

Co-operative Values and Principles: A Commentary

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One of the original purposes of the International Co-operative Alliance (ICA) has been to safeguard and periodically update and interpret co-operative principles. It did this in 1937, in 1966, and again in 1995. The latest revision arose out of a growing unease about the nature of co-operatives, expressed well by Laidlaw (1980) in a report presented to the ICA. He identified three crises in the development of the world co-operative movement: the first was one of credibility, as co-operatives became established and had to prove their viability. The second was managerial, because as they became larger they faced the problem of how to keep an active membership and to curb the technocratic power of the managers. The third was ideological, arising from “gnawing doubts about the true purpose of co-operatives and whether they are fulfilling a distinct role as a different kind of enterprise” (Laidlaw, 1987, p. 9). Co-operative activists will be forgiven for thinking we are still in all three crises, but after a moment’s reflection will probably have to admit that the ideological one is the most important, because it raises the fundamental question of why co-operatives are in business at all. Table 1 summarises the values and principles adopted by the ICA at its Centennial Congress in Manchester, 1995 (MacPherson, 1995a; 1995b).

Table 1: Co-operative values and principles

Basic values	Ethical values	Principles
self-help	honesty	voluntary and open membership
self-responsibility	openness	democratic member control
democracy	social responsibility	member economic participation
equality	caring for others	autonomy and independence
equity		education, training and information
solidarity		co-operation among co-operatives
		concern for community

This list is the result of exhaustive study of the views of member organisations within the ICA, and a debate which began at the 1992 Tokyo Congress (Böök, 1992) and culminated in the adoption of new values and principles in 1995. It might be thought that another paper on the subject is not necessary. Yet, as in previous revisions of the principles, the current revision does not draw deeply on political or moral philosophy, but provides a practical consensus based on what the member organisations regard as important. It makes a distinction between basic values and ethical values, but does not attempt to rank them in order of importance, or to link them directly with the principles. The purpose of this paper is first to draw on some finer distinctions from political philosophy in order to make the ICA’s latest formulation clearer. Second, it provides a commentary which makes connections between value and principle which are more explicit than in previous studies, and which attempts to show the relevance of the new wording to contemporary co-operative issues. A more thorough treatment of the subject would connect up the values and principles with practices, evaluating the performance of co-operatives worldwide. This would make the paper impossibly long, but it has been done to some extent in the concluding chapter to this author’s forthcoming book (Birchall, 1997).

There are three types of question regularly being asked of co-operatives. First, there are questions such as: what is a co-operative; is there such a thing as a real or a fake co-operative; when is an organisation not a co-operative? These are questions of rules and guidelines, or what we call *co-operative principles*. Second, there are questions such as: why do we think that co-operatives are different from other types of organisation; what it is about them that we value; why it is that “co-operators” often believe so intensely in what they are doing? These are questions about *co-operative values*, which lie behind the principles and show why they matter. Third, there are questions about co-operative practice, about whether co-operatives actually live up to the principles and the values which underlie them.

Co-operative Values

It is useful to distinguish between different types of value. First, there is a *distinction between political and ethical values*; equality is a political imperative, honesty an ethical one. It depends on whether a value can be realised by individuals or has to be realised collectively. For instance, in order to protect or extend freedom we look to the actions of governments, but caring for others can be done by individuals. In political and moral philosophy, these distinctions go together: political and collective, ethical and individual. However, since both attempt to define the ‘good life’, they do overlap (Goodwin, 1987). The overlap is greater still at the level of organisations such as co-operatives, which consist of individuals but also to some extent stand above the individual member as a collectivity. Some values, such as honesty and openness, can be expressed by both individuals and their co-operatives, but some, such as democratic working, or the equitable return of economic benefits, are a product of the organisation, and can only be expressed at that level. At the level of the organisation, values may be built into its structure and culture which individuals may or may not practice in their personal life. Again, values which are held by individual members or employees may or may not affect the structures and cultures of the organisation and affect its ‘behaviour’.

Second, we can distinguish between values which are *ends in themselves* and values which are *a means to an end*. The famous trilogy, ‘liberty, equality and fraternity’, are generally regarded as ends in themselves, while democracy and self-help are means to a particular constellation of these three first order values. Ethical values are usually seen as an end in themselves (caring or honesty may sometimes be a means to another end but if they are, we may feel that a person’s motives are impure). They are done not for any reward but because of an ‘imperative’ which overrules self-seeking behaviour. Third, we have to recognise that *values may be incompatible*. They cannot all be maximised at once, and sometimes they have to be traded off against each other. For instance, in some circumstances democracy and efficiency are antinomic, that is, we cannot easily have more of one without having less of the other, and so co-operators have to weigh up their rival claims. Finally, there is a further complication, because there are *different types of co-operative*, each one emphasising a different cluster of principles and values. The whole subject has to be considered from the perspective of each type of co-operative as well that of the co-operative sector as a whole.

