Vaikunthbhai's note, writings of some other Indian co-operators, like Prof. Gadgil, and reports of some of the co-operative committees set up in India were also available to the Commission. This gave the Commission a full and comprehensive view of the practice, as well as the thought, of co-operative institutions in countries having different social systems, and occupying different stages of modernization. To quote from my own speech, in initiating discussion on the Commission's Report at the last session of the Congress held in Vienna in last September :

"From the mass of material, written and oral, received by the Commission three things emerged very clearly. Firstly, all co-operators, everywhere, concurred in the basic philosophy, or aims of co-operation as formulated by Rochdale Pioneers, viz. creation of a Co-operative Working Community in which all men have an equal status and in which no one benefits at the cost of another. Secondly, all of them entertained the highest regard for the rules and methods of Rochdale which they try to follow to the greatest possible extent; and thirdly, all of them have found it necessary, in some respect or other, to recast one or more of these rules and practices, so as to enable them, to realize more fully the aims of the Co-operative Movement in their own peculiar circumstances."

"Probing back to the very establishment of the Rochdale Pioneers' Society, we can clearly discern that whereas the aims and ideals of the Pioneers were revolutionary—namely, the creation of a harmonious in place of a trafficking human community—many of the rules and methods of their functioning were clearly evolutionary. Certain features of their organization and methods were inherent in the ideal which they followed. In that sense they were fundamental truths, more popularly called principles. But some features of organization and practice were evolutionary, changeful. They were true or valid, in one context, but not in another."

In view of the varying circumstances of each time and place, in which principles and methods have to be understood and practised, we felt that our formulation of principles could not take the form

of coining or making short formulas. Rather, we felt called upon to express, even in the summary part of our report, our version of each principle in as adequate a manner as was thought to be necessary. Summing up our examination of the seven principles enumerated in the Report of the Special Committee of 1937, we recommended that the following should be considered as essential to genuine and effective co-operative practice :

1. Membership of a co-operative society should be voluntary and available without artificial restriction, or any social, political, religious or racial discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership. (Actually, the word 'racial' was an addition accepted on the suggestion of a delegate from the floor of Congress).

As will be seen, in this reformulation of the co-operative principle on membership the natural limitations on open membership are specifically recorded, and the voluntary character of membership is emphasized. In the body of the Report, the formation of co-operative association by other than co-operative organizations, or by persons who are primarily private businessmen, is described as an act which, while strictly legal, cannot be said to promote the aims of the co-operative movement, principally that of substitution of a social system of mutual aid in place of trafficking for profit.

2. Co-operative societies are democratic organizations. Their affairs should be administered by persons elected or appointed in a manner agreed to by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

This formulation of the principle of democratic management of co-operative bodies has several implications. In the first place out of the several systems in which voting rights in secondary or federal co-operative bodies are actually organized, so as to make for a sense of equity and for efficient administration, the Commission refused to choose any single one as the only co-operative principle. These several systems are :

(i) treating each member-institution as entitled to equal vote, or

- (ii) treating each individual member of a member-institution as entitled to equal vote, or
- (iii) giving more votes to large societies up to some extent, or
- (iv) drawing upon the business contributed by a member-institution, as a balancing factor.

In matters like this, in giving effect to the basic principle of democratic equality the claims of equity and of co-operative efficiency, must be interpreted by reference to the needs of the situation.

Along with democratic control, the concept of autonomy of co-operative institutions must also be interpreted with reference to their capacity for self-reliance. In international co-operative circles, there is now growing appreciation of the need for external, and especially governmental aid to co-operatives in developing countries in the initial stages of their growth. But absence of a full-fledged effort to reach the stage of complete self-reliance, or willing acquiescence in a relationship as a result of which the decisions for action by co-operatives are made by others than their own members, would not be considered to be in conformity with co-operative principle.

3. Share capital should only receive a limited interest, if any.

Here again I may quote from my speech at the Vienna Congress :
 "Co-operatives are users' organizations for mutual service. Hence any capital owned or employed by them is only an instrument of production. Share capital, in so far as it is used in the business of a co-operative would be entitled to its appropriate rate of interest, though this would not preclude any society from keeping its share capital at a low rate of interest or paying no interest at all on it. The only co-operative value involved is that capital in any form used by a co-operative should not have a remuneration higher than an appropriate rate of interest, and that where unequal shares are held the right of participation in the control of the co-operative should not be weighted in favour of the larger holders." No substantial difference of opinion exists on this issue.

4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others.

This may be done by the decision of members as follows :—

- (a) By provision for development of the business of the co-operative;
- (b) By provision of common services; or
- (c) By distribution among the members in proportion to their transactions with the society.

Of these three allowable courses of action it is possible that the more orthodox would have held the last, i.e. distribution in proportion to transactions, as the only proper course to eliminate any trace of profit. The whole structure of finance of co-operative business, and the need for self-finance, have, however, developed in such unexpected directions that the traditional principle can no longer be upheld as the exclusive course to be followed in all cases even by consumer societies. In other types of societies the situation corresponds more closely to general economic practice, and therefore, surplus, if any, is often more naturally thought of as a source of internal financing, and distribution in some form directly to members themselves is only one of the several recommended courses. The members of each society ought to be free to make a choice according to their best judgement.

