

INTERNATIONAL CO-OPERATIVE ALLIANCE.

REPORT OF PROCEEDINGS

at the

MEETING OF THE SPECIAL COMMITTEE

on the

APPLICATION OF THE ROCHDALE PRINCIPLES,

held at

S T R A S B O U R G.

on the

9th FEBRUARY. 1937.

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MEETING of the SPECIAL COMMITTEE

on the

PRESENT APPLICATION of the ROCHDALE PRINCIPLES
held at STRASBOURG on TUESDAY, 9th FEBRUARY, 1937.

PRESENT: Väinö Tanner, President, E.Poisson, Vice-President, Sir Fred Hayward, W.Bradshaw, Dr.B.Jaeggi, V.Serwy, E.Lustig, A.Johansson, Dr.G.Fauquet, Professor Gr.Mladenatz, Dr.E.de Balogh, J.Downie (substitute for R.A.Palmer), and H.J.May, General Secretary.

ABSENT: I.A.Zelensky, Dr.A.Suter, Dr.J.P.Warbasse, Professor P.Salcus, J.Ventosa Roig.

REPORT OF PROCEEDINGS.

THE PRESIDENT (Translated): I wish a hearty welcome to all the members of the Committee, and declare the meeting open. I will first ask the General Secretary to make some announcements.

THE GENERAL SECRETARY: I have only to give the excuses for absence. Mr.Palmer is detained at home by a severe cold, and is replaced by Mr.Downie. Dr.Suter is also detained by illness. I have a letter from him saying that his medical adviser says he is not fit to take the journey. I have a letter also from Dr.Warbasse, and one from Professor Salcius, both excusing themselves. Mr.Zelensky is on the way, but has not yet arrived. With regard to Mr.Ventosa Roig, we have addressed a notice to him but I do not know whether it has reached him or not, as he is in Spain.

THE PRESIDENT (Translated): I think the best method of procedure will be to consider the Draft Report, and to have first a general discussion. Do you agree?

AGREED.

DR.de BALOGH (Translated): The Union of Hungarian Organisations have given study to the various proposals, and they are of opinion that the principal point is that we should set up those Principles which are really characteristic of the Co-operative Movement, that is to say, Principles which are solely applied by Co-operators and not applied by other Organisations. We ought then to make such a Draft Report that will stand against every point of criticism. I find that seven Principles have been set up as essentially applicable to Co-operation. They are - Open Membership; Democratic Control; Dividend on Purchase; Limited Interest on Capital; Political and Religious Neutrality; Cash Trading; and The Promotion of Education. Let us examine these Principles one by one and see whether they really are all characteristic of the Co-operative Movement. If we do so we shall see that six of them are by no means exclusively belonging to Co-operation, and that one is not universally applied. In considering each Principle I can say that the policy with regard to Open Membership is not possible in Building Societies and Lodging Societies because their membership is limited, and it is impossible for them to accept new members "ad liberatum". Democratic Control is a Principle which we see applied by nearly every Society and, therefore, it is not characteristic of Co-operation. Dividend on Purchase is also sometimes applied by Banks. Limited Interest on Capital arises in the price, or with a rebate on the payment of dividend. Political and Religious Neutrality is a natural sequence of the fact that Co-operative Organisations are economic organisations, and besides, it must be remembered that not every Co-operative Organisation applies the Principle of Political and Religious Neutrality. Cash Trading is a Principle very frequently applied in capitalist enterprises; and The Promotion of Education is something which we find in nearly every political and economic organisation. We must find what corresponds to the essential character of our Co-operative Movement, and what is its individuality, and that is the collaboration of the members in the management of the business. This Principle has first been seized properly by the Rochdale Pioneers, and they found a practical application of it. I think, therefore, that this practical collaboration of the members in the management of the Society should be placed at the beginning of the Principles, because it is that which distinguishes the Co-operative Movement from every other movement. It is the main organising Principle of the organisation, and the one which from the economic and juridical point of view, constitutes the characteristic of a Co-operative Organisation. But what I have just had the honour to explain does not mean to say that I am going to put myself in opposition to the Draft Report of the General Secretary. I would only like the Committee to examine the possibility of taking my points into account. After these general remarks, and as I intend to present further observations in the course of the examination of the Draft Report, I will limit myself to what I have just said.

THE PRESIDENT (Translated): The observations just presented by Dr.de Balogh are certainly interesting, but they come somewhat late. At the London Congress the seven Principles were adopted, and a special mandate was given to the Special Committee to complete its enquiry. We have since had several meetings, and have come to clearness in our discussion on most of the points, and there is only to decide now upon two or three proposals which still remain undecided. If we were to follow the suggestion of Dr.de Balogh we should upset everything which we have done so far and, therefore, I hope that in this discussion the Committee will not enter into the views which Dr.de Balogh has just expressed.

DR.de BALOGH (Translated): There is possibly a misunderstanding. I did not have the intention to raise any opposition to the proposals in the Draft Report, and my observations must not be taken as concrete proposals. They have merely a theoretical character. In the course of the discussion I am going to make my concrete proposals, but I simply wished to seize this opportunity to explain my view from the standpoint of the Principles. I regret that I had not the opportunity to present this opinion earlier, but certainly I am not going to upset any of the previous work of this Committee.

THE GENERAL SECRETARY: Dr.de Balogh was here five years ago at the first meeting of the Special Committee, and his points would have been very appropriate on the agenda at that time.

DR.de BALOGH (Translated): But the Committee has been sitting and deliberating for five years.

THE GENERAL SECRETARY: Yes, and you are, unfortunately, five years late with your proposals.

MR.LUSTIG (Translated): Our discussions and the work of the Special Committee generally have so far advanced that we have now to see what positive proposals we can formulate for the Paris Congress. At the London Congress a transactional proposal was accepted, that we should also examine how far Co-operative Principles are being applied in other forms of Co-operation than Consumers' Societies. That was in order to satisfy the British Co-operators. It is very difficult to criticise the Co-operative Movement generally, because if we base ourselves upon the Rochdale Principles we should find some forms of organisation which were not known to the Rochdale Pioneers, because it was their idea to unite in one Organisation every form of Co-operation, both for consumption and other human needs. Meanwhile, in a number of countries legislative measures have been decreed as a result of which it is necessary to have separate Co-operative Organisations for production and for other forms of activity. If we speak of Co-operative Productive Organisations in connection with the Rochdale Pioneers we should remember that such Co-operative Productive Organisations existed before the Pioneers' Society came into existence. I would remind you of de Boucher and Ferdinand Lassalles as the protagonists of Co-operative Production, or the autonomy of labour, at a period when the Rochdale Pioneers had not created their own Society. What we have to do now is to examine whether we can approve of the transactional proposals of the British Co-operative Movement. We have no more time for theoretical discussions, but must now come to the practical points to be submitted to the Paris Congress. Therefore, I think we should examine the several positive proposals which have been made in order to decide which we shall submit to the Congress.

MR.POISSON (Translated): I also would emphasize that it is imperative that we should now come to some practical conclusions for the Paris Congress. The enquiry which we have made has been useful, but we must now be very careful not to split up our forces by considering things of no practical value, because if we fail to present a Report to Paris we shall put ourselves into a ridiculous position. Also the time at our disposal is now very limited. At present we are really not committed to

anything. The London Congress simply referred the Report back, and the proposals now before us are new ones. In the first place, only Co-operative Principles so far as Consumers' Co-operation was concerned were considered, but now in the Draft Report of Mr. May, and as the result of our recent discussions, the whole problem of Co-operation has been examined. This is a new chapter, and we must take into consideration the proposals made by our British friends in order to avoid a failure. Besides the practical solutions which we have to find for the Paris Congress, there might be the possibility of presenting some information on the whole of the question. With regard to the latter point, I would limit myself to the following. The Report before us really falls into two sections - first, the historical section, which I would call the scientific section, and, secondly, the conclusions which we have to present. It seems to me that the conclusions are much the more important part, and that what is now at the end of the Report should be at the beginning. With regard to the other part, the historical, or scientific, section, that is a matter which might well be discussed. I, myself, would accept nine-tenths of it but on the remaining one-tenth there might be some difference of opinion. Therefore, I think we should separate the Report into two parts, and keep in the forefront the importance belonging to the conclusions by putting them first. I think when the Report goes out as the Report of this Special Committee this distinction must be made. The Seven Principles have been previously adopted and I do not think we should now re-examine them, but we might consider whether it is not possible to change the order of them. In my opinion the third - Dividend on Purchase - is the most important, and might be placed first. Then second I would put Democratic Control, and third Open Membership. In fact we might even combine III and IV, because III exists because there is Limited Interest on Capital, and there is Limited Interest on Capital because Dividend on Purchases is distributed. Therefore, III and IV might be one Principle at the beginning, with Democratic Control second, and Open Membership third. Then the others would follow in the order in which they are given here. What we are examining now is really not Co-operative Principles generally, but only the Co-operative Principles so far as they have been set up by the Rochdale Pioneers. The Rochdale Movement is an old Movement, going back to the legislation of 1844, and much that was then good is now no more of any practical value. On the other hand, a number of details into which the Rochdale Pioneers went appear to us entirely unnecessary. Life has developed beyond what the Rochdale Pioneers established and, therefore, their Principles, from some points of view, must be regarded as insufficient. There is also the question of selling to the public, which was not considered by the Rochdale Pioneers. But one Principle which seems to me very important, and which was not included by the Rochdale Pioneers, is that the reserves of capital should be inalienable, or indivisible, and under no circumstances should be distributed amongst the members. That is a question which was not considered by the Rochdale Pioneers, but which appears to be of great importance to Co-operation at this time. With regard to Dividend on Purchase, I think that this should be changed to Dividend on Transactions with Members.