Three Approaches to the Study of Co-operative Values

Bearing in mind all these distinctions, how should we approach the study of co-operative values and principles? There are at least three alternatives. We can begin from right to left on Table 2, studying co-operative principles as they have been handed down to us, and from them deriving some ultimate values.

This might be called an *evolutionary approach*. A deep understanding of the contribution of the founders of co-operative movements — the Rochdale Pioneers, Raiffeisen, Schulze-Delitzsch, Buchez¹ — is combined with an appreciation of current members’ needs and the constraints of the contemporary business environment, to produce a reformulation of the basic principles. This is the traditional approach taken by co-operative thinkers. For instance, Mercer (1931/1995)

talked of uncovering “the thought that informed (the) actions” (p. 11) of the Pioneers. He pointed out that they were “too practical to be philosophers” (p. 11) and yet that by investigating their methods we can come up with some fresh principles. The philosophical concepts are there, but are “hidden in these methods as gold is hidden in a rock” (p. 11). The gold he mined consisted of seven principles: universality, democracy, equity, economy, publicity, unity and liberty. Goedhart (1995/1928) also examined the Rochdale tradition, and claimed to be able to identify a “true basis of the Co-operative Movement” (p. 9) in such moral values as solidarity, self-help, honesty and efficiency. Watkins (1986) provided a list of six principles — association, economy, equity, democracy, liberty and education — from a long and deep meditation on the Rochdale tradition and from his observation of co-operative practice. He also made clear his scepticism towards philosophers, saying “The validity of Co-operative Principles is founded upon the experience and common sense of the many, not on a revelation made to or by a few” (Watkins, 1986, p. 14).

Table 2: Co-operative values and principles reordered

First order values	Second order values	Principles
Political:		
• liberty	• democracy	• voluntary and open membership
• equality	• equity	• democratic member control
• solidarity	• self-help	• member economic participation
Ethical:		
	• self-reliance	• autonomy and independence
• honesty		• education, training
• openness		• co-operation among co-ops
• social responsibility		• concern for community
• caring for others		

There has been one unfortunate consequence of this emphasis on discovering and interpreting the ‘true’ Rochdale principles. Develtere (1992) argues that co-operative development ‘experts’ have tried to promote an ideal form of co-operative in Third World countries, not allowing the people of those countries to develop their own social movements in case these deform from the ideal. Co-operative laws and the oversight of powerful officials have led to the formation of a co-operative *sector* but not to a genuine co-operative *movement*, because the people have not seen the co-operatives as being their own. Develtere sees the Rochdale and ICA principles as “the result of a complex interplay of a co-operative praxis, co-operative ideology and specific organisational choice” (1992, p. 20). They arose naturally through the practice of the Pioneers, but when applied to co-operatives in a development context they become “normative instruments” (p. 20), which prevent local people from becoming autonomous. This is a serious criticism, but it points to defects in the way co-operatives have been developed, ways which have violated the principle (made explicit in the 1995 formulation) of autonomy. It does not really invalidate this method of using co-operative principles to provide a deeper understanding of co-operative values.

The second approach recognises the distinctive ownership and control structure of a co-operative as a *member-owned business*, and from this derives most of the same kinds of principles and values. Parnell (1995) has coined the phrase “people centred businesses” (PCBs) to identify a crucial difference between organisations which are owned by investors and those which are owned by members. By systematically identifying the differences between member-owned and investor-driven businesses, he is able to distil some of the key co-operative principles and apply them not only to co-operatives but to similar ‘PCBs’ such as mutual insurance societies, friendly societies, clubs and associations and employee partnerships. He begins by identifying the most essential feature of a PCB as existing to serve the needs of the people involved, rather than that of investors. This is seen as an first order value, with democratic control as a means to this end. After these values come a variety of policies, all of which are judged on their capacity to achieve the primary goal of serving the members.

Because this analysis is detached from all reference to the canon of Rochdale and ICA principles, it can be refreshingly heretical, especially over rewards to capital and the question of investor-stakes in the equity. Parnell (1995) distinguishes between control over the business — which should never be given up by the members — and investor participation in the growth of the assets — which is acceptable if the capital can be used productively. Yet, in identifying essential policies that a ‘genuine’ PCB would have to follow, he finds a remarkable fit with the traditional co-operative principles: open and voluntary membership; detachment of profit from rewards to capital; voting based on the member as an individual; benefits shared in proportion to the use members make of the PCB’s services; and the importance of providing information to members. The ‘fixed and limited interest on capital’ and the ‘education’ principles are watered down, and there is no mention of ‘co-operation between co-operatives’, which is not surprising since a principle of solidarity between organisations can hardly be derived from analysis of the internal workings of one organisation. Otherwise the fit with the ICA principles is very close.