The Commission has deliberately refrained from passing any opinion on the merits of distribution of reserves of co-operative associations either in part, or in entirety to members. It used to be held for long,—probably the latest expression of view on this subject of even Vaikunthbhai was—that unencumbered reserves, especially after dissolution, should be utilized in support of some general co-operative purpose, and that they should under no circumstances be distributed among members. My own view, which I stated in Vienna, is not so absolute. Co-operative business is becoming so complicated and massive that both for financial and tax reasons all kinds of earmarked, general and contingent funds and reserves have to be created. There is no general principle involved in debarring members for all time from having a share of these reserves. Even in the exceptional event of a dissolution, it would hardly be tenable to urge that the reserves do not belong to the corporate body of members—past and present. It is not difficult to devise a scheme of distribution by which no member benefits at the cost of another. On the other hand, especially after dissolution, members may in some cases desire to have the surplus reserves used for a worthy object of promoting the

co-operative cause. The Commission held that no co-operative principle is involved in making a choice among these alternatives and left the decision to the members of each co-operative institution. It is probable that some purists in a few countries may not quite relish this pluralism.

5. It will be observed that the Special Committee of 1934-37, had in a manner of speaking, downgraded educational activity of co-operatives to a position of secondary importance. The Commission, however, restored education to its proper place and recommended that "all co-operative societies should make provision for the education of their members, officers, and employees, and of the general public, in the principles and techniques of co-operation, both economic and democratic." If it is realized that what the co-operators are trying to build is not only a business, but even more so a faith and a desirable way of social living, which has to justify and establish itself, in competition with other ways e.g. the purely capitalist, or the purely authoritarian, the temptation to look upon education, as a secondary matter would, I hope vanish. How much, and in what manner a particular co-operative should devote its financial resources for the promotion of education is a matter which, of course, must be left to the decision of members.

Besides education, the Committee of 1937 had downgraded two other principles of the Rochdale system viz. Cash Trading and Political and Religious Neutrality. The Commission found that hardly any one of its hundred odd respondents supported Cash Trading as a principle. That co-operatives should at all times follow enlightened and socially desirable trade practices is a general counsel inherent in the character of co-operative enterprises. But the manner in which this policy would actually be implemented must depend on the circumstances of each case which can be judged with the requisite knowledge and responsibility by members themselves.

Similarly, while it would be impossible, even if it were held to be desirable, for co-operators to keep away from issues of public policy, wherein their own immediate or long-term interests are involved, the manner in which at any given time a co-operative should give effect to its interest in public affairs is not a matter which can be reduced to a common formula.

Thus out of the three downgraded principles of the Rochdale sys-

tem, the Commission restored education to its pre-1937 position of an essential principle, and removed both cash trading, and political and religious neutrality from the list of principles. Some guidance as regards correct lines of co-operative action in both these respects is contained in the relevant parts of the Commission's report.

6. We are accustomed in our country to a general complaint that members of a co-operative society are not always loyal to it, that is to say, either on account of neglect, or on account of occasional or minor advantages they take their custom to other suppliers. This problem of loyalty of individual members does not seem to cause much worry to co-operatives in developed countries. They have, however, a strong feeling that individual co-operatives within each nation, and central co-operative bodies of each nation, do not purposefully and readily collaborate with one another to expand total co-operative industry and business. In view of the opportunities of co-operative development of internal and international business, and in view of the competition of large combines in private and public sectors, the Commission felt that the inherent bond of solidarity among co-operators and co-operative institutions should be expressly stated. The rallying call of the co-operative movement, "one for all, and all for one," was not addressed only to individual members of a co-operative society. It is a call to which all co-operators, in all institutions, and in all countries, must spontaneously and unreservedly respond.

The process of concentration, and common action, to reduce costs and expand business is gathering momentum in other forms of organization. A new Industrial Revolution of unprecedented magnitude and potentiality is dawning on humanity. If the co-operators do not act, without loss of time, in support of their cause, singly and in combination, they will soon be swamped by the competition of giant units. Hence it is imperative that all co-operative organizations, in order to best serve the interests of their members and of the whole community to which they belong, should actively co-operate in every practical way with other co-operatives at local, national and international levels.

Thus the newly formulated six principles of co-operative activity are in substance a restatement of the essential values which co-operators from the very pioneering days of the Rochdale Society have

considered to be an integral part of their faith. It was most gratifying to see that when the Central Committee's resolution urging the Congress to adopt the recommendations of the Commission came up for discussion the first speaker from the floor who addressed the gathering in support of the motion was no less a person than Mr. Applegate, the present chairman of the Rochdale Pioneer Society. He supported the motion and said that in the changed circumstances, both of technology and of expanding limits of social and economic relationships, a restatement of basic principles was overdue, and that the Commission had produced a set of recommendations which deserve wholehearted support. Incidentally, he was also the first of a number of speakers who offered enthusiastic congratulations to the Commission, such as : "The report will live as long as the co-operative movement lives." As we wish long life to the co-operative movement, this description of the Report must be treated only as a well-meant exaggeration. I for one foresee that at least after twenty years, if not even in ten years, the world would have changed so much as to need a new comprehensive inquiry into the formulation of characteristic features of co-operative business.