DR. FAUQUET (Translated): I think the discussion which has taken place so far has been very useful. Such an exchange of views does not mean a loss of time because we have now come to a clear version of certain general Principles and we shall proceed more quickly for the rest of the exchange of views. On most points I find myself in full agreement with what has been said by Dr. de Balogh, and particularly by Mr. Poisson. The Committee has accomplished its task under very favourable conditions, and we can all the more congratulate ourselves upon that because our task was a very difficult one. The mandate of this Special Committee was rather contradictory - we had to examine the Rochdale Principles of 1844 and, on the other hand, to say what the practice of the Co-operative Movement is now. Our task would have been easier if we had only been asked to consider the present day conditions of Co-operative Principles. Our task would not have been finished if we had had to concentrate only upon the second point because Co-operative Organisations are always developing new problems, and the Paris Congress will not bring a stop in the evolution of Co-operation. We have endeavoured to find out what the leading Principles were, and have come to the seven Principles enumerated on page 3 of the Draft Report. One cannot say that these Principles are the only Principles because there were also secondary Principles, but the leading thought in every true Co-operative Society is one which is managed by the members themselves, by those who claim the services of the Society, and generally the members are people of limited means. I would, therefore, support Dr. de Balogh in saying that we have a service Organisation based upon the democratic society of those who make use of those services. It is quite interesting to see, from a theoretical point of view, how the Principles of the Rochdale Pioneers of 1844 have developed in the present day Co-operative Movement, but the practical task upon which we have to concentrate now is to complete our Report. It will certainly improve our Report if the thoughts which have been developed in the course of this general discussion could, to a certain extent, be taken into account.

SIR FRED HAYWARD: I understand the position to be that the Report of this Special Committee submitted to the London Congress, so far as the historical section was concerned, was accepted without much dispute, and we were not asked to again go into a re-consideration of the Principles as set out by the Rochdale Pioneers in 1844. The sole point of dispute at the London Congress was that this Committee appeared to the British Co-operative Movement to be submitting a statement with regard to a particular development in connection with these Principles which made it appear to the British Co-operative Movement that they were being criticised and called over the coals with regard to certain developments in Great Britain. Those two Principles were Political Neutrality and Cash Trading, and it is solely on the point of these two, and what was felt to be a heresy hunt with regard to the British Co-operative Movement having been laid down in the Report, that it was sent back for re-consideration. At the last meeting we discussed this question, and the point of view of different countries on this particular problem was also discussed, and I thought that at the end of the last meeting we had come near to some accommodation between the British point of view and that of the other countries. You will remember that our Swedish friends put up certain proposals to show what they suggested would constitute a formula acceptable to both Movements. After the last meeting at Warsaw the British representatives consulted the National Co-operative

Authority of Great Britain, which represents the whole Movement, and this matter was brought up again for consideration. The formula suggested at the last meeting, together with the suggestion of our Scandinavian friends, was fully discussed and, with slight verbal alterations, was accepted by the British Co-operative Authority, and we, as its representative here, were asked to put this forward as being a possible means of allaying the suspicion of our continental friends with regard to the attitude of the British Co-operative Movement. We do not desire to push our point of view upon anybody else, but the only thing we object to is that the action taken by our British Co-operative Movement through its National Congress should appear to be something which is contrary to the Principles of the Movement and we feel that, if the proposal now submitted by the British Co-operative Union, having the support of the National Co-operative Authority, were accepted here, this would be a very happy end to the dispute, and it would mean also a spirit of compromise had been exercised on both sides with a view to finding a common agreement. Since this matter was discussed by the British Union we have had a letter from Mr. Juell of Norway, suggesting that, instead of proceeding any further with the discussion, it would be well to adopt the suggestion of Mr. Neil Beaton at Warsaw. You will remember that at Warsaw Mr. Beaton suggested that we should receive the report of the Special Committee, thank them for their work, and pass on to the next business. I do not see, however, how that can be carried out. We have before us the further report of the General Secretary, which will cause no serious dispute so far as the recommendations are concerned, if the last page is amended in accordance with the proposal of the British Co-operative Union. I submit that that is all the business we have to deal with, that is the business referred to us by the London Congress, and if we can agree on these points it would seem to us to settle the whole problem.

MR. JOHANSSON (Translated): In the Scandinavian countries the British transactional proposal has been examined and discussed, but it was impossible for a meeting of Danish, Norwegian, Swedish and Finnish representatives to come to a unanimous point of view. Our opinion was that the proposal could not be accepted, and all that might have been acceptable was the proposal submitted by me at Warsaw. But the present text would not be acceptable to the Scandinavian co-operators. There is one question which they would also like to have considered, and that is that Political and Religious Neutrality ought really to be at the head of the Principles. However, as they are anxious not to disturb the work of the Special Committee, they will not insist on that but leave the order as at present. But I would like to remind you that our proposal at Warsaw was a transactional one and that it was the maximum concession which we could make. But the British Union now makes a new transactional proposal. That is a procedure which we cannot follow, and I regret not to be able to approve the so-called transactional British proposal.

DR. DE BALOGH (Translated): As other members have already made concrete practical proposals, I would also submit certain suggestions. I am very glad to be able to support the ideas of Mr. Poisson and Dr. Fauquet, and I think it is particularly good that Mr. Poisson has proposed to combine Principles III and IV and that we should have no more, as at present, Dividend on Purchase, but Dividend on Transactions with the Members of the

Organisation and Limited Interest on Capital. We should, therefore, combine III and IV and put that Principle first. As the second Principle we should have Democratic Control, but on this the question arises as to whether that is the word to use or whether, in the great whirlpool of politics so difficult to define, it might not be better to say, instead of Democratic Control, Autonomy and Democratic Administration. Then we should have as the third Principle Open Membership. With regard to the indivisibility of reserves, this seems to me a very important point, and I support entirely the observations of Mr. Poisson on that subject. Autonomy seems to me also a very important Principle. The initiative which the members may take, and the responsibility which they have in the administration, is a very essential point, and, if the Co-operative Movement were ever put under any sort of tutorship of the State, these elements would be abolished. The great danger to the existence and development of the Co-operative Movement comes from the danger of such an interference on the part of the State.

DR. JAEGLI (Translated): Some new points have been raised in the discussion to-day. We had already come to agreement with regard to the order in which the Principles should be enumerated, and it would be well not to change that order. Although in the enumeration one might say some Principles are more important than others, yet in reality the enumeration in the Report seems the logical one. When you constitute a Society the very first thing is who shall be its members, and, therefore, the Principle of Open Membership must be first in the chronological order of the points. The second is the very important point of Democratic Control. Its relative importance to the members is to give them a part in the Organisation. Then comes Dividend on Purchase which, if it is in the third place, is no less important than the first two, but it is simply third in the chronological order in which the proposals present themselves and cannot be considered first. The Indivisibility of Reserves has also been suggested as a further Principle in the enumeration. I think, however, that this is not a universal Principle and that, if we consider the rules and regulations of the Co-operative Movement, we shall find quite a number of National Movements whose rules say nothing about the Indivisibility of Reserves. Therefore, this Principle does not appear to be a universal one. In Switzerland the matter is settled and there is the rule of Indivisible Reserves, but that is not the case in some other countries. I would, therefore, like to warn the Committee not to allow themselves to be persuaded, on the spur of the moment, to introduce a new Principle in the seven which we have already agreed upon, and particularly when you consider that that new Principle might be criticised. Then I would like to examine the proposals before us from the Swedish and British Movements. I think there is in reality very little difference between them, at any rate in the German translation which I have received. In the Swedish proposal we have the words: "In the opinion of the Committee the remaining three Principles, namely, 5. Political and Religious Neutrality; 6. Cash Trading; and 7. Promotion of Education, while undoubtedly part of the Rochdale System, and successfully operated by the Co-operative Movements in different countries, are, however, not a condition for membership in the I.C.A." I would insist upon the fact that, when you have four Principles which are essential in any Society, then it is somewhat difficult to speak of "the remaining three Principles". This discrimination between "essential Principles" and "remaining Principles" is somewhat difficult to understand. In examining the text of the Swedish proposal

I find in the German translation the words "substitute the following", etc., and this refers to "in the opinion of the Committee", etc. But there is really no great difference between the two proposals, and I think it would not be difficult to come to an understanding on an agreed text. I would express the hope that, seeing how small the difference is, it might be possible for the British delegation to accept the Swedish text.

THE PRESIDENT (Translated): It is very desirable that we should settle this problem to-day, and in order to do so we should finish the general discussion this morning. I have still five speakers on my list. Will you agree that when these five have spoken the discussion shall be close

AGREED.

MR.SERWY (Translated): I would like the seven Principles not to be discussed any more because we have already reached agreement upon them. This morning the order in which they should be enumerated has attracted attention, but I do not think it is important. I suggest, seeing that there is only a very little difference between the British and Swedish proposals that we should accept the British text, particularly as the British representatives have made a concession to the Swedish standpoint at Warsaw. Therefore, theirs is a transactional proposal which I think should find unanimous approval.

DR.de BALOGH (Translated): I would like to make a few observations in reply to those of Dr.Jaeggli. I quite understand that, from the chronological point of view, the order of the Principles as established is the right and logical one. The first three points form an organic whole, and it would be acceptable if these three points were placed in the order of their importance, that is to say, III and IV together as the first Principle, II as it is, and I to be the third Principle. With regard to the Indivisibility of Reserves, perhaps we could find a transactional proposal that we would include the Indivisibility of Reserves in the second part with those Principles which are not essential for membership of the I.C. But it would be well to mention it, and, if we add it in the second category, I do not think it would be a very daring step which we could not undertake now. In Hungary we attach much importance to this point. We have in our country, for example, had very prosperous Co-operative Societies in rural areas, and suddenly the peasants have decided that the reserves were so important that it might be possible to divide them among themselves. This has been done and, as a result, the Societies have ceased to exist. Therefore, it seems to me that the Indivisibility of Reserves is a guarantee for the continuous existence of a Society under many circumstances. As to whether we should adopt the Swedish or the British text, I think the difference is very small and I am in favour of the Swedish proposal. I would add that the Hungarian Movement attaches great importance to the question of autonomy.