The third approach works from left to right on Table 2. It begins from a particular view on ultimate political values, and works forwards through the second order values to the principles and practices. The choosing of a strong view of one of the three end-values — liberty, equality, solidarity — has impacts on the others. Traditionally those who value equality have a less powerful argument about liberty (though they can develop a strong argument about a positive kind of liberty which is only brought about through making people more equal). Those who value solidarity will also have a strong view of equality, because they recognise that deep economic inequalities will, in the long run, undermine social solidarity. Those who value liberty above all else tend to be very suspicious of projects which aim at equalising people’s property. In the end, writers choose a particular constellation of the trilogy, make connections with second level values, adding some large assumptions about how markets work, the role of the state and so on, and finally come up with a ‘world view’ which may contain surprisingly strong arguments for co-operatives (Birchall, 1988 — see chapters 2 and 3). Mill (1848/1909 — see chapter 8) famous for this work on liberty, developed a strong argument for worker co-operatives. Tawney (1964), the great British historian, argued that the third part of the liberty-equality-fraternity trilogy had hardly been considered in political philosophy, and this led him to appreciate the consumer co-operative movement’s achievements. Similarly, another English ‘ethical socialist’, A. H. Halsey connected up fraternity, social order and economic democracy to provide a strong argument for co-operatives (Ostergaard & Halsey, 1965).

Occasionally, co-operative writers also use this approach. For instance, Craig (1993), working as a sociologist rather than a political theorist, begins from an argument about social inequality (in class, race and gender), to evaluate the performance of co-operatives worldwide. Davis (1995a; 1995b) begins with a strong argument for “community as ... a human end in itself”, and then identifies the role of co-operatives as being to build communities, through meeting the common economic and social needs of those who are vulnerable and powerless in the market place. This is similar to the people-centred approach but with a stronger imperative derived from the first-order value of solidarity, which then implies a second-order value of empowerment of the economically disadvantaged. There are some problems with this approach. One is that when we begin from a strong argument about values we may never quite reach the point where this can be ‘cashed’ in terms of co-operative principles and practices. For example, Boswell (1990) provides a strong and well worked out argument for democratic communitarianism, which amounts to a virtual philosophy of co-operation. Then, in his prescription for what follows, he advocates tripartite corporate arrangements for public co-operation which does not acknowledge the co-operative sector at all. However, this defect can be remedied if academics sympathetic to the co-operative movement were to work out the implications in more detail. Another disadvantage is that when we turn the searchlight of a value-laden approach on to co-operation, the subject matter may not bear the weight put on it. For instance, Morrison (1991) is looking for a living example of ecological postmodernism. He claims to have found it in the Mondragón co-operatives, but has to admit that the role and status given to women has not lived up to the model, and that the producer co-operatives have not always taken an

ecologically sound attitude to the type of product. We should not put more value on the practice of co-operatives than they can bear.

Let us now take the more traditional approach, starting from the latest formulation of the principles, working back towards the kinds of values we find embodied in them, and then working out what this means for co-operative practices. The ICA defines a co-operative as:

an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise (Macpherson, 1995b).²

This summarises a set of seven principles which spell this out in more detail.

Membership in a Co-operative

The first principle is really two quite distinct principles concerning the terms under which individuals join a co-operative: *voluntary and open membership*. The wording is

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination (Macpherson, 1995b, p. 15).²

The early promoters of co-operatives took voluntariness so much for granted that they did not bother to write it down; it does not appear among the Rochdale principles, appears as one of two supplementary principles in the 1937 formulation, and only becomes fully recognised in 1966. It was when governments began to see co-operatives as tools of national economic planning that the danger of compulsion soon became apparent. It was blatantly obvious in the Soviet Union where membership in consumer co-operatives was made compulsory. Less obvious has been the pressure put on farmers at various times and places to join marketing co-operatives which have functioned as quasi-marketing boards. More subtle still has been pressure put on people to join a co-operative when there has been no realistic alternative though, in this case, it is a deficiency in the market, rather than actual compulsion, which has been to blame. At the back of this principle is a first order value — *liberty*. This has to be valued for its own sake, as an end rather than a means, because we believe that without it we are diminished as human beings. What kind of liberty is it? It is not freedom to choose between an endless set of possibilities — we expect to be constrained by lack of information, of resources, and of time — but it is at least a negative freedom, to choose not to do something if we do not want to.

Yet we have to admit that there are some circumstances when ‘compulsory co-operation’ is justified. Beatrice Webb [nee Potter], that great supporter of the co-operative movement in Britain, spelled these out as: when there is no identifiable constituency of consumers; where a service is paid for by all but only used by a minority at any one time; where services provided are interdependent and cannot be separated; where compulsory taxation of non-users is required; where compulsory regulation is needed of anti-social conduct; and where there is a natural monopoly over a resource (Potter, 1891; Webb & Webb, 1921). This means that there are certain services and regulatory activities which a local authority should provide, involving all of the people as citizens rather than as consumers. Street lighting, public parks, police and fire services, town planning, provision of clean water, regulation of public health, are all examples where compulsory ‘membership’ is justified. But using these six conditions we can soon find the limits of such compulsion, and argue that beyond these limits people should not be made to join in. This argument has been developed for housing co-operatives over and against local authority council housing (Birchall, 1992).

