

# Co-operation Between Co-operatives: Pious Hope or Sound Strategy?

R. Johnston Birchall

*Journal of Co-operative Studies*, 59, May 1987, 45-52.

One of my earliest encounters with the Co-operative Movement was at a Plunkett Foundation seminar in Oxford at which a grand old man spoke, persuasively and without notes, on the need for “Co-operation between Co-operatives”. He took as his starting point the fact that this was a fundamental co-operative principle, and that it was already being put into practice in France (the Groupement National de la Coopération) and the European Economic Community (COGECA)<sup>1</sup>. Despite the statutory duty of the national Co-operative Development Agency (CDA), this was not as yet happening in Britain to any extent, and he felt that it should. At the seminar, agricultural, worker, and community co-operatives were all on the agenda, and the scepticism with which his argument was met was echoed in the contrasting dress and style of the farmers and worker co-operative developers who were gathered around him.

It was my first encounter with Will Watkins, and I was sad that his boundless faith in the co-operative spirit should meet with such scepticism; sad but not surprised. The cultural and political gulf between these two co-operative sectors seemed unbridgeable.

## Early Explorations

What I did not realise at the time was that Will had already inspired members of the various sectors to meet, under the title of a Society for Co-operative Studies (SCS) Syndicate, to carry the idea forward. The Syndicate began by sketching out a ‘socio-economic map’ of the various sectors, by trying to identify needs which could be met through an inter-sector forum, and by discussing the need for a central financing institution. Archie Mackintosh (1982) reported that though the group was informal and “on occasion disorganised” (p. 13), it had begun to do a useful job.

I did not realise also, that four years on I would be a member of the Co-operative Forum which is trying to build more solidly on these early initiatives. My silence at the seminar may have been taken by Will for acquiescence in the scepticism of the other participants. Not so; it was only ignorance that held me back from giving him support. No such excuse remains, and it is time I added an encouraging, if belated, voice to the debate.

## A Vital Principle —

It might seem as if the disagreement between Will and the Oxford seminar participants was one between idealism and pragmatism, that those who remained sceptical did so because they had their feet firmly planted in the harsh realities of co-operative business. This is not true; Will says in his book that the principle of “Co-operation between Co-operatives” is the most vital one of all: “It carries an overriding authority to which all the other Principles may all be obliged in the last resort to defer” (Watkins, 1986, p. 19). This is because without it, each sector loses power, without which the application of the other six co-operative principles is a waste of time. He links it therefore with sound business practice; the need of the economically powerless to make their numbers tell in a world of capitalist cartels and conglomerates.

Similarly, when the International Co-operative Alliance (ICA) in the Commission of 1966 first formulated the principle (which until then had been implicit), it was put this way:

All Co-operative organisations, 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 (ICA 1967, p. 36).

The main argument advanced was a pragmatic one: that from necessity, faced with the vertical and horizontal integration of capitalistic competitors, co-operatives have no choice but to co-operate with each other if they are to survive and prosper. Yet, as always in a movement whose vitality comes from the fusion of realism and idealism, the authors could not resist adding that:

Humanity at large is seeking, however blindly, for a major transformation from a system dominated by capital to one based on human dignity and equality (1967 p. 35).

## — And the Scepticism

A similar balancing of the real and the ideal can be found almost anywhere one looks within co-operative writings. For instance, Bonner (1970) contrasts the economic self-interest argument of Orne with Gide's hope for the replacing of capitalism by a new economic system based on mutual aid (pp. 306-8). Fauquet (1951)<sup>2</sup> makes it absolutely clear that there is no need for us to make an 'either-or' choice between self-interest and altruism; in his view, the two impulses are uniquely fused together in co-operative principles and practices.

Reference to the Rochdale Pioneers shows up the same point; both in their early Owenite aim of establishing 'home colonies' and in their later more pragmatic aim of extending co-operative trading back from retailing into wholesaling (and then later into manufacture and farming). The Pioneers were expressing the desire both to alleviate their own immediate poverty and to usher in a new world order.

If there is no real conflict, then, between pragmatists and idealists on the question of co-operation between co-operatives, what then is the source of the scepticism? I would like to suggest two sources. First, there is a conflict between what we might call short-run and long-run thinking. In the short term, co-operation between co-operatives might seem a luxury. When the urgent already crowds out the important within an organisation, and resources are already stretched to the limit, it is hard to defend the importance of less urgent demands for links with other types of co-operatives. Only if we have a long-term vision will we give this task the priority due to it.