MR.DOWNIE: Unfortunately I cannot quite agree with Mr.Johansson's version of what happened at Warsaw. What he said was, if the British representatives would drop the final phrase in their version of the amendments, would accept it. He came to us later and said it was impossible, and it seemed, therefore, necessary for us to make an endeavour to reach the

Swedish point of view. The question is really one of subtlety of language. Then there is the question of degree of Principles. We have talked of the four fundamental Principles, and we cannot recognise any other kind of Principles because all Principles are of that character. Therefore, we see no necessity for revision in this respect. The difficulty is that, if that word is repeated, you are denying that the three remaining Principles are Principles at all. We suggest also that all that is asked is already said in the words in our text - "while undoubtedly part of the Rochdale System" - and, therefore, I think that all that being asked is already included in our proposals, and we see no great difference between the two versions. You put the British Movement in rather an unfavourable light in the use of a term which is not justified in our opinion, and we cannot recognise two classes of Principles.

THE GENERAL SECRETARY: Would you not say two "degrees" rather than "classes" of Principles?

MR. RAPACKI: I want to emphasise that we have not here the task to make new definition of Co-operation but only to consider the present application of the Rochdale Principles as expressed in their Statutes, Manifestos and practice. I associate myself with what has been said by Dr. Jaeggi, and I am, therefore, against any change in the order of wording of the Principles as they are enumerated here in the Draft Report. In view of the amendment suggested by the British delegation, which is quite acceptable, I think there is only a very slight difference now between the Swedish and British proposals. I am quite willing to withdraw our Polish proposal, although I consider it very useful to have, once and for all, the right interpretation of what we mean by Political Neutrality and thus avoid any misunderstanding in the future. Something on this question, however, is said in the Draft Report of the General Secretary, on page 8 where we read: "The Committee, however, observe the Co-operative Principle of Neutrality". It is not very clearly stated, however, even here and perhaps you will find it desirable to accept the last paragraph of our proposal as follows:

"The Committee is further of opinion that Political Neutrality does not mean the abstention of Co-operative Organisations from the activity on any field, even political, aimed at the defence and support of the Co-operative Movement, when preserving its independence from any political party outside the Movement."

THE GENERAL SECRETARY: I would like to make just two or three general observations before the general discussion closes. If I had had any idea that you were going to enter into a general discussion of this sort, I would have preferred to have made my remarks at the beginning, but I hope I can still be of some help in stating what I have had in mind in preparing this Draft Report, and in clearing up one or two other points that have come up in the discussion. With regard to the Draft Report, I tried to make it clear in my Memorandum at the beginning of this series of papers that, in presenting the Report, I had in a manner of speaking cut the subject down to the bone. I have given the barest summaries on each point to facilitate and clarify the discussion this morning, but with the anticipation not that that should be the final Draft but that you would

indicate during the discussion the way in which you wish it to be amplified, modified, or otherwise amended. And so my first point is that I did not imagine, for example, that these conclusions or recommendations are all that you will want to make in your Report. They concern the basic terms of reference - the application of the Rochdale Principles to-day, you have found them by your enquiry applied to different forms of Co-operation. I think - and it seems to me inevitable - that you should make certain reservations or statements at the end of the Report concerning how far, if at all, you think these Principles in their application should be modified or should be interpreted other than as strict foundation Principles. I did that for the London Congress and, therefore, I have cut all those recommendations out so that you might start afresh from that point and not be hampered with any moral obligations. But the conclusions and recommendations still remain to be completed by this Committee. Perhaps the principal point that has come up this morning is to how far the Statutes of the Alliance need be amended as the result of your enquiry, and I want to suggest that there is already in the text present here, first in the Swedish proposal and now in the British proposal, one confusion on which it would be well to get clearness before we go any further. I refer to those lines in the Swedish proposal at Warsaw, now adopted by the British Union, which say - "are, however, not a condition for membership of the I.C.A." That, I submit, is not the business of your enquiry. Your enquiry, I suggest, was to enquire into the Principles of Co-operation, what they are, how they are applied, and, so far as they are Rochdale Principles, whether they need any modification. That is only a matter of procedure, but I think in your Report and your statement of the Principles as you find them and as you have been discussing them this morning, that that phrase has no proper place regarding the application of the Principles of Co-operation as a whole. The question of whether they affect the membership of the I.C.A. should be treated quite separately in amending the Rules of the Alliance. I submit, further, that the first text of the British Union or delegation at Warsaw and now changed in the drafting, is the better one, but I am going to make one further submission and that is that you have not yet had before you any text that is an improvement upon the one submitted to the London Congress and the one which is reproduced at the end of my Draft, textually, except with regard to one point. If you will look at the last page of Draft Report, you will see that you have the text as submitted to the London Congress. I did that because there are so many other texts that it was necessary to wait until you had decided which version you will have but I repeat that you have not had anything better or anything which is an improvement upon that text, and I suggest, further, that that gives to all of those who have spoken the satisfaction that they desire, without applying it to the Rules of the Alliance, in this particular section of the Report and, moreover, it gives it the broadest possible definition. The only alteration I have made there is with regard to Dividend on Purchase and I put it in this tentative form as "Distribution of the Surplus on Purchase" because that was proposed at the last meeting and I thought it was desirable that Dividend should be stated in a more general term than Dividend on Purchase. I have tried here to follow the proposal of Dr. Fauquet, but, apart from the view of Dr. Fauquet, it was evident from the enquiry we have now completed that the statement of the application of Dividend on Purchase needed to be generalised in any new statement which you make. That I have put in for your consideration but without any

conviction that that is the best way of expressing it. If there is any variation to be made from what was given to the London Congress, as regards the statement of the seven Principles, I respectfully submit to you that at Vienna the Committee approved, by a large majority, the statement which I submitted, which divided the Principles into two sections. In that statement I described the first four Principles as the economic aspects, and the last three as the moral and social aspects. That leaves no division or classification in the way referred to by Mr. Downie this morning. I have only one other point. This concerns the Indivisibility of Reserves, and I want to suggest to Mr. Poisson, and to those who think with him about this question, that I have not overlooked it but I did not put it into the Draft because I had no clear indication whether you wanted it there or not. I suggest that it cannot go in as part of the Rochdale Principles, but it can go, as it did before, as part of our recommendation resulting from the enquiry. That is the most you can do, and if you express yourselves in that way and in favour of such a course I can easily draft the paragraph for discussion at the next meeting in April, when I hope you will adopt the final text of the Report for the Congress. Just one other point. I, unfortunately, omitted, in the preparation of these papers, to make mention of the eighth Co-operative Principle, or eighth Rochdale Principle, proposed by Dr. Warbasse, President of the Co-operative League, in 1935. I have a letter from Dr. Warbasse apologising for not being here to-day, which contains a request that I will not forget, as I had already done, the eighth Principle - "Continuous Expansion". What that means I do not know. I have asked him and I am still unenlightened. I leave it with you as it is in the letter, but it was necessary that I should mention it this morning.

THE PRESIDENT (Translated): We will now adjourn until 2 o'clock.

CLOSE OF THE FIRST SESSION.

SECOND SESSION.

THE PRESIDENT (Translated): We will now proceed with the examination of the Draft Report. I suggest that the best way will be to take it section by section. I suggest, however, that we do not have long speeches but simply short observations or proposals.

Page 1.

DR.FAUQUET (Translated): I would like a slight change to be made in the first paragraph of the Report. The second half of this paragraph reads "It had been agreed in the early days of the enquiry that this investigation was fundamental, and, by reason of the greater extension of Consumers' Co-operation in comparison with other forms - viz., Co-operative Wholesale Societies; Workers' Productive Societies; Agricultural Productive Societies; Credit Societies; and Co-operative Banks - constituted at least half of the task of the Special Committee." In reality there is not a greater extension of Consumers' Co-operation in comparison with other forms, since consumers only constitute about one half of the total forms of Co-operation. But within the Alliance the consumers are more important and, therefore, we should say in this paragraph: "and by reason of the greater extension of Consumers' Co-operation within the International Co-operative Alliance in comparison with the other forms".

THE PRESIDENT (Translated): Does anyone else wish to speak on page 1? Dr.Fauquet has made a proposal but this has not been supported.

MR.SERWY (Translated): I support the proposal of Dr.Fauquet.

THE PRESIDENT (Translated): Then we must vote upon this proposal to add the words "within the International Co-operative Alliance."

The proposal was carried.

Page 2. The Principles of Co-operation.

DR.FAUQUET (Translated): The enquiry which we have undertaken has provided us with a number of references to the history of the Co-operative Movement, and, whilst we should pay a deserved tribute to the Rochdale Pioneers, we should not forget their predecessors. As a matter of fact three-quarters of a century previous to the foundation of the Rochdale Pioneers' Society, there were already Organisations in existence which had applied the Principle of Dividend, and of those which are at present members of the Alliance which were in existence at the time of the creation of the Rochdale Society I would particularly mention the Lennoxton Society of 1812 and the Waltham Society of 1826-40. The Rochdale Pioneers created a basis for the new development of Co-operation, and the Rochdale Pioneers were merely the continuation of the previous Movement just as we are the continuation of the Rochdale Pioneers. Therefore, we should not forget their predecessors.

THE GENERAL SECRETARY: I do not quite understand the intervention of Dr. Fauquet on this point. If he is wishing to pay homage to other British experiments in Co-operation, I, as a Britisher, can appreciate that. But those cases which he has mentioned are not unknown to most members of the Committee, and a lot of others outside the British Isles. But we have not been commissioned to write a new history of the Co-operative Movement and the co-operative idea, but to examine the Principles of Rochdale. I suggest that, if we are going to stray into an account of the Lennoxton Society and other instances - Sheerness, for example - which I can easily recall, we will have the task of writing quite a chapter of experiments. There is the much more prominent work, for example, of the Christian Socialists and others (I know these are in the field of production) who did not fail equally to contribute very largely to the development of the Consumers' Movement in Great Britain and to influence even the Rochdale system, even though they came before it, and if you are going to talk of this it will not be sufficient to deal with the cases mentioned by Dr. Fauquet. There are a score of others.

Page 3.