Of course, there is a strong argument for co-operation based on a positive view of liberty. If liberty is defined as freedom from want, from insecurity, from lack of shelter, or from debt to moneylenders, and so on, then providing services through co-operatives enlarges rather than

diminishes individuals' liberty. There is also a strong argument that, once they have joined, co-operative members have to accept certain constraints on their liberty, such as a duty to join in, to help make decisions, to help provide the co-operative with capital. This is expressed in the ICA statement as "being willing to accept the responsibilities of membership". But these arguments cannot be used to justify the taking away of that other, more basic, freedom not to join in the first place.

Open membership **was** one of the Rochdale principles. After a cautious start when they limited it to 250 people, they threw open membership to anyone who wanted to join (legal status was not granted until 1852), on a down payment of a shilling. They did expect members to build up a substantial shareholding of five pounds, but set the initial threshold low, so that by 1880 they had over 10,000 members, a substantial proportion of the local population. Lambert (1963) calls this the principle of the 'open door'. It was one of the main reasons why co-operative economists such as Gide (1921) believed that consumer co-operation could, on its own, transform society, overcoming class warfare by gradually 'buying out' capitalism. It is much more difficult to apply to other forms of co-operative. Farmers usually have to find a substantially higher equity stake before joining, while workers often have to serve a period of probation before being offered membership. In housing co-operatives the expression 'open door' is hardly appropriate, since membership is limited to the number of 'front doors' available. The important point here is that the conditions for membership should express the underlying value, equity. Entry, though restricted, should not be barred to people because of irrelevant attributes such as gender or ethnicity.

Two difficulties then arise. First, we know that co-operatives have often had an affinity with a particular religious or political movement. Membership of the Rochdale Society of Equitable Pioneers was open to all, subject only to the will of a general meeting, but three new co-operatives were set up in the town to reflect other interests: the Conservative Industrial Society whose members found the Pioneers too socialist, an Irish society which obviously favoured people of one ethnic origin, and the Rochdale Provident, whose members were against links with the Co-operative Wholesale Society (Thompson, 1994, pp. 49-50). The important test is not that co-operatives should have no cultural identity, but that membership should not be denied to anyone unfairly. Second, we have to recognise that there are co-operatives set up to meet the needs of some kinds of people. This is particularly true of housing co-operatives which, in Britain and Canada at least, have deliberately set about housing women, or single parent families, or ethnic minority groups (see Novac & Wekerle, 1995 for an account of housing co-operatives). What do we make of a co-operative which houses only elderly Chinese people, or African-Caribbean people, or single women? Similarly, credit unions are often explicitly based on a particular religious or ethnic group; in some countries they have to be able to demonstrate a common identity before being allowed to operate.

To answer these questions we have to go deeper to analyse underlying values. Open membership points to the first order value of *equality*; that all people should have an equal chance to participate in the economic benefits of co-operation. If membership is artificially restricted on grounds which are irrelevant to people's needs and ability to take part, then this is unequal. On the other hand, co-operatives which are set up explicitly to house, or find work for, or encourage saving by people who, because they have these attributes, are disadvantaged in the wider society, then it could be argued that the co-operative is merely redressing the balance (this argument then stands or falls on wider arguments for and against positive discrimination). The important underlying value is still equality. But what do we mean by equality? It has been argued by anti-socialist writers that equality means putting one's faith in an enforced 'levelling down' of citizens through progressive taxation and public ownership of the means of production. Co-operators are interested in 'levelling up', by providing disadvantaged people with membership in an economic organisation that, through mutual strength, compensates for their individual lack of power in the market. As Proudhon (1876) put it, "Property is theft"; that is, the amassing of capital by a minority of people makes the rest of the people dependent on selling their labour in the market place in order to survive. But, as he went on to say, "property

is freedom”; by providing property-less people with commonly held assets (in his prescription, through worker co-operatives), we can enable them to trade their way out of poverty (see Birchall, 1988, chapters 2 and 3). If some people choose to do this in co-operatives which encourage a particular cultural or ethnic group, then provided others have the opportunity to join similar co-operatives there is no serious infringement of the open membership principle.

Co-operative Democracy

The second principle is *democratic member control*. The wording is:

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member one vote) and co-operatives at other levels are also organised in a democratic manner.²

As well as being a co-operative principle, democracy is an underlying value. In fact, we should perhaps see the principle as being member control, and democracy as the value which justifies it, though this is a fine point. To the Rochdale Pioneers, the principle of one member one vote (regardless of size of shareholding) was so taken for granted that they did not put it in their rules until 1845. Some had experience of earlier friendly societies whose traditions had always been democratic, and they borrowed the rules of one of them to set up their society. Some were members of non-conformist Christian chapels, whose congregations were used to making their own decisions at the local level. Most of their leaders had been Chartists, part of a great social movement which had been agitating for political reform of a parliament that at the time completely excluded working class people from the vote; the Pioneers signalled their commitment to democracy when they coloured the shop door and the sleeve bands of the shopworkers ‘Chartist green’ (Thompson, 1994, p. 39).