## Different Interpretations of Co-operation

Secondly, there are deep underlying differences between the sectors, and to a lesser extent, between people within the sectors, on the ultimate goal of co-operation. To make this point clear, let us look briefly at three of many possible viewpoints: a liberal view in which co-operatives are one sector among others, a co-operative socialist view which makes co-operatives the governing factor in a socialist economy, and a wider socialist view in which they are one type of common ownership among others. These views are all embedded within the co-operative tradition, but lead to differing interpretations of the principle of co-operation between co-operatives.

Their range is encompassed by Georges Fauquet, Ernest Poisson, and Sidney and Beatrice Webb.

### Georges Fauquet

Fauquet is a liberal, who exhibits what Lambert (1963) calls "a strange divorce between passion and conviction" (p. 106), believing in the co-operative method, but convinced that it will never be able to occupy more than a small sector of any economy. Taking it as axiomatic that all economies are "composite and mixed", Fauquet distinguishes four sectors: public, capitalist, private (family and peasant economy), and co-operative (1951, p. 15). The last two sectors are

linked, in that co-operatives grow out of the private sector at both ends of the economy: family production, in small farms, bakeries, food processing, and so on; and family consumption, in which the small distributor sells to family units. Between these two poles, public and capitalist sectors dominate, and so co-operatives “can only aim at occupying a sector, the extent of which will of course vary with the nature of the political and economic forces in the environment, and with the abilities of the Co-operators themselves” (Fauquet 1951, p. 17).

This view tends to accord with the pragmatism of many consumer and agricultural co-operative officials, who have more or less made their peace with capitalist business.

### **Ernest Poisson**

Poisson is a co-operative socialist, who sees co-operatives as elements of social restructuring which point towards a co-operative economy which will displace the capitalist sector, and ‘co-operativise’ the public sector through gradual take-over. He echoes a whole range of co-operative socialist thinking from Proudhon (e.g. 1863/1979) through Kropotkin (e.g. 1902/2022), to Cole (1951/2020), Landauer (e.g. 1967) and Buber (e.g. 1958), when he says that “[t]he structure of the new world must be set up within the framework of the world which is passing away” (Poisson, 1925, p. 10).

This idea of evolutionary transformation relies on the consumer co-operative movement using its massive economic resources to compete successfully with capitalist firms, and win. It relies in particular on the open membership principle. Considering the problems of consumer movements throughout Western Europe, of under-capitalisation, fierce competition from the multiples, declining relevance of membership with the abandonment of dividend, domination by the professional managers, atrophy of the democratic base and so on, this theory, which stretches back to such great co-operative theorists as Charles Gide (1891) and Eduard Pfeiffer (1865), now seems distinctly utopian. Yet it is still held deeply by many active lay members of consumer co-operative societies, and in a vaguer but no less deeply held form by members of ‘alternative’ type worker and community co-operatives.

### **Sidney and Beatrice Webb**

Sidney and Beatrice Webb, after carefully balancing the strengths and weaknesses of consumer co-operation, include it in a plan for a socialist society which incorporates three other elements: municipal enterprise (which they describe as obligatory consumers’ co-operation), nationalised industry, and the trade unions.

They realise that co-operatives are limited only to those spheres which allow an identifiable constituency to emerge, and which do not suffer from the ‘freeloader’ problem; of members who do not contribute but still take the benefits of membership. Municipal services are necessary firstly when the constituency is far flung (as in the provision of public parks), or in order to suppress nuisances. They chastise the believers in a totally co-operative commonwealth, for “intellectual weakness”, in not seeing the obvious, that “neither universality of membership, nor legally compulsory powers can ever be the attributes of voluntary association” (Webb & Webb, 1921, p. 400).

On this view, co-operatives are part of a wider socialist movement, with a distinctive but limited part to play. The details may have changed, but the basic argument has not, and it is held by many socialists involved in housing co-operatives, credit unions, consumer co-operatives, and so on.

### **A Pragmatic Way —**

Of these two conflicts between short- and long-term thinking and between different visions of the long-term goal of co-operation, the latter is by far the more serious. What the farmer and worker co-operators did have in common at the seminar was an interest in the prosperity of their

own businesses, and they could, in the brief interlude afforded by the sheltered environs of an Oxford college, sympathise with each other's situation. Had we gone deeper into what moves them in the long-term though, we would have exposed deep and lasting differences of world-view, based on different, possibly mutually exclusive, but equally deeply-held values.

This means that it may be safer to appeal to short-run, more pragmatic interests than to the rhetoric of co-operative principle, if we are successfully to interest members of different co-operative sectors in co-operation with each other.