THE PRESIDENT (Translated): I think this is the appropriate moment to return to a proposal made this morning by Dr. de Balogh to place in the enumeration of the seven Principles of Rochdale Co-operation, first, the present numbers III and IV - Dividend on the Operations of the Members of the Organisation and Limited Interest on Capital; second, Autonomy and Democratic Control; and third, Open Membership. Then the other points they are written here.

MR. POISSON (Translated): I think it would be well to divide the proposal of Dr. de Balogh and to vote upon them separately, because in reality his proposal must be divided into several distinct questions. First, should we change the order of the Principles? Secondly, should we widen III and say "Dividend on the Operations of the Members of the Organisation"? Third, should we join III with IV and add to III "Limited Interest on Capital"? With regard to the other point of Dr. de Balogh, to replace the words "Autonomy and Democratic Control", I ask Dr. de Balogh to withdraw that proposal because it would mean a long discussion upon the interpretation of the word "Autonomy". In my opinion autonomy, even in democratic States, does not completely exist.

THE GENERAL SECRETARY: I am really puzzled by this proposal. I understood Dr. de Balogh this morning to propose that this Committee should find that at present the Principles of Co-operation, according to the Rochdale system, should be expressed as has just been proposed and as his text now proposes, but, if you insert at this point in the Report what he proposes to say, it would seem that for three-quarters of a century we have been wrong in stating historically what the Rochdale Pioneers established. On this page 3 of the Draft Report we are dealing with the historical situation - what we have found by our researches and enquiries to be in the records of the Rochdale Pioneers and their contemporaries, the facts concerning the system of Rochdale. As Sir Fred Hayward pointed out this

morning, that was never questioned at the London Congress. It was the unanimous opinion of this Special Committee. Do you propose now to say that the Congress and the Special Committee, and the whole Co-operative Movement for 90 years, could have been wrong in their estimate of what the Rochdale Pioneers really laid down? That is what you propose to do by placing this amendment here. I suggest that, if this proposal has any merit at all, it should go at the end of this Report in the Conclusions and not in this place of historical facts. I am alarmed when you insist that this proposal should come here. I have heard of the world being turned upside down but I did not know we were the chaps who could do it! I do urge that this question be deferred to the end of the Report in connection with the practical proposals and findings of this Special Committee, and that it should not be introduced into the historical research.

DR.de BALOGH (Translated): I would like first to deal with the proposal of Mr.Poisson re the order in which the Principles should be enumerated in the Report of this Committee. Here we have to start with Principles II and IV which, according to my proposal, would be taken together with a slight modification. With regard to Autonomy, I do not know, in fact, doubt, whether the opinion of the General Secretary is well founded. I think, on the contrary, that Autonomy is something which for three-quarters of a century has been considered as the most sacred Principle of the Co-operative Movement, the most sacred property of the Movement, and it is only within the last few years that this sacred property has been interfered with by the State or other authorities. Therefore, you should not interpret my proposal to insert "Autonomy" as something which would mean that for three-quarters of a century we have been wrong in our interpretation. It is rather that we should now insist upon something the importance of which we had not quite realised, but which has always existed within the Co-operative Movement. It is this which should guide us in the future, and as it is equally well founded we can quite well insert it here. In countries where the State interference is very violent, we should be able to invoke something approved by the International Co-operative Alliance, and that is why I think we should insert here the Principle of Autonomy.

THE GENERAL SECRETARY: But I suggest that it is not chronologically exact.

MR.POISSON (Translated): I think that Mr.May is right on one point, that is that the observations of Dr.de Balogh should rather be considered at the end of the Report. We are all agreed that many things in the Rochdale System have from time to time been submitted to various modifications. They have not come to posterity as they were established by the Pioneers, and, if now Mr.May insists that this historical enumeration of the Principles may be different from the enumeration which we put at the end of the Report, he himself admits that the Rochdale Principles are not always the same. On this Mr.May gives me satisfaction. With regard to page 3, I would like to suggest that something should be inserted between the first and second paragraphs. There was also a manifesto published by the Rochdale Pioneers, the contents of which we might now call revolutionary - I do not want to criticise it in any way - but nothing is said about it here. We have in fact taken out of what was established by the Rochdale Pioneers that which seemed to us the best, and have left out of

account that which seemed to us inconvenient, but I think in a historical document like this we should be more complete. I would leave it with confidence to Mr. May to show that what we have taken was that which appeared to us to have the most value, but that we have left out the manifesto which had a more temporary value.

SIR FRED HAYWARD: I think I would like to say a word in support of the position of Mr. May. I know, of course, in connection with the Rochdale Pioneers there were the manifestos, but in Great Britain the Principles of Rochdale are usually set down as being something which found expression in the activities of the Society. From that point of view we have always associated these seven Principles as the touchstone of the Principles as set down by the Pioneers. Historically it would seem to me that, if we put forward any statement which varied these conditions, it would be nowhere received with more surprise than in the country where Rochdale is situated. We have always taken the seven Principles as being the cardinal points upon which the Movement was established and worked, and these seven Principles are historically correct and cannot be altered in any way to give satisfaction to those people who lived through the history and worked the Principles in Great Britain. I agree with Mr. May that, historically these seven Principles must go in as they are if we are going to give a correct historical account. If we are going to say that there is some revision which experience has found to be essential, it should come in the Recommendations at the end of the Report, where we say that, having reviewed the whole position, we now recommend the application of the Principles in a certain way and recommend such revision as may be essential. But such a recommendation can only come at the end of the Report and not in this historical section.

DR. de BALOGH (Translated): I apologise for speaking again but it appears to me that this question is of very fundamental importance to the whole Movement. I understand quite well that in England one has some difficulty in understanding that importance because England is a country of liberty and it is difficult to understand how dangerous the interference of the State can be. But if we think of the fact that the Italian co-operators are absent from the Alliance to-day, and also the German co-operators - why is it that they are absent? It is because their autonomy has been destroyed. So far as the U.S.S.R. is concerned, here again we know quite well that there is another difficulty which is really of the same kind. In Austria the co-operators have also lost their autonomy and, even though they have regained it, one sees that the danger exists. If we pass with silence the question of autonomy, which should belong to the Co-operative Movement, we should set a bad example. It is well that we should have in mind the authoritative character of some Governments, and should remember that, whenever a more dictatorial Government comes into power, the first thing it does is to lay hands on the Co-operative Movement, and I think that, in the interests of the Co-operative Movement, we should remember what has happened in Germany, Italy, Russia and Austria, and that we should understand the danger which threatens other countries. Who knows that tomorrow it might not happen in France or any other country - Great Britain we know would be the last country in which such a thing might happen. If we place Autonomy at the end we should give the impression that Autonomy had not existed previously in the Co-operative Movement, but that is no

It is not that Autonomy has not existed, but, because it was a matter which spoke so much for itself, we did not think it necessary to mention it in our statement of Principles, but now we see the great importance of it and I think it is in the interests of the world movement of economy that we should insert it as one of our Fundamental Principles.

MR. JOHANSSON (Translated): I quite understand the importance of the observations of Dr. de Balogh, but I understand also the difficulty of altering the seven Principles as enumerated on page 3. I am wondering whether we could not say something in the text which precedes those Principles in order to point out that Autonomy has been connected with the Co-operative Movement since its beginning.

DR. de BALOGH (Translated): I think that if we do not incorporate Autonomy in the seven Principles we weaken the idea.

MR. JOHANSSON (Translated): Then we can say in the introductory text that ever since 1844, since the foundation of the Rochdale Pioneers, Autonomy has been one of the essential characteristics of the Co-operative Movement. That would still allow us to leave the enumeration of the seven Principles untouched.

DR. de BALOGH (Translated): If the enumeration of the seven Principles is really something which may not be touched, then we might as well close the discussion and not express any further opinions upon it.

THE GENERAL SECRETARY: I insist that that is a misconception of our discussion. We have here in the Report three things - first, a statement of the historical facts, as revealed in the records of the Pioneers, of what they established. That is contained concretely in these seven points which have been accepted for more than three-quarters of a century - adopted, practised and accepted in our policies, in our speeches and obligations, inscribed in our Rules in one form or another - and I say definitely that, from my point of view - and I think I interpret the view of this Committee and also of the vast majority of co-operators who have discussed this - they are fixed facts which this Committee cannot and should not alter. The second part of the Report describes how these Principles are being applied, and the third section shows how they correspond to present practice, how they should be described and how modified in face of modern conditions, and the evolution of economy in the world as it is to-day. In the third section, if the Committee are of the same opinion as Dr. de Balogh, I suggest that that is a quite proper place for the insertion of the amendment he proposes, but not in the first part which only deals with the facts that we have discovered, as they are recorded in the records, and I say once again that, if you adopt Dr. de Balogh's proposal, then you are going to tell the whole world that, for nearly a century, we have been wrong and have talked about democratic control when we meant autonomy. I am not interested in what interpretation any dictator in Germany, Italy, Russia, or any other country may put upon Democratic Control. What I am interested in is the safeguarding of the Principles of the Pioneers, and I am not afraid of Hitler's or Mussolini's interpretation of Democratic Control. I ask Dr. de Balogh what is the difference between Autonomy and Democratic Control? If you want to define Autonomy

how else can you define it than an organisation the control of which is in the hands of the people who own it? That is the co-operative conception and you cannot, so far as the history of the Pioneers is concerned, change Democratic Control into Autonomy.

DR.de BALOGH (Translated): It is not a change, because we could have both expressions.

THE GENERAL SECRETARY: In my opinion there is no reason whatever, after nearly a century of practice, for changing the plain, straightforward statement of the Principle as Democratic Control - Government of the people, for the people, and by the people. That Democratic Control is a acknowledged Principle of Co-operation I do not want to conceal under Autonomy, Independence or any other phrase than the plain, straightforward one which we have always used. If the Committee think, with Dr.de Balogh that it is desirable to do that in the future, I say nothing about that, but the historical fact, as established nearly 100 years ago, we have understood and believed and interpreted as Democratic Control, so let us stick to it now.

THE PRESIDENT (Translated): Can we now close this discussion?

AGREED.