The arguments for democracy are well known. They rest on the right of individuals to be involved in decisions which affect them substantially. Behind democracy is a particular trade-off between the first order values of *equality* and *liberty*; people who are giving up personal freedom in order to make joint decisions which they will sometimes disagree with should have the right to an equal vote. This argument is particularly compelling at the political level, because it relates to a state which claims ultimate authority over its citizens; the slogan “no taxation without representation” expresses it well. But it also applies in any area of life in which individuals are asked to give up their freedom for the sake of a collectivity. What is remarkable about co-operative democracy is not that it is democratic but that it confers democratic rights on people in the economic sphere. The very same year that the Pioneers opened their shop, a joint stock companies act was passed in Britain which allowed capitalist companies to be formed, in which voting rights were calculated on the size of a person’s shareholding. They could have registered their society under this act, but chose not to. Even when they did use the joint stock company model in setting up the Rochdale Co-operative Land and Building Company, they insisted on one person one vote being in the rule book (Birchall, 1995).

Democracy does not imply one particular method of reaching decisions. Co-operatives may decide to make decisions by general meetings or by committees of elected representatives. They may stipulate in their rules that decisions need majority voting or consensus. Different types of co-operative will adopt different methods: small worker and housing co-operatives may operate entirely by general meeting, large consumer co-operatives by elaborate tiers of regional and national-level meetings, with each tier electing higher-level representatives. When co-operatives form federal bodies at higher levels, ‘co-operatives of co-operatives’, other methods are needed such as voting proportional to the number of members in each co-operative, or to the amount of trade they do with the secondary co-operative. There are good arguments for promoting participatory rather than representative democracy (and vice versa), but these cannot be derived from co-operative principles (see Pateman, 1970, for the participatory argument, and Dahl & Tufte, 1973, for the limits to participatory forms).

What is implied in the principle is that the **quality** of democracy can vary from one co-operative to another, and within one co-operative over time. In his commentary, MacPherson refers to this as the “spirit of democracy” (1995b, p. 17). The ICA statement identifies two aspects to this: active participation by members and accountability to them by elected representatives. Active participation can be measured along two dimensions: the **extent** to which members take part in meetings, voluntary work and other forms of activity, and the **intensity** of their involvement in decision-making. For instance, fewer women may be taking part than men, and their views may be taken less seriously. Lay members may be attending meetings regularly, but the decision may be over-influenced by the views of managers and other ‘experts’. Accountability can also be measured in two ways: by how typical the representatives are of members in general, and by whether they consult with members over major decisions. For instance, membership in a consumer co-operative may consist mainly of women, while the board is composed mainly of men. Representatives may lose touch with their members and prefer to listen to the advice of their managers when making key business decisions. These issues are further complicated by the tendency of the quality of democracy to decline over time. In smaller co-operatives, there may be problems of succession from a group of founder members to younger ones, or problems of ‘burn out’ when active members become tired. In larger co-operatives, there may be problems of adjustment to rapid growth, business expansion and consequent remoteness from the members. There is a well-known tendency to oligarchy — rule by the few — in democratic organisations as they grow older. These practical problems have to be understood and admitted if we are to apply the co-operative principle of democratic member control.

The Economic Results of Co-operation

The third principle is member economic participation. The wording is:

Members contribute equally to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.²

This complex principle started life as the third and fourth of the Rochdale principles: fixed and limited interest on capital, and distribution of the surplus as dividend on purchases. ‘Fixed’ interest means that, in contrast to the joint stock company, capital is not rewarded with a dividend which rises and falls with profits. ‘Limited’ interest means that a co-operative will pay only what it has to in order to obtain the use of capital. It was one of Robert Owen’s principles that, while capital has to be paid for, it should not enable the capitalist to cream off the surpluses made by the labour (or consumption) of others. The distribution of surpluses in proportion to purchases was, of course, the famous ‘dividend principle’, which enabled the consumer co-operatives to grow so rapidly, and which until recently gave them a built-in advantage over their competitors.

In the reformulation of 1937, these principles remained intact, though the wording of the dividend principle was broadened so that it applied to ‘transactions’ rather than purchases. This was a recognition that in worker co-operatives it is the amount of labour, not of purchases, which is rewarded. By 1966, the dividend principle had become a more general statement about the use of surpluses: they could be retained for development of the business; used to provide common services; or distributed as a dividend to members in proportion to their transactions. This statement also had the advantage that it pointed beyond the old dividend principle to the underlying values, *equality* and *solidarity*: “surplus ... should be distributed in such manner as would avoid one member gaining at the expense of others” (Watkins, 1970, p. 328). It is the kind of equality that recognises one’s contribution to the co-operative, while avoiding ‘levelling down’. It is the kind of solidarity which values a method of distribution which will not set members against each other but reinforce their sense of belonging.

