

INTERNATIONAL CO-OPERATIVE ALLIANCE.

REPORT OF PROCEEDINGS

at the

MEETING OF THE

SPECIAL COMMITTEE ON THE ROCHDALE PRINCIPLES

held at

S T R A S B O U R G.

on the

4th FEBRUARY, 1932.

INTERNATIONAL CO-OPERATIVE ALLIANCE.

MEETING of the SPECIAL COMMITTEE ON THE ROCHDALE PRINCIPLES
held at STRASBOURG on the 4th FEBRUARY, 1932.

PRESENT: V.Tanner, President, Sir Thomas Allen, E.Poisson, Sir Robert Stewart, R.A.Palmer, V.Klepzig, V.Serwy, Mrs.E.Freundlich, E.Lustig, A.Johansson, Dr.A.Suter, E.de Balogh, Dr.G.Mladenatz, P.Salcus, and H.J.May, General Secretary.

ABSENT: I.A.Zelensky, Dr.J.P.Warbasse, M.Rapacki, J.Ventosa Roig.

NOTES ON THE PROCEEDINGS.

THE PRESIDENT (Translated): At the Vienna Congress a resolution was adopted asking that a Special Committee should be appointed for the purpose of enquiring into the present application of the Rochdale Principles. The text of that resolution was as follows:-

"The Congress of the International Co-operative Alliance asks the Central Committee to appoint a Special Committee to enquire into the conditions under which the Rochdale Principles are applied in various countries, and if necessary, to define them".

As a result of this resolution a Special Committee has been appointed consisting of the members of the Executive and a few others. It was decided that as a first step a Questionnaire should be sent out by the General Secretary. This was done and the replies are now before us, so that the material which forms the basis of our enquiry into the present application of the Rochdale Principles is before us. I think we might first have a general discussion and then examine the material before us point by point and decide what is further to be done.

THE GENERAL SECRETARY: I have not much at this point of the proceedings to say concerning this report except this, that the Questionnaire produced a great mass of material as I fully reported to the Executive at its last meeting, and it has been by a process almost of exhaustion that I have boiled it down into the report before you. It has been through three stages before it was sifted down to this bare résumé of the material. I have here some more details concerning certain practices in different countries, but the points set out in the Memorandum before you cover the main questions. You will remember that the Questionnaire contained 37 questions on 6 main principles. I have been told that our Questionnaire was not adequate and ought to have had at least as many more questions added. That is as it may be, but the 37 questions we have sent out have produced the

résumé which is before you, and in the Memorandum which I have just handed round I have summed up the position as far as I can see it at the present time. Perhaps as the members of the Committee did not have this Memorandum until this morning I might read it. It will not involve a translation as all the members have copies, but it is the shortest way of saying what I want to about the matter.

MRS. FREUNDLICH (Translated): I do not think it is necessary to read the Memorandum as we have all read it.

THE GENERAL SECRETARY: If that is so then I will not read it.

THE PRESIDENT (Translated): Does anyone wish to have the Memorandum read?

MR. DE BALOGH: The Memorandum is quite clear and it is not necessary to read it.

MR. SERWY (Translated): I suggest that we should take the Memorandum page by page.

THE PRESIDENT (Translated): We will now examine the details of the Memorandum and will take the first question.

QUESTION I. VOLUNTARY CO-OPERATION AND OPEN MEMBERSHIP.

- (a) IS THE MEMBERSHIP OF YOUR SOCIETIES OPEN TO ALL WITHOUT LIMIT OF NUMBERS OR OTHER PERSONAL RESTRICTION SAVE THAT OF CHARACTER?
- (b) IF NOT, PLEASE STATE WHAT ARE THE LIMITATIONS IMPOSED EITHER BY -
 - 1. YOUR CO-OPERATIVE LAW.
 - 11. THE RULES OR PRACTICE OF YOUR CO-OPERATIVE MOVEMENT.

MR. SERWY (Translated): With regard to Luxembourg, we find here that membership of craft or professional organisation is an essential condition. There are quite a number of Co-operative Societies in Luxembourg which do not require such membership. The Organisation which has replied to the Questionnaire is in an exceptional position and in the minority.

MR. PALMER: Is this Organisation at Luxembourg an individual Society or a Union? If there are some individual Societies from whom replies have been received, I think it desirable that we should know in order that we may not come to wrong conclusions.

THE GENERAL SECRETARY: I have attached a list of all the Organisations which have replied and have given descriptions of each one.

MR. PALMER: But take for instance Palestine. I do not know whether "Hevrat Ovdim" is a Union or an individual Society.