THE PRESIDENT (Continued): It is understood that the proposals of Dr. de Balogh are withdrawn for the present, but that they will be presented again when we come to the discussion on the last part of the Report. There is one word which Dr.de Balogh would like to amend now and that is to insert Autonomy as the first word in Principle II, to make it read "Autonomy and Democratic Control". Is the proposal of Dr.de Balogh, to amend II to read "Autonomy and Democratic Control", supported?

DR.FAUQUET (Translated): I support the proposal.

THE PRESIDENT (Translated): As this proposal is seconded it must be put to the vote.

VOTE: FOR 2, AGAINST 8.

The proposal was lost.

THE PRESIDENT (Continued): Mr.Poisson has proposed that, between the first and second paragraphs, we should insert an observation concerning the Rochdale manifesto and other documents of the Co-operative Movement.

MR.POISSON (Translated): It would be well, in a document like this, that we should say clearly that we have taken only those things which appeared to us as essential and of lasting value, and have not mentioned a number of other elements in the Rochdale Movement, such as the manifesto and other things.

THE PRESIDENT (Translated): If the proposal of Mr.Poisson is supported will you agree that we simply refer the matter to Mr.May?

AGREED.

MR. POISSON (Translated): That is what I suggested earlier.

THE PRESIDENT (Translated): There is also a proposal from Dr. Fauquet to add to the last paragraph on page 2 the following words: "The idea of associated effort on the part of the working population, whose first co-operative manifestation appeared in Great Britain as early as the third quarter of the eighteenth century". I suppose there is no objection to this proposal of Dr. Fauquet?

The proposal was agreed to.

THE PRESIDENT (Continued): Mr. Poisson also proposes to change the second paragraph of page 3 to read: "that the following seven points may be considered from the historical point of view as the essential Principles of Rochdale".

AGREED.

THE PRESIDENT (Continued): After the close of the discussion Dr. de Balogh has again asked that some reference concerning Autonomy should be inserted in the text preceding the statement of the Principles. As the vote has been taken I do not think that we can put this now to the vote, and I, therefore, propose that the suggestion be referred to Mr. May.

AGREED.

DR. de BALOGH (Translated): I would be grateful to Mr. May if he found it possible to insert some reference to this idea of Autonomy in the text preceding the enumeration of the seven Principles.

THE PRESIDENT (Translated): Now we come to the second section of the Report - Their Present Application. The first question we have to deal with is -

I. Open Membership.

DR. FAUQUET (Translated): In the French translation of Open Membership I would like to add in brackets after "adhesion libre" - "porte ouverte".

THE PRESIDENT (Translated): This is a question of translation which we will refer to the Bureau.

MR. POISSON (Translated): I would like to point out that the first paragraph of Open Membership does not quite correspond to the facts. There are quite a number of Organisations which do not admit as members all people of good character, because there are corporative organisations, for example, Societies which merely accept as members railway officials or workers in the metalurgical industry, etc. Therefore, this paragraph should be modified to correspond to the real situation of fact.

THE PRESIDENT (Translated): Is the proposal of Mr. Poisson supported?

The proposal was not supported and, therefore, dropped.

II. Democratic Control. (Pages 4-5).

DR.FAUQUET (Translated): I think the second paragraph is worded rather too severely as regards the Wholesale Societies. I wonder whether it would not be possible to take into account the legitimacy of the practice followed, and to modify the text so as not to reflect upon the Wholesale Societies?

MR.JOHANSSON (Translated): I suggest that we leave this to Mr.May.

THE GENERAL SECRETARY: If the word to which Dr.Fauquet refers is "prejudiced", this can be amended in the French text by "attenué".

MR.POISSON (Translated): I am also of opinion that quarterly general meetings should not be insisted upon. In my opinion it is not the fact that meetings take place every three months that is a proof of democratic control, but rather how these meetings are carried out.

THE PRESIDENT (Translated): Two proposals have been made, one by Dr. Fauquet who thinks the wording of the second paragraph is too severe and would like the word "prejudiced" to be replaced by something softer. The other is by Mr.Poisson who asks that, in the French text, we should suppress in the last line the word "but" and should not underline "quarterly". I suggest that we can leave these small points to the General Secretary.

AGREED.

III. Dividend on Purchase. (Pages 5-6).

MR.POISSON (Translated): There are some Co-operative Societies which do not pay dividend on purchase but use all their surplus for constituting reserves. As that is also a democratic way of dealing with the surplus and in a co-operative spirit, we might find the possibility of mentioning this method of dealing with the surplus.

PROF.MLADENATZ (Translated): On page 6, paragraph 7, there is a reference to too important amounts being paid in the form of dividend, but I do not think this is the proper place to speak of this practice but that it should be transferred to page 16, where we speak of "Sale at Current or Market Price". When speaking of too high dividends one should remember that these too high dividends are a necessary consequence of prices which are too high. Therefore, it would be more appropriate to speak of this under "Sale at Current or Market Price" on page 16.

THE PRESIDENT (Translated): Mr.Poisson has proposed a modification in order to take into account those Co-operative Societies which do not pay any dividend but place the whole of their surplus to reserves. As there are such Organisations it would be well to take them into account in this Report, and Mr.May is ready to make this modification. Then there is also a proposition from Prof.Mladenatz which is a question for further study, and I suggest that we can refer this to Mr.May.

AGREED.

IV. Limited Interest on Capital. (Page 7).

PROF. MLADENATZ (Translated): I think "Limited" is not the proper term to use in this connection. It is a term which would be opposed to "unlimited", but here it is neither a question of limited nor unlimited, and I think it would be well to say "An Interest that is Reasonable and Just". Recently we have even seen the word "limited" strengthened by the word "strictly", and I think it would be well to replace this by "reasonable and just".

MR. POISSON (Translated): I think it would be well to remember the expression of Prof. Charles Gide, the master of all co-operative matters. Gide did not want to speak of "Limited Interest" but "An Interest Corresponding to the Usual Rate of the Remuneration of Capital".

DR. FAUQUET (Translated): This question of "Limited Interest on Capital" might easily lead to misunderstandings. We can quite well conceive that there are Co-operative Societies which pay no interest at all on shares, either because the shares are too small to make it worth while to complicate the accounts by paying interest, or because the members pay in a varying number of shares, as in Agricultural Co-operative Societies, where very often, where you have Dairy Societies, each farmer member must hold as many shares as he possesses cows. In such cases it would introduce an element of confusion. Therefore, it is much better to word the last paragraph as follows:

"Taking a broad view of the field of operations of our Movement, it must be admitted that the practice of the Pioneers in this respect is being followed with fidelity to the Principle that capital, if it receives an interest at all, should only receive a strictly limited rate of interest."

That amendment introduces the idea that no interest at all might be paid in some cases.

THE GENERAL SECRETARY: I would like to point out that, in the first paragraph, it is said that some Societies pay no interest on shares.

THE PRESIDENT (Translated): As regards the title of this Principle IV, a modification has been proposed, but I think this cannot be adopted because we have already accepted the enumeration of the seven Principles in a previous section of this Report. Do you agree to the title remaining as it is?

AGREED.

THE PRESIDENT (Continued): Dr. Fauquet has proposed, in the last paragraph that we should add the words "if it receives any interest at all", but that circumstance is already referred to in the first paragraph. Therefore, it is not necessary to state it twice. Is the proposal of Dr. Fauquet supported?

MR. SERWY (Translated): I support the proposal.

THE PRESIDENT (Translated): Then we must vote upon it.

VOTE on the proposal of Dr.Fauquet: FOR 4, AGAINST 6.

The proposal was lost.

V. Political and Religious Neutrality. (Pages 7-8).

MR.DOWNIE: The reference to Austria in the first paragraph does not now apply.

THE GENERAL SECRETARY: No, that has been left in by an oversight.

THE PRESIDENT (Translated): Is this section approved?

This section was approved without further discussion.

VI. Cash Trading. (Pages 8-11).

PROF.MLADENATZ (Translated): The drafter of this Report has had a very difficult task in dealing with this question of Cash Trading. The credit problem is a very differing one according to the category of Co-operative Organisations, and it presents itself under quite a different light when we consider Consumers' Organisations than when we consider Producers' Organisations. In a Producers' Organisation the question of credit must be dealt with and the traditions and usages which are current on the market must be taken into account. Besides, the question is an agreed one only when Consumers' Societies are concerned, and only then is it important from the economic and social point of view. Therefore, one should discriminate between the two kinds of Organisations - first, the Producers' and second, the Consumers', and then other kinds of co-operative enterprises. In the first - the Producers' - the question of credit is not important, but in the second, from both the co-operative and the commercial point of view, it must be in conformity with the conditions of the market. Then there is another point which I would mention, and that is the question of terminology. The term of "long-term" credit applies to a credit for a period of from 6 to 9 months. Generally speaking, in banking terminology one speaks of long-term credit with regard to a credit extending for a period of three years or more. This point might also be examined as to whether the term might be changed.

DR.FAUQUET (Translated): I think that Prof.Mladenatz is quite right in asking that a distinction should be made between Consumers' Organisations and others, and that we should only deal here with Consumers' Organisations so far as credit is concerned. Also, there was a resolution adopted at the Vienna Congress which is still the co-operative law until some later Congress passes another. That resolution was presented by Mr. Klepzig and amended by the French delegation, and it would be an extraordinary thing if, in this Report, no mention were made of the Vienna resolution. I, therefore, propose that the Vienna resolution be taken into consideration in this Report.

THE PRESIDENT (Translated): On page 11 Prof. Mladenatz proposes that, in the last paragraph of this section, we should say: "The Committee are of opinion that in close adherence to the Principle of Cash Trading, so far as it refers to Consumers' Organisations, lies one of the strongest claim of Co-operation to be considered as an Ideal Economic System." Does anybody support this amendment?

MR. RAPACKI: I support it.

THE PRESIDENT (Translated): Then the proposal of Prof. Mladenatz must be put to the vote.

The proposal was carried unanimously.

THE PRESIDENT (Continued): Dr. Fauquet has also asked that on page 10 some reference should be inserted to the resolution of the Vienna Congress concerning Cash Trading. I suppose that nobody objects to this?