Again, there are particular values associated with different types of co-operative. In consumer co-operatives, the dividend principle means that members are in effect paying cost price for their goods. Although market prices are charged, at the end of each trading period any overcharge beyond the bare cost of distributing the goods is returned to the member. It is what Gide called a *fair price mechanism* (Lambert, 1963). In worker co-operatives, the principle means that labour is being rewarded for the value that it is adding to the production process. It is the reward to labour that the original promoters of the ICA were seeking.

The latest restatement of the member economic participation principle recognises the underlying value of democracy: “capital is the servant, not the master of the organisation. Co-operatives exist to meet the needs of people” (MacPherson, 1995b, p. 19). It recognises the corollary of democracy, that members have some duties as well as rights; though capital contributions such as loan stock or bonus shares attract a market rate of interest, shares subscribed as a condition of membership should usually receive little or no reward. It recognises the value of solidarity in the principle of collective capital; a co-operative’s reserves are not all the property of individual members but some part of them is held in common. This is particularly important in some worker co-operative movements where there is a strong tradition of common ownership. This is especially true of co-operatives sponsored by the Industrial Common Ownership movement in Britain.³ It is based on the argument that capital is created not just by individuals but by collective effort; co-operation itself adds value, and its results cannot all be divided up. Furthermore, in longstanding co-operatives current members benefit from the efforts of past generations and so ought to hold that collective capital in trust for the future. This justifies the associated principle that if a co-operative is wound up, the members should not be able to share out the assets but should give them to a similar organisation.

The Autonomous Organisation

The fourth principle is *autonomy and independence*. The wording is:

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by the members and maintain their co-operative autonomy.²

Like the principle of voluntary membership, this is one which did not, at first, need to be made explicit. But as soon as state aid began to be provided — for instance to worker co-operatives in France and agricultural co-operatives in Germany — co-operators began to face the possibility of having to compromise their autonomy. A similar dilemma faces co-operatives which, under the fiercely competitive trading conditions of a global economy, now have to raise large amounts of capital from outside their own resources.

Co-operative Education

The fifth principle is *education, training and information*. The wording is:

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of co-operation.²

There have been three distinct phases in the history of co-operative education. The first is illustrated by the Rochdale Pioneers, who were interested in providing basic literacy and technical education to a largely uneducated membership. Soon after they began trading, they set up a substantial library and newsroom, and by 1850 they were running their own school and adult education classes. By 1854, they had written the promotion of education into their statutes and set up a separate education committee with a levy of 2.5 per cent of their surpluses to

finance it (they wanted to give 10 per cent but were not allowed to by the Registrar of Friendly Societies). This became the norm everywhere in Europe that consumer co-operatives followed the Rochdale model, though not all managed to allocate as much as 2.5 per cent. By the 1890s, in Britain this phase of co-operative education was over: 40 local authorities were building libraries; primary education had been made compulsory; and the co-operative was in search of a new role. In other countries where state education had been available earlier, this first phase came to an end much sooner. In Denmark, for example, primary education had been available from the 1840s, and so co-operative education may have gone straight into the second phase, underpinned by the Folk High School movement.⁴

The second phase was a narrower commitment to co-operative education, with a special emphasis on the understanding of the economics of co-operation, and in particular of the co-operative principles. As the Japanese co-operator Kagawa, cited by Thompson, put it:

Unless the principles of Co-operative economics are well understood by every member, the Co-operative will ultimately collapse ... Accordingly the Co-operative movement must begin with a thorough-going educational movement (1994, p. 107).

This phase, which most co-operative sectors are still in, is marked by the founding of co-operative colleges. It involves the offering of formal courses to active members, employees and managers, and government officers in their roles as advisors and regulators of the sector, either by attendance at the college or by correspondence courses. In developing countries the teaching staff and the majority of students are government officers, which raises the question of whether the education principle and the autonomy principle are at odds, and whether a better service could be provided if the colleges themselves were independent. This phase also includes the development and updating of a distinctive co-operative curriculum: technical subjects such as accountancy and marketing are combined with specialist subjects such as co-operative law and co-operative principles (Wijayarathna, 1996).

We may now be entering a third phase, in which formal education through specialist co-operative colleges gives way to a variety of new approaches. Promoters of co-operative sectors in third world countries are beginning to question whether it is cost-effective to send students to co-operative colleges in first world countries when there is little evidence that the training they receive has an impact on co-operative performance back home. The danger of transplanting inappropriate models has been noted more generally in relation to co-operative development, but it applies acutely to education and training. The new approach includes: making sure the right people are trained; making it more cost-effective by training people in their own country; making courses relevant to the problems of the local co-operatives; linking training to the work situation; active participation by students; networking with participants after training has ended; and promoting sustainability, by building the capacity of local training agencies, which no longer have to be situated on costly campuses (Briscoe, 1996). Of course, our three stage model is a simplification; some trainers have always used this approach, rooting co-operative development within an effective system of informal adult education — most notably the Co-operative Extension Department of the St Francis Xavier University in Nova Scotia.⁵

It might be thought that there is no need to add 'information' to the education and training principle, but this signals another characteristic of this third phase; the provision of basic information to co-operative members and to the general public. There is beginning to be a new attention to the public image of the co-operative sector. MacPherson says:

In recent decades, too many co-operatives in too many countries have ignored this responsibility ... People will not appreciate, they will not support, what they do not understand (1995b, p. 23).