THE GENERAL SECRETARY: May I then clear this point. If the members will take their lists given on pages 2 and 3 of the Memorandum, I will give them the names of individual Societies. There are 3 on the first page: No. 1. "El Hogar Obrero", Argentine; No. 29, "Le Syndicaliste", Luxembourg; No. 32. Co-operative Society "Randj", Persia. There are also 3 on the

second page: No. 36. Pietermaritzburg Co-operative Society, South Africa; No. 41. Society of Aidin Fig Producers, Turkey; and No. 45. Landwirtschaftliche Zentral-Darlehenskasse, Yugo-Slavia, plus 4 amongst the Organisations from whom no replies have been received. They are Nos. 9, 10, 13 and 15.

MRS.FREUNDLICH (Translated): Would it not be better only to consider replies from National Unions, because the replies from individual Societies might be misleading?

THE GENERAL SECRETARY: All the members of the Alliance have been applied to and all have the right to have their replies recognised, but individual Societies have only been applied to in those countries where there is not a National Union affiliated to the Alliance.

DR.SUTER (Translated): With regard to Spain, the condition that is given only applied under the old law and does not apply under the new law.

THE GENERAL SECRETARY: I am afraid I cannot accept that statement because we fully understand the new law, and these replies included in the Memorandum have been sent to us by the National Federation since the new law was promulgated.

MR.PALMER: With regard to the restrictions by law or practice given under 11, I presume that these restrictions apply to persons employed in trades similar to those carried on by the Co-operative Society in Finland, Iceland etc.

THE PRESIDENT (Translated): So far as Finland is concerned, we do not accept as members of Co-operative Societies private traders who carry on the same kind of business.

MR.DE BALOGH: I think this rule is applied everywhere.

MR.PALMER: It is not applied in England.

THE GENERAL SECRETARY: In many cases such persons are ineligible for membership of the Management Committee, but not for membership of the Societies.

DR.G.MLADENATZ (Translated): Roumania should also be added to the list of countries where persons whose private interests conflict with the interests of the Society cannot be admitted. This is a legal provision in Roumania.

(c) IS MEMBERSHIP OF YOUR SOCIETIES PURELY VOLUNTARY AND ENTIRELY FREE FROM PRESSURE ON THE PART OF PUBLIC OR OTHER AUTHORITIES?

MR.KLEPZIG (Translated): It would be interesting to know the reply from Soviet Russia. The reply from Persia is interesting.

THE GENERAL SECRETARY: I can reply at once to Mr. Klepzig's question as regards Soviet Russia, but surely it was never in any doubt. The reply from "Centrosoyus" is an emphatic "yes" - they are entirely free from any restriction. That they always will reply, but may I refer you to my Memorandum which you all said you had read just now, in which I say:

"There appears to be a feeling on the part of some of the Societies that since the Alliance guards the standards of the Rochdale Principles, they must produce evidence of their loyalty to those Principles at all costs. The obvious effort to 'make good' on the Questionnaire leads to the setting down of vague and equivocal affirmatives which clearly, in some cases, should be negatives."

If you will keep that statement in your minds when looking at these replies I think you will find some of the answers, that is, that many of the affirmatives should be negatives.

MR. POISSON (Translated): The reply given by Persia is very interesting and might lead us to complete the Questionnaire. If we put the question very clearly we might get some more information of the same kind. In certain cases the law or practice prevents people from becoming members of Co-operative Societies. In cases where there is a limit imposed by the State or legislation, those would be cases for the I.C.A. to intervene. For instance in Soviet Russia the law might determine what kind of people are eligible for membership. There might also be countries where foreigners could not be members.

THE PRESIDENT (Translated): There is a great variety of legislative provision concerning this or that point of detail which might be of interest, but what we are dealing with is the application of the Rochdale Principles. I propose to adjourn this point until the end of our discussion and then to see whether there is any further information which we should obtain.

MRS. FREUNDLICH (Translated): Some restrictions are not necessarily based upon the law or the rules of the Society, but certain economic situations bring about limitations.

- (d) WHAT IS THE AMOUNT OF SHARE CAPITAL WHICH EACH MEMBER MUST HOLD OR BE LEGALLY RESPONSIBLE FOR? HOW IS IT CONTRIBUTED (PAID UP) BY THE MEMBERS?

THE GENERAL SECRETARY: The replies to this question are given on pages 5, 6, 7 and 8.