The proposal was agreed to unanimously.

VII. Promotion of Education. (Pages 11-13).

THE PRESIDENT (Translated): As no one asked to speak on this section I suppose it is approved?

MR. POISSON (Translated): I would like to propose that paragraph 4 on page 12 be deleted. I do not wish the question to be discussed here but that it simply be referred to Mr. May. My objection is particularly with regard to the passage which begins: "It is also clear", etc., to the end of the paragraph.

THE GENERAL SECRETARY: But this is one of the most beautiful sections in the Report!

MR. POISSON (Translated): But it is not the truth. I will modify my proposal and simply ask that the General Secretary will re-examine it.

Mr. May agreed to this proposal.

Other Basic Principles of Co-operation. (Page 13).

MR. POISSON (Translated): In the third paragraph of this section we speak of two other subjects mentioned - "Sale at Current or Market Prices" and "The Provision of Inalienable Assets" - which are dealt with in brief memoranda, but the memorandum on Inalienable Assets is not included. I think they should both be included as they were in the London Report.

THE GENERAL SECRETARY: I entirely agree and would like to say that this has only been omitted in error.

THE PRESIDENT (Translated): Then it seems that we approve this section dealing with Other Basic Principles of Co-operation?

AGREED.

Trading Exclusively with Members (Non-Members' Trade.) (Pages 13-15).

MR. POISSON (Translated): In paragraph 2 on page 14 we say: "It is, therefore, necessary that steps should be taken to safeguard it in the Consumers' or Retail Distributive Organisations affiliated to the I.C.A." I would like the word "safeguard" to be replaced by "assure". Also, in paragraph 3 we say: "That result is only possible" In the French text this seems a little too strong and I would like to say instead: "The result can only be realised", etc.

THE GENERAL SECRETARY: The text which Mr. Poisson proposes for the French edition is exactly in accord with the English text, and I can see that the French has been translated too strongly.

MR. POISSON (Translated): Also, in paragraph 4, about the middle, we say: "The Committee think an arbitrary interpretation of the Co-operative Principle of trading exclusively with members cannot be sustained, and that a limit as narrow as possible should be placed upon the amount of transactions of a Society or Movement with other than members in the ordinary transactions of Primary Societies of Consumers." I would like to say, instead of the words "that a limit as narrow as possible should be placed upon the amount of transactions" - "that one should reduce, as far as possible, the amount of transactions with a Society or Movement". If we say "a limit as narrow as possible should be placed on the amount of transactions" it assumes that, within certain limits, such transactions are admissible, but I think it is much better to do away with them altogether and, therefore, that we should say "to reduce as far as possible," and eventually to zero.

DR. FAUQUET (Translated): I approve the proposal of Mr. Poisson and I am very glad that satisfaction has been given to it. For myself, I am much more severe with regard to credit trading.

MR. JOHANSSON (Translated): It is better to sell to private capitalists than to buy from them. I want to say this to justify my own policy!

THE PRESIDENT (Translated): I think the three observations of Mr. Poisson are accepted?

AGREED.

Voluntary Co-operation. (Pages 15-16).

This section of the Report was approved without discussion.

Sale at Current or Market Price. (Pages 16-17).

MR. POISSON (Translated): I think there is some need in this section to draw attention to the fact that there is also the danger of sale below market prices. There is, particularly in France, a very considerable movement against Co-operative Organisations because some of them, with the help of producers, sell below market prices. Perhaps Mr. May can think this question over and see if he could not insert something referring to this danger.

THE GENERAL SECRETARY: Before I do that it might be well for the Committee to say whether, in all cases, it is a danger to sell below market prices. I doubt it very much myself.

MR. POISSON (Translated): I do not want it to be said that in all cases it is dangerous to sell at below market prices, but I would like something to be said to express the idea that it may be dangerous. I would mention some French Co-operative Societies which are selling below market prices habitually, and in this way they are deceiving the consumers with regard to the real costs of production. Quite a number of Co-operative Societies have gone to rack and ruin as a result of this practice. There is also another danger. There are some Co-operative Organisations in existence which are upheld by Employers' Organisations, and they try to put prices as low as possible, and, in order to carry out this policy, they reduce wages. Therefore, in this way we may support a policy which is contrary to our interests, and that is why the policy of the Rochdale Pioneers was to sell at Market Prices.

MR. LUSTIG (Translated): We have here a problem of great elasticity, and it is an extremely difficult problem. It is a very delicate proposition to say whether sale at market price is right or wrong. At present we find very often the producers trying to obtain legislative measures in order that prices may be fixed for certain articles, not by the law of supply and demand but by an understanding between the producers themselves. We have quite frequently found ourselves before the Courts because we sell at prices fixed by legitimate means. When prices are imposed by the manufacturers or an association of manufacturers, what is the market price? It is always our endeavour in retail selling that the price should be imposed upon retailers, but such an imposition cannot really be called the market price. We should particularly remember that we are in many cases our own producers. Should we submit to the prices fixed by our competitors or have our own prices, even though they may be below market prices? Therefore, I suggest that we proceed with prudence in this delicate question, because what the market price is at present is very difficult to define.

SIR FRED HAYWARD: Mr. Lustig has just dealt with a point I was going to mention. The matter seems to be determined by what is the market price and who fixes it. At the time of the Rochdale Pioneers they were a small Organisation and they could take the standard of private enterprise as to the current or market price. But, with the development in Great Britain we get the Co-operative Wholesale Society, for example, making soap, and our Retail Societies can buy soap at £6 per ton less from the Co-operative

Wholesale Society than they can buy from Lever Brothers. Therefore, if they were to sell their soap at the market price they would have to take credit for an extra £6 per ton rather than pass the saving on to the consumers. In my own district some years ago the price of bread was fixed by the Bakers' Association. They said the loaf was to be sold at so much, but, as our Co-operative Society developed, we took in hand the price of bread, and now at whatever price the Co-operative Society sells it the other bakers must follow. Therefore, we fix the price of bread in that district. It seems to me that, instead of saying "Sale at Market Price" we should say "Sale at a Just Price Charged, Having Regard to the Costs of Production", and that dividend should represent the saving by the mutual trading operations of the Society. This would get nearer to the co-operative idea and to the real object which was underlying the action of the Pioneers in their initial effort.

MR. JOHANSSON (Translated): We must in effect not submit simply to the market prices as fixed by other Organisations, but we should endeavour to be in a position of having the initiative for price fixing in our own hands. We must see that the confidence of the consumers is preserved in us, and we must also see that we continue to be respected by Governments and other authorities, as we can only achieve these aims if we refuse to submit to the prices charged by trusts and cartels and follow our own policy. For the rest, I am satisfied with the Report of the General Secretary.

THE PRESIDENT (Translated): I suggest that we leave this to the General Secretary to decide, on the basis of the discussion, whether the Report shall be changed in this section.

AGREED.

Conclusions and Recommendations. (Pages 17-18).

THE PRESIDENT (Translated): We now come to the most difficult point.

MR. RAPACKI: I think now is the place to insert this special section, according to the proposal of Dr. de Balogh, about the Indivisibility of Reserves, because it is one of the Principles which are not included in the statement of Rochdale Principles.

THE GENERAL SECRETARY: That has been agreed to already, not on the proposal of Dr. de Balogh but of Mr. Poisson, who pointed out that I had omitted the second memorandum to which I had referred. Those two memoranda mentioned on page 13 will be included in the Report.

MR. POISSON (Translated): I am wondering whether we should not have in this third section of Conclusions and Recommendations some reference to Indivisible Reserves. This would be in addition to the Principles of Rochdale, because this is a matter which the Rochdale Pioneers did not foresee or deal with. Also, this seems a proper opportunity to examine the proposal of Dr. de Balogh and, on page 18, to make one point of III and IV and to word III - "Distribution of the Surplus Obtained by the Transactions with the Members of the Organisation", and to add "and Limited Interest on Capital"; further, to place this Principle first and to have "Open Membership" second.

DR.de BALOGH (Translated): I am willing to withdraw my last proposal with regard to the order of the Principles, as I have the idea that the majority of the Committee are not favourable to that proposal.

THE PRESIDENT (Translated): But you maintain the other proposals you have made?

DR.de BALOGH (Translated): The one I maintain is that Mr. May should examine the possibility of inserting some reference to Autonomy in the introductory text which precedes the enumeration of the Principles.

THE GENERAL SECRETARY: That I have agreed to do.

DR. FAUQUET (Translated): I have prepared an amendment, in conjunction with Mr. Poisson, which I would like to submit. This refers to collective reserves which are indivisible. I understand that all the members are in theory favourable to this idea, but formerly objections were raised by our English members, not because they did not agree with the substance but because they had no possibility of applying the Principle in their own country as the legislation did not permit. According to the English legislation, in the case of the liquidation of a Society all the capital of the Society must be distributed, so that indivisible reserves cannot be applied to Co-operation under the English law. The proposal of Mr. Poisson and myself is as follows - The Committee recommends the creation of collective indivisible reserves. It points out that the distribution of these reserves should be in agreement with the Principle of Dividend only if it concerns exclusively reserves that are the result of operation with the members and is effected in proportion to these operations. An effort should be made, in the countries where this is necessary, in order that the question may be regulated in the law in accordance with co-operative principle.

MR. LUSTIG and MR. JOHANSSON pointed out that in their countries also the reserves, in case of liquidation of a Society, must be distributed amongst the members.

THE GENERAL SECRETARY: Before the Committee vote on this proposal I would like to have one point cleared up. A little while ago Mr. Poisson called my attention to an omission from this Draft of two memoranda, one on this subject of Inalienable Assets and Their Allocation to Indivisible Reserve. I pointed out that that was an accidental omission from my Draft to-day, and it was agreed that I should reinsert it - as in any case it was to be reinserted - in the final Draft. The proposal now is simply repeating the same thing. Why is it to be put in twice? There is nothing in this proposal but what is covered by that memorandum. If it is a revision, then I understand the position, but surely it is not to go in twice?