Considering that the U.S.S.R. were really the prime movers of the resolution asking for the appointment of a Commission, and that they were ably represented on it, and had in fact materially contributed to its discussions which led to a unanimous report, it was not surprising that the chief Russian delegate in the Congress unreservedly supported acceptance of the report, and equally emphatically opposed the two amendments which had been moved, one of which, the Finnish, proposed the deferment of the question to the next triennial Congress, and the other, Belgian, which sought to formulate somewhat differently a few of the Commission's recommendations. But the trenchant and clear terms in which Russian support was given are significant. In substance the chief Russian delegate said : "The recommendations of the Commission are based on a deliberate compromise which the members of the Commission, who were drawn from several countries viz. U.S.A., U.K., Russia, Germany and India, have reached after prolonged and free discussion. They should be accepted as a step forward in the right direction." One would not have been surprised if a British Liberal of the 19th century had said this.

Support was not slow in coming from other quarters as well. Over twenty-five delegates from different countries participated in the debate. Mr. Jerry Voohris, President of the American Co-operative League, in supporting the Resolution, paid a warm tribute to Indian chairmanship of the Commission. Repeating in substance what he had said earlier in Copenhagen at the meeting of the Central Committee which received the Report, and framed the draft Resolution for the Congress, Mr. Voohris said that :

“We are accustomed to describing some countries as developed, and certain other countries as developing or even underdeveloped. Whenever we use these terms, we should beware that we refer only to economic, and not to spiritual or intellectual development. I have here specially in my mind the leadership offered to the Commission, and through the Commission to the whole Congress, by the Commission's chairman.”

As I was all the while representing the common fund of co-operative thinking in India, to which the largest single contribution all along had been that of Vaikunthbhai, I knew where the compliments being paid in Vienna to Indian leadership should really belong. By a coincidence, as this happened to be the first session of the Congress after Vaikunthbhai's demise, the Congress by a special condolence resolution offered its sincere tribute to his memory.

We in this country have no reason to be complacent about these nice things said about us. Not only in the co-operative, but in several other fields in which the world is interested, we have been known to be capable of formulating in felicitous terms lofty objectives and high sounding principles. To be honest to ourselves, and to the rest of the world, whom obviously we cannot all the time continue to impress by mere words, we must set an example of honest, efficient and progressive co-operative activity in conformity with the principles which we enunciate. Especially the other members of the developing group of nations have a right to expect from us leadership in deeds, not in mere words.

I am not suggesting that we are not doing anything in the practical field of co-operative achievement. I have, however, a feeling that we are not doing enough. Especially in the matter of dropping the crutches of governmental assistance, and of securing support from all our countrymen on the basis of a convincing performance, co-

APPENDIX

Resolution of the 23rd Congress of the I.C.A. held at Vienna from 5th to 8th September, 1966.

I.C.A. Commission on Principles

The 23rd Congress of the I.C.A. welcomes the report of the Commission on Co-operative Principles as meeting the specification required by resolution at the 22nd Congress.

Congress accepts that, while there can be differences of opinion as to emphasis or degree, the report is a significant statement of co-operative principles in a modern setting.

Congress approves the Recommendations and Conclusions made by the Principles Commission as follows :—

1. Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.

2. Co-operative societies are democratic organizations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

3. Share capital should only receive a strictly limited rate of interest, if any.

4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others.

This may be done by decision of the members as follows :—

- (a) By provision for development of the business of the Co-operative;
- (b) By provision of common services; or,

(c) By distribution among the members in proportion to their transactions with the Society.

5. All co-operative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of Co-operation, both economic and democratic.

6. All co-operative organizations, in order to best serve the interests of their members and their communities should actively co-operate in every practical way with other co-operatives at local, national and international levels.

Congress authorises the Central Committee and its Executive to take note of the decisions of the Congress on the report of the I.C.A. Commission on Co-operative Principles at the 23rd Congress in Vienna and arising therefrom to make such recommendations for changes in the rules of the I.C.A. as may be considered necessary for the next Congress.

THIS BOOK brings together four speeches of Professor Karve, delivered in the context of the Report of the Commission on Co-operative Principles, set up by the Central Committee of the International Co-operative Alliance. They are presented in chronological order. The first speech made in Copenhagen, at the Central Committee of the International Co-operative Alliance before it took up discussion of the Report, is more in the nature of an interpretative statement than an argumentative presentation. The second, made on a similar occasion at the Vienna Congress of the I.C.A., is necessarily somewhat argumentative as it had to take note of some comments on the Report, which had been made since its circulation among national co-operative movements. The third speech was a freer contribution made at a symposium on Co-operative Principles, arranged in Manila, Philippines, on the occasion of the seventh meeting of the Advisory Council of the Regional Office of the I.C.A. in October 1966. The last speech has a background of Indian co-operation and has some personal overtones, as it was made in Bombay at a memorial meeting in honour of the late Mr. Vaikunth L. Mehta, the great Indian Co-operator.