## — First, to a Co-operative Forum

This is in fact what has happened. Goaded by the above-mentioned 'SCS Syndicate', the national Co-operative Development Agency agreed to sponsor a meeting to discuss the setting up of a Forum. This meeting, held in September 1983, was addressed by two men, both rather confusingly called by the same name, but both of whom used highly pragmatic arguments for co-operation between co-operatives. John Morley, European Economic Community (EEC) showed how co-operation between the different sectors had been shown to be necessary, in order for the European Parliament to give maximum help to the co-operative form; a loose association of the different sectors at the European level had resulted from a widespread political interest in, and sympathy with, the co-operative form.

John Morley (Plunkett Foundation) presented a case for a central organisation for co-operatives in the UK (see Mackintosh, 1984, pp. 55-8). He recognised that the different sectors had "widely different motivations, responsibilities and objectives", (Morley, 1984, p. 59) but appealed to "a number of common interests ... which would justify regular liaison" (p. 59). These included the need to define a co-operative to safeguard its legal status, to correlate statistics and information services, and to help emerging co-operatives to become established. It was a far cry from the Pioneers' vision of a co-operative commonwealth, or Poisson's co-operative socialist society, but given the underlying cultural and political differences already outlined, it was at least a starting point for action.

A second meeting was held in January 1984. Fears were expressed that the older, more established sectors might dominate the rest, and there was no consensus on the setting up of the type of formal organisation suggested by Morley. Yet as Mackintosh puts it, "there was clear agreement that consultation and collaboration between the sectors were necessary and desired" (1984, p. 57); the national CDA agreed to service future meetings. However, in this case the urgent did drive out the important, and short-run problems experienced by the CDA meant that no meetings were arranged, and the Society for Co-operative Studies had to work hard to get the whole process begun again at the end of 1985.

## The Working Parties

At the next Forum, Peter Clarke, who, in 1981, had already contributed to the debate with a booklet arguing strongly for a united co-operative movement, suggested several possible areas for collaborative work. Since then, two more forums have been held, and four working parties have been set up on the following subjects:

- a) Co-operative law, chaired by Keith Brading (ex-Chief Registrar of Friendly Societies).
- b) Taxation, chaired by Ernest Chesworth (Co-operative Insurance Society).
- c) Finance, chaired by David Ralley (Industrial Common Ownership Finance).
- d) Education, training, and marketing, chaired by Edgar Parnell (Plunkett Foundation).

The education, training and marketing working party is already achieving modest but tangible results. We are working towards the compiling of a register of video-based training aids, a

meeting of public relations professionals designed to establish a 'media watch', a meeting with the editor of *Co-operative News* to discuss making the paper more of an inter sector journal, and several other fairly short-term and achievable aims. The pooling of information has in itself been valuable in a field where information is probably the most important resource. My own aim is to develop better and more systematic contacts between academics in higher education institutions and the various co-operative sectors.

The time-scale of the law working party is of course longer, and they expect to report after a year on either improvements to existing legislation or the drafting of a completely new Co-operative Act. The finance working party is to produce a package of proposals for change in the financing of all the sectors, and the problems of start-up capital for new worker co-operatives is at the top of the agenda. The taxation working party is concentrating on arguments for the reinstatement of a concessionary tax rate, and access to the tax incentives provided to the Business Expansion Scheme and Personal Equity Plans.<sup>3</sup> Both of these working parties will feed their proposals into the deliberations of the law working party.

## Prospects for Progress

As these plans come to fruition, advocates of co-operation between co-operatives ought to be able to relax their guard; if a formal body is still not on the agenda, at least the principle will be firmly established of meeting together to work on subjects of common interest. The main danger, as I see it, is that busy managers will be tempted to send deputies; at the last education and training working party, only three of us had been to the previous meeting. It is of the utmost importance that, in social psychological parlance, we go through the process of group formation. For instance, at the seminar mentioned above, the cultural barriers between the participants were being eroded by their having spent some time together. At Will Watkins' session, the arguments against mutual co-operation, that farmers and worker co-operative members had nothing in common, were already sounding rather forced, even ungracious. There is abundant evidence from social exchange theory (Homans, 1958), games theory (Axelrod, 1984; Rapoport & Chamah, 1970), and so on, that human beings can and will co-operate together, even in the most unlikely circumstances, if they interact sufficiently over time.

In a study of the conditions under which people co-operate, Axelrod (1984) discovered that during the first world war, the ordinary troops on both sides evolved ways of limiting the damage they did to each other, firing at set times, observing truces, and so on. It was only when their officers started to organise randomly timed raids that the tacit agreements broke down. It seems that all that is needed is for people to interact regularly over time, in positions of roughly equal power, and even bitter enemies can become co-operators. How much easier ought it to be for co-operators, given time simply to get to know one another, to learn to co-operate?