MR. POISSON (Translated): The replies before us are very interesting, but not of great relation to the Rochdale Principles. Whatever may be the share which each member must hold depends upon the legislative provision. One point is particularly interesting and only applies to France. That is that the members need only pay 1/10th of their share to become members. Payment of the remaining 9/10th may be deferred. This makes membership accessible to people who cannot pay up at once, but, at the same time, it constitutes a danger for the Societies as regards lack of capital at their disposal.

MR. SERWY (Translated): It appears that in Denmark there is no share capital, but I cannot imagine how that is possible. May we have some more information on that point?

SIR ROBERT STEWART: You will see that in the U.S.S.R. the amount of share depends upon the social and material position of the individual. I am surprised at this lack of equality in Soviet Russia.

(e) HAVE YOUR SOCIETIES MORE THAN ONE KIND OR VALUE OF SHARES?

MR. POISSON (Translated): I would like to put another question in this connection and that is with regard to the refunding of shares in case of dissolution of a Society. It is quite possible that a Society may be liquidated and that at the time of liquidation the shares should have a considerably greater value than when they were paid up. In such a case would each member receive a part of the profit or would the collective property have to be handed to a new Society and each member receive only what he had paid?

THE GENERAL SECRETARY: The reply to this question will be found on page 27.

(f) IS THE TRADING OF YOUR SOCIETIES EXCLUSIVELY WITH MEMBERS?
IF NOT, PLEASE STATE THE PERCENTAGE OF NON-MEMBERS' TRADE.

MR. PALMER: There are one or two points here of great interest. I would like to know in the cases of Austria, Czecho-Slovakia and Germany, whose representatives are here, whether the fact that they do not trade with non-members is due to legal provisions or is the result of co-operative decisions. We find in England, where there is no legal provision, that a proportion of non-members' trade is due to passers by, and I presume that the same would happen in other countries. With regard to the other side of the statement I must say that one is appalled to find that trade with non-members reaches as much as 80% of Societies' trade. Unless there are other circumstances in connection with this which justify it, such Societies cannot be included under the heading of Co-operative, and one would feel this fact to be sufficient to disqualify them from calling themselves Co-operative Societies. That is how it appears to the British point of view. If members are benefiting from trade with non-members, then it seems to me the Society is an ordinary profit-making business like any ordinary trading concern.

MRS. FREUNDLICH (Translated): I was going to put the same question as Mr. Palmer because I do not understand how Societies which do 65% of their trade with non-members can be regarded as Co-operative Societies. As regards Hungary, the situation is peculiar. There, Societies can limit their membership. When we took over the Boergenland we changed that provision and had great difficulty in persuading the members that others should be allowed to come in. There are many villages in Hungary where the Societies consist of only 30 members and they make profits by trading with others who are not members. As regards the position in Austria and whether it is due to legislation that we confine our trade to members, I would say that we are prompted by other methods, because we think we should educate people in Co-operative Principles and that we cannot do if we sell to people who are not members. Therefore, if this legislative provision fell we should still continue to trade only with members. The provision does not come from the co-operative law, but is contained in the financial law, because those Co-operative Societies which trade only with members have the right to deduct from their profits 1% on turnover for the purposes of taxation.

MR. POISSON (Translated): With regard to the replies from France, you see that no figures are given by two different Organisations - the F.N.C.C., and the Agricultural Federation. With regard to the Agricultural Producers, their case is different from that of the Consumers' Societies. They sell essentially to non-members and are only obliged to limit their trade to such goods as are co-operatively produced by their members. In fact there is a legislative provision imposing upon them the necessity of such limitation. With regard to the F.N.C.C., the proportion of non-members' trade varies very much. There are some societies which do not sell to non-members although the majority do. To what proportion they sell depends largely upon the age of the Society. Many of the old Societies only sell to non-members to a very small extent, but many of the younger Societies sell at first to a large proportion, 80% or more, but later when they recruit new members the amount of non-members' trade reduces year by year until it is quite small. I would also like to say that in those countries where they so virtuously abstain from selling to non-members, it is more or less a necessity. In fact their virtue is bound up with the provisions of the Fiscal system, and therefore its value is reduced. Mr. Palmer seems to think that trade with non-members is a violation of the Rochdale Principles, but in France, whenever there is a profit from selling to non-members, that profit is not distributed to the members in the form of dividend, but is placed to a collective and undistributable reserve fund which even in the case of liquidation cannot be distributed. I wish to emphasize that point and that is why I previously insisted upon the fact that in the case of liquidation members should not receive more than they had contributed. I would like to know whether there is anything, either in a Manifesto or in any statement of the Rochdale Principles to the effect that trade should only be with members. Personally I do not know of any such declaration.