In large, regionally based co-operatives, it cannot be taken for granted that people will understand their difference from conventional businesses. Nor, in old-established co-operatives, can it be taken for granted that a formerly loyal membership will continue to have positive feelings about the business, even if it is run badly. Especially, it cannot be assumed that young people will know anything about co-operation, or respond positively to co-operative values

(see Okamoto, 1997 for an interesting study of Japanese young people's perceptions of co-operatives).

Are there distinctive values underlying this commitment to education, or is it purely pragmatic? There are obvious economic benefits to be gained from effective training for members and employees, and the provision of information to the public — investor-owned businesses do no less. What makes co-operative education and training distinctive is that it carries a different message that a people-centred business is a viable alternative, and is rooted in different values and principles. But behind this is an even larger conception of co-operative education (Nakagawa, 1990). Many of the early co-operative promoters were also keen on adult education, seeing each as a condition for the other, and both as a precondition for one of the classic liberal values — individual liberty as self-development.

Co-operation Between Co-operatives

The sixth principle is *co-operation among co-operatives*. The wording is:

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.²

This is not one of the original Rochdale principles, though the Pioneers were clearly expressing it when, despite all sorts of legal impediments, they began wholesaling for other local societies and then set up the first co-operative wholesale society. It was written into the 1966 revision of the principles. The extent to which co-operative sectors have practised it has depended partly on the perceived economic advantages, but more on whether they have seen themselves as part of a wider movement. We can identify three approaches to this question in the development of co-operative thought. First, there is the view of writers such as Gide (1921) in France and Warbasse (1927) in the USA who argued that the co-operative sector had the capacity to become dominant within western economies, and who put the utmost stress on co-operation between co-operatives in order to realise this vision. Second, there was the view of socialist writers such as Potter (1891) and Poisson (1925) that the co-operative sector should be seen as part of a larger project to transform society; here the stress was on co-operation between co-operatives and other socialist movements. Finally, Fauquet (1951) brought a dose of realism to the debate, arguing that the co-operative sector would never be more than one among others, bringing specific benefits to its members and finding a niche in the marketplace alongside other sectors; here co-operation between co-operatives is just a good business strategy.

The official commentary on the ICA's latest reformulation of the principles emphasises that 'there is a general co-operative interest, based on the value of solidarity', but it emphasises more the practical need to co-operate in order to survive and meet the needs of members in an ever more competitive global economy (MacPherson, 1995b, p. 25). The traditional way to do this is by federations, but this model of organisation may now be too slow and inflexible to cope with a rapidly changing business environment, and new, looser ways are being found by which co-operatives can co-operate; hence the interest among academics in networking (Johnstad, 1997).

The Wider Obligations of a Co-operative

The seventh principle is *concern for community*. The wording is:

Co-operatives work for the sustainable development of their communities through policies approved by their members.²

What do we mean by community? The simplest distinction is between geographical communities and communities of interest. The Rochdale Pioneers, concerned with local

community and the assumption that each shop would have its own society, limited their society to one town and encouraged others to set up their own societies within their own localities while Raiffeisen based his credit societies on the village community. As co-operatives expanded, and the different types of co-operative were developed, they began to represent interest communities such as workers or farmers, or consumers in general, and lost some of that association with a locality. To understand the implications of this, we have to turn not to the philosophers — they have very little to say about the value of *solidarity* — but to the sociologists. Right from the beginning of the development of their discipline, sociologists have been concerned with the problem of social order. They have been aware that social solidarity may just as easily promote conflict as consensus, because strong group identities lead to others being classed as outsiders. This raises the possibility that, in including people who have a common interest, co-operatives might exclude other 'stakeholders'. We have noted how, towards the end of the last century, promoters were campaigning for consumer co-operatives to take account of the workers, and their failure to do so shows that co-operation may not automatically benefit everyone.

The sociologists have also had to grapple with the problem that in modern societies older forms of solidarity have declined and new ones have not necessarily taken their place. In developed, urbanised societies the sense of community may be weak and partial, and co-operatives may have difficulty in identifying a community to which they can relate. The relationship between co-operatives and communities is therefore a complex one. If the co-operative sector is well developed, it may be able to sustain a wider sense of community: the Mondragón worker co-operatives in the Basque region of Spain, and village-based co-operative economies such as Evangeline, Canada, and Maleny, Australia come to mind (Wilkinson & Quarter, 1996). It is more likely that the sector will itself be influenced by the wider culture in which it is embedded; American co-operatives have a very different cultural environment than Japanese ones, and this affects the way their members identify, and identify with, the wider community. Yet this principle challenges members of co-operatives everywhere to make this identification, and to accept the obligations which follow.