## References

- Axelrod, R. (1984). *The evolution of co-operation*. Basic Books.
- Bonner, A. (1970). *British Co-operation: The history, principles, and organisation of the British co-operative movement*. (Revised edition). Co-operative Union.
- Buber, M. (1958). *Paths to Utopia*. (Trans. R. F. C. Hull). Beacon Press.
- Clarke, P. (1981). *Towards a united co-operative movement*. Co-operative Union/Co-operative Party.
- Cole, G. D. H. (2020). *The British Co-operative Movement in a Socialist Society: A Report Written for the Fabian Society*. (Original work published in 1951). Routledge Library Editions.
- Fauquet, G. (1951). *The co-operative sector: An essay on man's place in co-operative institutions and their place in economic life*. (Trans. L. P. Weaver). Co-operative Union.
- Gide, C. (1891). *Principles of political economy*. Isbister and Co.
- Homans, G. C. (1958). Social behaviour as exchange, *American Journal of Sociology*, 63(6), 597-606. <https://www.jstor.org/stable/2772990>

- International Co-operative Alliance (ICA). (1967.) *Report of the ICA Commission on Co-operative Principles*. ICA. (ark:/13960/t1rg12z9t). Internet Archive. <https://archive.org/details/ICAReportCooperativePrinciples1967>
- Kropotkin, P. (2022). *Mutual aid: A factor of evolution*. (Original work published in 1902). Penguin Classics.
- Lambert, P. (1963). *Studies in the social philosophy of co-operation*. Co-operative Union.
- Landauer, C. (1967). The origin of socialist reformism in France. *International Review of Social History*, 12(1), 81-107. <http://www.jstor.org/stable/44581585>
- Mackintosh, A. L. (1982). Co-operation between co-operatives: The SCS syndicate. *Society for Co-operatives Studies Bulletin*, 45, 7-14.
- Mackintosh, A. L. (1984). Co-operation between co-operatives: A progress report. *Society for Co-operatives Studies Bulletin*, 50, 55-58.
- Morley, J. (1984). The case for forming a central organisation for co-operatives in the UK [Appendix]. *Society for Co-operatives Studies Bulletin*, 50, 59-60.
- Pfeiffer, E. (1865). *Die Consumvereine, ihr Wesen und Wirken. Nebst einer practischen Anleitung zu deren Gründung und Einrichtung*. Verlag von A. Kröner
- Poisson, E. (1925). *The Co-operative republic*. (Trans. W.P. Watkins), Cooperative Union.
- Proudhon, P. J. (1979). *The principle of federation*. (Trans./Introduction, R. Vernon). (Original work published in 1863). University of Toronto Press.
- Rapoport, A., & Chammah, A. M. (1970). *Prisoner's dilemma: A study of conflict and cooperation*. University of Michigan Press.
- Watkins, W. P. (1986). *Co-operative principles: Today and tomorrow*. Holyoake Books.
- Webb, S., & Webb, B. (1921). *The consumers' co-operative movement*. Longman Green & Co. (1042460669). Internet Archive. <https://archive.org/details/consumerscoopera00webbuoft>

## Notes

1. Groupement National de la Coopération - the representative organisations for French co-operatives; now known as Coop FR - <https://www.entreprises.coop/english>  
COCEGA — now the General Confederation of Agricultural Cooperatives in the European Union — is the representative body for farmers and agri-co-operatives across the European Union: <https://www.copa-cogeca.eu/>
2. An early version of this paper first published in 1935, can be found in *Annals of Public and Co-operative Economics*, 17(2), 342-369. <https://doi.org/10.1111/j.1467-8292.1941.tb01151.x>
3. In 1983, the UK government introduced the Business Expansion Scheme to specifically benefit new and small businesses and which provided tax relief for investors (Harrison & Mason, 1989). Personal equity plans were introduced in the UK in 1986 and became effective in 1987. It was part of a plan to 'encourage wider share ownership (Lee & Saunders, 1988, p. 30).  
References: Harrison, R. T., & Mason, C. M. (1989). The role of the business expansion scheme in the United Kingdom. *Omega*, 17(2), 147-157. [https://doi.org/10.1016/0305-0483\(89\)90006-6](https://doi.org/10.1016/0305-0483(89)90006-6); Lee, C., & Saunders, M. (1988). Personal equity plans: Success or failure? *Fiscal Studies*, 9(4), 36-50. <https://www.jstor.org/stable/24436375>