MR. LUSTIG (Translated): The selling to members only is one of the principles which appear in the Rochdale Principles, but Mr. Poisson does not agree. Since 1873 there has been a law in Austria and the states directly belonging to it, regulating Co-operative Societies, which lays down provisions as regards trading, shares, liabilities, etc., and these provisions are entirely in accord with the Rochdale Principles. You will all agree that when a law 60 years old has had such a good influence upon people, we are in a happy position. There is also a law concerning the auditing of accounts, which recognises the Central Union as an auditing authority. The Central Union always examines whether we follow the practice of selling for cash, whether shares are paid up, whether we sell only to members, etc. The law makes it essential that the Central Union should publish its report and bring it to the knowledge of the members at the General Meeting. There are also fiscal provisions which make it profitable for us only to sell to members, that is, we only pay two per thousand on share capital subscribed, but if we sell to non-members we have to pay at the ordinary rate and in addition a fine. Therefore the law helps us to remain virtuous. The minimum membership required for the opening of a new shop is 80 families.

DR. MLADENATZ (Translated): After what Mr. Poisson has told us about France there is little to say about Roumania because our conditions are more or less the same. In order to prevent any undue profits on trade with non-members, we introduced a provision into the new law that any excess of profit due to trade with non-members should not be distributed in the form of

dividend but must go to a reserve fund which is indistributable, or, alternatively, should go to a special fund for co-operative or general education. The Organisations which do trade with non-members are the younger Societies and those in small districts where the number of members would not be sufficient to justify the opening of a Society. If we look through the replies we see that those countries in a favourable situation are those under the influence of the German co-operative law. I would like to remind you that this law was practically made under the influence of Schultz-Delitzsch and was at first a weapon against the Co-operative Consumers' Organisations which had not then the principle of trading only with members. At first the Co-operative Societies protested against the law made under the influence of Schultz-Delitzsch, but later they developed this provision established by law into a general co-operative principle. So far as Roumania is concerned we maintain the spirit of the Rochdale Principles with the limitations I have mentioned.

MR. KLEPZIG (Translated): In examining these answers there is one thing which should be kept in mind, and that is that the Rochdale Principles have not the force of a law, but that they are, for the I.C.A., merely an unwritten law. Whether you have a real law or an unwritten law, in both cases you will have some people who act against the law. Therefore even if an organisation insists upon the recognition of the Rochdale Principles, you will always find people here and there who break the law, and we have no Executive power to interfere. That is a situation which must be generally acknowledged in considering these replies. In principle the observation of the law of trade with members only is practiced by the German Co-operative Union, and if that law is broken by any of its members the Union does not hesitate to expose them. In the past we have had one important controversy with the Co-operative Society "Produktion" of Hamburg, when the Co-operative Union had a great fight with the Society for breaking the law, but that divergence of opinion has been overcome and "Produktion" observes the general principle. The situation in Germany is not quite as bad as in Czecho-Slovakia, but it is difficult to find out exactly what are the conditions in each country as regards the application of the Rochdale principles. So far as Germany is concerned the old co-operative leaders like Kaufmann and Lorenz have always stood for strict observance of the Rochdale principles, and we remain faithful to those principles. There is also the attitude of the fiscal authorities. When they find that even as little as one-tenth of the trade of a Society has been done with non-members they try to deprive us of our privilege as regards taxation. That even applied once where a Consumers' Society passed goods to another Consumers' Society and through the intermediary of that second Society the goods were sold to non-members. That was interpreted as sale to non-members and great difficulties arose over this case.

PROFESSOR SALCIUS (Translated): In Lithuania, Estonia and Latvia there are no legislative provisions restricting the trade of Co-operative Societies to its members. In Lithuania the small trader is very well developed and we are anxious in our Co-operative Societies to have prices at a lower standard than the private shops. Therefore we have a very small margin of surplus for distributing as dividends and consequently our members are not very keen to obtain their checks for establishing dividends, and as many of the members do not think it worth while to ask for checks in view of the low dividend, it appears on paper that trade with non-members, that is trade without checks, is greater than it is in reality because much of the

non-check trade is done with members. In truth we try to fight against sales to non-members. At present our Movement is young, but we hope in future that we shall be able to fully observe this principle. Our law contains provisions concerning the payment of surplus profits to the reserve fund and there is also a legislative provision that no dividend can exceed 8% per annum, so that even those Societies which have a large trade could not, by extending it to non-members, give a higher interest.