It means identifying different stakeholders: in a worker co-operative the consumers; in an agricultural co-operative the future users of the land; in a consumer co-operative the producers in developing countries; and so on. It means making sure that women are able to participate as fully as men. Probably the hardest challenge which follows from acceptance of this wider sense of community is — for the sake of that elusive stakeholder the future generation — to commit one's co-operative to environmental protection and sustainable economic development.

Conclusion

Taken together, these principles are more than just the sum of their parts. Professor Ian MacPherson, who drew up the latest set of principles, says:

They are subtly linked; when one is ignored, all are diminished. Co-operatives should not be judged exclusively on the basis of any one principle; rather, they should be evaluated on how well they adhere to the principles as an entirety (1995b, p. 13).

This author has said something similar of the Rochdale principles:

The Pioneers' achievement was not to invent new principles but to bring them all into a right relation with each other. They must be understood in their totality; they are like a jigsaw puzzle, in which each part is essential if the whole picture is to emerge (Birchall, 1994, p. 64).

For instance, the principle of *voluntariness* is a precondition for democratic member control, because people who have not joined freely are unlikely to take as much interest in the organisation. Where, owing to lack of choice in the market, membership is involuntary, education and training comes in as a way of convincing members that the co-operative is worth supporting. The principle of *open membership* does not impinge directly on the others, but it

can be seen as a precondition for fairness in the third principle, *member economic participation*. If entry to a co-operative is discriminatory, the sharing out of the benefits is not as equitable as it seems. The principle of *democracy* is also tied into member economic benefit, because without democratic decision making the benefits may not be distributed equitably, or even go to members at all. The *economic benefits*, if allocated to reserves, enable the organisation to be independent and they may be allocated via a social dividend to the community. The principle of *autonomy and independence* has an obvious tie in with voluntariness; there is no point in individual membership being voluntary if the organisation we join is not independent. Nor is there any point in being democratic if the important decisions are made elsewhere.

Education is both a principle and a precondition for the rest of the principles: its most basic purpose is to inform people that the principles exist. Training is needed for the exercise of democracy and the effective running of a co-operative so as to ensure its independence and member economic benefits.

Co-operation between co-operatives ensures that they become strong enough politically to counter state interference and economically to compete effectively in the market. Taken together, these principles and the underlying values to which they give expression should enable us to evaluate the performance of different types of co-operative in the varied settings in which they operate in different regions of the world. The next task which the ICA has set itself is to work out the implications for co-operative practices. The values and principles, if understood in all their richness of meaning, should be a firm foundation on which to build.

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Notes

1. This reflects a European perspective — UK, German, and French. The Rochdale Pioneers are acknowledged as the founders of the modern co-operative movement in Lancashire England, although the earliest record of a co-operative in the UK is said to be in Scotland — the Fenwick Weavers' Society, 1761 (records of the Society are housed at the National Library of Scotland). Friedrich Wilhelm Raiffeisen and Franz Herman Schulze-Delitzsch are both associated with the founding of early German credit unions (1840s). Phillippe Buchez is a French contemporary who championed co-operativism and mutualism, particularly workers' co-operatives, supporting the worker-ownership of L'Atelier in 1849 (see Chastain, 2005). There are additional histories of the early development of co-operatives in Canada (in Manitoba, Nova Scotia, Ontario, and Quebec) — see for example MacPherson (2007, 2009); Asia-Pacific development — see for example Altman et al. (2020); and for country profiles and statistics see the International Labour Organisation's countries in focus series — <http://www.ilo.org>
2. See Co-operative identity, values, & principles — <https://www.ica.coop>
3. The Industrial Common Ownership Movement (ICOM) provided model rules, advice and finance (via the Industrial Common Ownership Fund) for worker co-operatives and employee-owned organisations. In 1976, the Industrial Common Ownership Act came into force in the UK, which provided grants and loans to common ownership and co-operative enterprises (bone fide co-operative societies or societies registered under the Industrial and Provident Societies Act, 1965-1975 (<https://www.legislation.gov.uk/ukpga/1976/78/enacted>)). ICOM merged with the Co-operative Union in 2001 to become Co-operatives UK.

4. The folk high school movement in Denmark offered a range of adult education and vocational courses based on the ideas and social movement philosophy of Nikolaj Grundtvig (Broadbridge et al., 2011). The Nordic movement continues to emphasise lifelong learning and citizenship.
5. The Coady Institute focuses on community-based development and leadership education. Named after Dr Moses Coady a pioneer of the Antigonish movement and first director of the University's extension department. See — <https://coady.stfx.ca/collection/the-antigonish-movement/> ; <https://coady.stfx.ca/>).

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