MR. LUSTIG (Translated): I am not in agreement with the proposal of Dr. Fauquet and Mr. Poisson. We must also think of other Organisations, for example, the Wholesale Society in Czechoslovakia whose members would not agree with the Principle contained in the proposal of Dr. Fauquet. Their conception is that the reserves are the property of the members in proportion to their shares, and it would certainly weaken the Co-operative

Movement in Czechoslovakia if we now tried to introduce the Principle contained in this motion. It may be interesting for you to know that we have had a decision recently of a tribunal. A Co-operative Organisation had excluded, for personal and political reasons, fifteen of its members. These fifteen members brought a case before the Court of Law; and the Co-operative Society lost the day. It was obliged not merely to repay these members the value of their shares, but it was also obliged to indemnify them for the three years for which they had been excluded from the Society, and also to give them their share of the reserves of the Society or accept them again as members. It would, therefore, create a very difficult position if you were now to adopt this motion, which would not be applicable to Czechoslovakia. There are also Societies which have a definite purpose, and when that purpose is achieved the Society necessarily ceases to exist - for example, Drainage Societies. In such cases you create a Co-operative Society and the capital invested is regularly written off year by year, and when the whole capital is written off the Society ceases to exist. Then any reserves which might still be held would be divided amongst the members. Therefore, to accept something which has only an individual application would be dangerous.

SIR FRED HAYWARD: On a point of order I would like to ask whether this question is not outside the terms of reference of this Special Committee? I understand that we are dealing with the Principles of Rochdale, and the question of the Indivisibility of Reserves would hardly arise at that juncture, and it is very unlikely that we can say there was anything in the Rochdale Principles which dealt with a question of this character. If that is correct, then I respectfully submit that this point is outside our terms of reference and cannot be brought in at this point.

THE PRESIDENT (Translated): I do not wish to take the responsibility of deciding this point of order. Therefore, I must leave the Committee to decide whether the motion of Dr. Fauquet and Mr. Poisson is in order. What do you think? I suggest that this should be decided without discussion.

MR. RAPACKI: I would like to ask a question. Was this point accepted by the London Congress to the extent that it was referred to in the Report of the Special Committee?

THE GENERAL SECRETARY: Yes, but not a definite proposal to approve and set this forth as something to be obtained by Societies. That referred simply to a memorandum on the subject, but what we now have is a definite proposal to seek legislative power and to urge upon the Societies the necessity of doing so. This proposal is an affirmation of a new Principle, while the other concerned only the insertion of a memorandum.

MR. POISSON (Translated): The French delegation are ready to make a concession on the question of Neutrality and to vote in favour, although in France there is a different point of view on this question. Therefore, I am surprised that, on a question which is a vital one for the French delegation, the British delegation should now raise an opposition.

THE PRESIDENT (Translated): The point of order is not to be discussed and I am going to put to the vote whether the question of the Indivisibility of Reserves should be further discussed.

VOTE in favour of the proposal of Sir Fred Hayward that the matter should not be further discussed: FOR 5, AGAINST 8.

The proposal was rejected.

MR. POISSON (Translated): In order to create support for our resolution I would like to say something to help our British friends to understand how important it is for the French co-operators to have the Principle of Indivisible Reserves approved by this Committee. It is just as important for us as Political and Religious Neutrality is for you. In fact, it is not possible for us to go before our own National Congress unless we have brought the question here. You can refuse the proposal but it should be discussed. Next, I would like to say to Mr. May that I thank him for having declared that he is willing to reinsert the memorandum omitted from his Draft. But we would like you to understand why it is so important to have a recommendation on this question. Either you make no recommendation at all, or you should take into account the one submitted by the French delegation. I would remind you that, in the text of the proposal of Dr. Fauquet and myself, there is a passage saying that an effort should be made, wherever the legislation of the country in question does not allow the Indivisibility of Reserves, for the law to be altered accordingly. I do not ask for this point to be in the last page of the Draft Report, but only that it should be inserted as a result of the enquiries we have made. I do not think that, by raising a point of procedure, one should rule out something that is so important for the French delegation.

DR. JAEGGI (Translated): I would like to express the opinion that the idea embodied in this resolution of Dr. Fauquet and Mr. Poisson is by no means of incidental importance, but, on the contrary, from the co-operative point of view, it is very important. I do not close my eyes to the difficulty in some countries, but, whatever we may now decide, it will not imply that Co-operative Organisations in every country must introduce such provision. It only says that they should endeavour, in those countries where the legislation contains different conditions, to obtain the inclusion of the Principle in agreement with the co-operative idea. There are a number of laws which I recognise which prescribe that the reserves be distributed, and I suppose that similar provisions are contained in most laws, but they are not of a strictly binding character but merely subsidiary, that is to say, when the Rules of the Society exclude the distribution of the reserves then it is all right, but when no provision is made in the Rules, then the law comes in and says that the reserves must not be distributed. I have been considering this for a long time as one of the pearls of the Co-operative Movement, and I would rather like some recommendation to go to the Congress. What is the problem? It is that we collect more and more social capital and by so doing we withdraw this from private capital, and we see to it that the extent of social capital should further progress. Mr. Lustig has quoted the case of a Co-operative Society in Czechoslovakia. In Switzerland, in the case of a dissolution, the reserves of the Society have to be given to the Government, which must administer them as trustees with the idea that, finally, the Government will have the opportunity of handing over this capital to a new Organisation with similar aims to the one liquidated. A similar provision we

endeavour to get inserted in all our Cantonal laws. I think we should constitute, in our Co-operative Organisations, social capital as opposed to capitalist capital, and, if we will say in principle that this social capital must be used in favour of the whole community, I think we shall eventually obtain a majority for this important Co-operative Principle.

DR.de BALOGH (Translated): I would simply support the proposal of Dr. Fauquet and Mr.Poisson, especially as this proposal is a recommendation. In Hungary we also provide that, in cases of the dissolution of a Co-operative Society, the reserves should be used by the Government authorities, and, as we are an agrarian movement, it is particularly the Agricultural Co-operation which we have to consider.

DR.FAUQUET (Translated): We might discuss for a long time the question of co-operative reserves, but there is one point which I would like to insist upon, and that is that if we favour Co-operative Principles we should be consistent in their application. The consequence of the payment of dividend in proportion to the business transactions with each member is that, if any reserves are constituted owing to the dividends not being completely distributed, then those reserves must be distributed in proportion to the transactions of each member. Therefore, this resolution must also be in accordance with co-operative principle. If in any case the law imposes upon a Society the distribution in proportion to the shares, then the law imposes a rule which is not in agreement with co-operative principle. You have just heard from the Czechoslovakian representative that, according to their law, the distribution is made by means not in accordance with the co-operative idea. In countries where the Movement has a political character we must make an effort to get this situation changed.

MR.SERWY (Translated): I think we can perhaps agree upon a transactional proposal. A little while ago we all came to an understanding that the passage left out from the London Report should be inserted in this Draft Report. Now the French delegation proposes a new text which is different from that submitted to the London Congress. Instead of discussing the new French text can we not simply ask Mr.May whether he could not so modify the London text as to take into account the desire of the French delegation?

MR.JOHANSSON (Translated): In principle I am in agreement with the proposal of Mr.Poisson and Dr.Fauquet. In Sweden the difficulty comes from the fact that a higher tax must be paid if the reserves are to be used for the purpose of public utility. I think we can refer the whole matter to the General Secretary.

SIR FRED HAYWARD: With regard to my proposal, I want to say that I felt that the statement in the London Report had covered the ground, and I am sorry that Mr.Poisson should think that I was making an attack upon something which is desired by the French delegation. I had no idea of that at all. In Great Britain I do not think there is any chance of getting any alteration in the legislature of the position with regard to the winding up of Societies. Fortunately we have very few windings up, but the law says that if there is a winding up the shareholders must pay in up to the amount of capital they decided to take, even though it is going out of

a loss. If, on the other hand, there was any profit from the winding up the shareholders would take that in proportion to their shareholdings. Such a procedure is known as the "law of equity", under which the shareholders take the loss and the profit if there is any. But in our country the windings up are so few, and I think I can say that, while there have been very few windings up of co-operative enterprises, there have been many more of capitalist ones. I am not averse to any wording going in to comply with the French situation, but I am afraid that there is no possibility of any chance in Great Britain to change the law governing such cases.

MR. POISSON (Translated): I thank Sir Fred Hayward for his conciliatory observations. But it is not sufficient to be good friends - we must understand that we are co-operators and must stand for the co-operative policy of the Movement in our own country. You must understand the difficulties which we should have if we did not obtain here satisfaction on this point, which is as important for us as certain other points may be for the British delegation, for example, the question of Political and Religious Neutrality. If it is not possible to obtain an alteration in the English law - and I admit that it may be right to express this opinion - that does not handicap you in any way, because the text which we have proposed particularly speaks of those countries where such a change may not be possible. You speak of "equity" and say when the shareholders have the support of the law they should have the right to partake in the gain, if the assets are more important. But this is equity like capitalist equity. We have had much difficulty in pushing sufficiently far in our Co-operative Organisations to get this Principle accepted, and we should be very grateful to you if you would now make a concession to us. We make an earnest appeal to you to grant what we ask. Soon we are going to vote upon the Principle of Political Neutrality, and, although this is not an important point for us, we shall vote in favour of it. We do not ask that this recommendation shall be inserted as a Rochdale Principle, but merely as a recommendation arising out of our enquiry.

THE PRESIDENT (Translated): The list of speakers is now ended and we will close the discussion. There is a series of propositions made which will be put to the vote one after the other. There is at present no proposition before the Committee concerning a change in the order of the Principles and I, therefore, take it that the old order will be maintained.

MR. POISSON (Translated): I did not know that Dr. de Balogh had withdrawn his proposition. Therefore, I now propose that the order shall be changed.

THE PRESIDENT (Translated): I will come back later to the proposition of Mr. Poisson. We will now come to Principle I - "Open Membership". I suppose that no change is desired?

I. Open Membership.

CONFIRMED.