DR. SUTER (Translated): The Swiss legislation is very liberal and there is no provision imposing a restriction of sale to members only. But in our country the contrary has happened to what has happened in other countries. We hear that in other countries the virtue of co-operators has been sustained by legislation, but we can say that legislation has perverted our original virtue. Twenty years ago the Congress of the Swiss Co-operative Union recommended sales with members only, and in our model rules there is a provision to that effect, but the fiscal authorities pressed us so much that we found it necessary to introduce discount tickets instead of dividends. The ordinary traders use discount tickets, which are regarded as part of the general expenses, and the tribunal said that by our dividends we give a privilege to members only, and must, therefore, pay extra taxes. Therefore, to escape the special fiscal burden placed upon us, many Societies have introduced discount tickets in place of dividends, but we still recommend that sales should be restricted, although this action of the tribunal brings about a change in many cases.

THE PRESIDENT (Translated): We have now finished Question 1 and we have a large number of other questions. We have taken three hours on this first question but to get through we must give less time to the others.

THE GENERAL SECRETARY: I do not wish to curtail the general discussion, but I am obliged to keep in mind the bigness of the task that we have before us and the necessity of preparing a report for the Congress. I suggest, therefore, that it is necessary for us to have some clear plan in mind of the way in which we wish to proceed with this enquiry, and I want to make a few suggestions. As the President has pointed out, we are on Page 9 of this Report out of 31 Pages. I suggest this plan, therefore, for our work - that you will not discuss the general principles or the bearing even of these answers to-day, but that you will go through these sheets and see whether they contain the kind of answers you want, upon which finally to base our report. For example, if I am to prepare the work for the next meeting I want to know whether you wish the enquiry completed by pressing for answers on all points that have not been replied to; whether you want further replies to clear certain points; whether I am to get the replies from the 17 Organisations that have not yet replied; and probably replies on some new question, for example, I suggest that it would be of interest to have some information concerning the different kinds of surplus of Societies. Perhaps it may also be desirable to have further information concerning the conditions of membership of Societies where there are no shares, and it might be an advantage to divide our replies so that all figures, for example, on non-members trade and other matters before you, deal only with Consumers' Societies, or that it be clearly shown where they do not. I only make those suggestions because both have been discussed this morning, but I suggest that over 90% of the figures before you relate to Consumers' Societies. My suggestion, therefore, put into a sentence

is that you will look all through these pages as quickly as possible and tell me what additional information you want. I suggest the next step in our enquiry, before you can apply this information, is that you must come to some general agreement upon what the Rochdale Principles are which we are enquiring about. You have adopted the basis of these principles when you agreed to the Questionnaire, but that specific point also has been brought into dispute this morning, and I suggest that I might prepare a special report for your consideration at the next meeting of what are the Rochdale Principles so far as I can find them from the history and practice of the Pioneers and any available documents. I do not know what you will accept as authoritative in this matter because there is no charter laid down which covers all the ground. I suggest that the Rochdale Principles are contained in the Rules of Rochdale, in the practice of the Society, in its declaration of principles, while some of the principles are inherent in the idea of Co-operation, but we might have it stated as a basis of discussion so that you are agreed generally and that an understanding upon these things may be set up before our report is ultimately prepared. That is the plan which I suggest, namely, that we should have this Questionnaire completed as far as you feel you want it completed; that you have a separate report on the Principles as a basis of discussion, and then I think we shall be in a fair way of having the essential material for our report. This report, when completed, is either going to be worthless or an exceedingly important document for the whole of the Co-operative Movement. That is what we want to make it, and I think along those lines we can proceed systematically with the object we have in view.

THE PRESIDENT (Translated): Do you agree to the procedure proposed by the General Secretary?

Agreed unanimously.

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SECOND SESSION.

THE PRESIDENT (Translated): With a view to shortening the proceedings I suggest that we shall adopt the following course:- What we have discussed this morning will appear in the Minutes of this meeting, but with regard to the remainder of the pages, we have no time to continue our discussion as we did this morning, and I therefore suggest that every member shall go through the remainder of the Report and send to the General Secretary in writing his observations and any proposals for altering or completing the Report. Then on the basis of this morning's discussion and the observations sent in in writing, the Secretary will prepare a draft report for discussion at Prague, and in this way we shall have our report ready for the Congress of 1933.

THE GENERAL SECRETARY: I would only add the request to the members here that they should send me their observations as promptly as possible in order that only one additional enquiry should be made. Their replies should reach me at least within two weeks' time.

Agreed.

THE GENERAL SECRETARY: There is one other point that the members of the Special Committee who are not members of the Executive should be informed of and that is that the Executive yesterday decided to add Mr. A. J. Cleuet of France to the members of this special Committee.

Noted.

CLOSE OF THE MEETING.