THE PRESIDENT (Continued): We pass then to II - "Democratic Control". On this we have the proposal of Dr. de Balogh that it shall be changed to "Autonomy and Democratic Control". I will now put this to the vote.

VOTE: FOR 2, AGAINST 8.

THE PRESIDENT (Continued): Then II remains "Democratic Control".

III. Distribution of the Surplus on Purchase, Sale, or Labour.

THE PRESIDENT (Continued): Here we have the proposal of Dr.de Balogh to join III with IV and to make the following change in the wording: "Distribution of the Surplus on the Transactions made with the Members of the Organisation". He would also add "and Limited Interest on Capital".

DR.FAUQUET (Translated): I would support the proposal of Dr.de Balogh with an amendment which is based on the Rules of the Alliance. I would say: "Distribution of the Surplus on the Transactions made with the Members Except a Limited Interest on Share Capital which might be Distributed".

THE PRESIDENT (Translated): This proposal comes a little late. First we will see if the proposal of Dr.de Balogh is supported. I will now put this proposal to the vote.

VOTE: FOR 8, AGAINST 5.

THE PRESIDENT (Continued: The proposal of Dr.de Balogh to join III and IV is approved. Now we will have the proposal of Dr.Fauquet in writing before it is put to the vote.

We will now consider the phrase which stands between the two groups of Principles. We have in the Report of the General Secretary the following phrase: "In the opinion of the Committee the remaining three Principles, viz.". In the British proposal we have the following: "In the opinion of the Committee". The British wording should be regarded as an amendment and I will put it to the vote first.

SIR FRED HAYWARD: Before you do that it would perhaps help matters if I said that we have been anxious to reach accommodation in this matter with our Swedish friends who have submitted another proposal, and, in order to secure unanimity, we are prepared to accept the Swedish formula.

THE PRESIDENT (Translated): I, therefore, take it that the wording in the Report of the General Secretary, which is the same as the wording of the Swedish proposal, is approved - "in the opinion of the Committee the remaining three Principles, viz.".

This text was approved.

The remaining Principles - V. "Political and Religious Neutrality", VI. "Cash Trading", and VII. "Promotion of Education", were approved without discussion.

THE PRESIDENT (Translated): Now we have the last paragraph. The proposal of the General Secretary is before you. The proposals of the British and Swedish delegations are somewhat different.

MR.POISSON (Translated): I support the text of the General Secretary.

(MR.SERWY raised a point concerning the interpretation of the text of the General Secretary, but it was pointed out to him by MR.POISSON that he has read the text in the contrary sense of that intended by the General Secretary. MR.DOWNIE pointed out that the English version was liable to be misunderstood owing to the comma which was inserted in the second line after the word "organisation". This the GENERAL SECRETARY said was an error in typing and should be removed).

SIR FRED HAYWARD: The British delegation will support the Swedish proposal instead of the text in the Draft Report.

THE GENERAL SECRETARY: I would like to say that the only thing I am asking the Committee to consider is the removal of those last words which refer to the policy of the Alliance. A provision of that sort can be made separately in Amendments to the Rules, but, in my opinion, it has no place in this Report.

MR.JOHANSSON (Translated): I am against that deletion.

THE GENERAL SECRETARY: I suggest that it is an important point and a serious one.

THE PRESIDENT (Translated): We must consider as an amendment to the text of the General Secretary that presented by the British and Swedish delegation, and I am, therefore, going to put this to the vote.

MR.POISSON (Translated): Before we take a vote on this I would like to ask why our British friends will not accept the text of Mr.May? I cannot think what is in their minds to make them prefer their text to that of Mr.May. We say in Mr.May's text: "While undoubtedly part of the Rochdale System, may be regarded as essential methods of action and organisation rather than standards, the non-observance of which would destroy the co-operative character of the Society." In the amendment you say "While undoubtedly part of the Rochdale System and successfully operated by the Co-operative Movements in different countries, are, however, not a condition for membership of the I.C.A." I cannot understand where the advantage of your wording is. Personally I think Mr.May's text is much preferable.

THE PRESIDENT (Translated): The discussion on this point was already closed, but I have, all the same, allowed Mr.Poisson to speak, and now there is a request from Mr.Downie.

MR.DOWNIE: There are two objections to the text of Mr.May. First, the word "essential" in the second line. We cannot have that. That is strongly objected to by British co-operators. Second, we have after great trouble reached agreement with both sides, I mean the British and Swedish delegations, and immediately you alter a word or syllable all the negotiations must start again. Therefore, having got that agreement you might as well let it stand.

MR.POISSON (Translated): I suggest that, if we drop the word "essential" we can then get unanimous adoption of the text of the General Secretary.

THE PRESIDENT (Translated): We have two texts before us. The text of the General Secretary which would be as printed with the omission of the word "essential", and the text of the Swedish delegation. We will first

vote upon the text of the Swedish delegation, which is supported by the British delegation.

VOTE: FOR 7, AGAINST 4.

Carried.

THE PRESIDENT (Continued): We will now consider the proposal of Dr. Fauquet for the wording of Principle III, which is supported by Dr. de Balogh, and reads as follows: "Distribution of the Surplus on the Transactions with Members of the Organisation Save a Limited Interest which may be given to Capital". This amendment will now be put to the vote.

SIR FRED HAYWARD: But we have already voted upon the first part of this under III.

(Here followed some discussion as to what was originally voted upon concerning Principles III and IV).

DR. FAUQUET (Translated): I would explain to Sir Fred Hayward what we have done. We have voted upon the text "Distribution of Surplus on Transactions with the Members of the Organisation", but, in order to show how closely Principles III and IV are bound up with each other, we propose to say "Distribution of the Surplus on the Transactions with the Members of the Organisation Save a Limited Interest on Capital in Cases where any Interest is Paid at All". By joining these two Principles we show how they are dependent upon each other. If you pay interest on Capital, the you do not distribute the whole of the surplus.

MR. POISSON (Translated): We have already voted upon III and IV to put them together. With regard to the wording, another text might be better I do not know. But if we agree in principle I think the wording can be referred to Mr. May.

SIR FRED HAYWARD: I suggest that the position was that we had an amendment proposed by Dr. de Balogh, which we dealt with under III, and after that was put to the vote Dr. Fauquet came in with this proposal which join III and IV. The President told Fauquet he must send this in in writing, and the other was put to the vote, that is, the resolution of Dr. de Balogh. That was carried. I think that is the correct interpretation of what happened.

THE PRESIDENT (Translated): I will rule this question and will put to the vote the amendment of Dr. Fauquet and Dr. de Balogh. If you are against it you can reject it.

VOTE: FOR 2, AGAINST 6.

THE PRESIDENT (Continued): Now we must consider the order of the Principles. Dr. de Balogh presented a proposal which was withdrawn, but now Mr. Poisson has taken it up and, therefore, I will now put to the vote whether you agree to Mr. Poisson's proposal to have III and IV joined as Principle I, then II as it is, and then I as III.

MR.DOWNIE: Since we have not decided to join III and IV there can be no question of putting to the vote that they shall be the first Principle.

THE PRESIDENT (Translated): But we have joined III and IV. Therefore, I will put the proposal of Mr.Poisson to the vote, which is as follows: the first Principle to be III and IV joined, the second Principle to be II, and the third Principle to be I.

VOTE: FOR 3, AGAINST 9.

Rejected.

THE PRESIDENT (Continued): There is only the question of the Indivisibility of Reserves which has now to be considered. A proposal has been made by Dr.Fauquet and supported by Mr.Poisson, and if you will agree to this the place in which it shall be inserted can be decided by Mr.May. I will read the text of the proposal: "The Committee recommends the creation of collective and indivisible reserves. It points out that the distribution of the surplus is only limited in agreement with the Co-operative Principle of Dividend when it refers exclusively to reserves which are the result of the business operations carried on with the members of the Organisation and when paid in proportion to these operations. An effort should be made, in countries where necessary, in order that the question may be regulated in the law in agreement with co-operative principle." Before we pass to the vote I think it would be well for you to consider that the General Secretary thinks it might be well to insert the same passage which dealt with this question in the London Report, which is as follows:

"The Committee are, therefore, unable to lay down any rigid line of action in this matter, but recommend that the whole question, including that of the proposal to make a regular allocation of part of the surplus to inalienable reserves, should be favourably considered by the National Movements with a view to the adaptation of their co-operative legislation to the principle of the indivisibility of collective assets

If the proposal of Mr.Poisson and Dr.Fauquet is not carried this text will be inserted.

DR.FAUQUET (Translated): On a point of order I would like to know, in the case of a proposal being made by the President and then a counter proposal being made by some member of the Committee, whether that proposal of the President may be discussed?

THE PRESIDENT (Translated): I think we have discussed sufficiently the question of Indivisible Reserves, and I will not put to the vote the proposal of Dr.Fauquet and Mr.Poisson.

VOTE: FOR 6, AGAINST 3. (The British delegates abstained from voting).

MR.POISSON (Translated): I would like to thank the British delegation for their support of this proposal.

THE PRESIDENT (Translated): We have now liquidated our Agenda.

THE GENERAL SECRETARY: I have some questions I would like to ask. I have here the text of your propositions for amendment and expansion, and I want, before you leave, to be quite clear as to what the procedure is now to be. What do you expect to be done with this Report now? May I take it: first, that you have no other matters or recommendations of any sort to add to this and what what you have approved here constitutes your Report to go to the Central Committee with a view to being presented to the Congress. Second, or rather further, if you will meet again before the Central Committee, that is a day or two before the Special Meeting of the Central Committee in April, to examine finally this Report and say whether there are any further alterations to be made? My third question is, will you propose definitely to the Central Committee any amendments to the Rules of the Alliance as a result of this Report? If so, I will prepare them. So that I need not speak again, I propose, with your approval to carry out the amendments agreed upon immediately, that is to say, as quickly as possible after I return to London next week, and then to send to each member a copy at once so that you may make any observations you may have to make, criticisms, or commas out of place, or translation, in order that I may have a text which you will approve when you come to the meeting in April.

This procedure was agreed to.

DR.de BALOGH (Translated): I would like to move a motion of thanks to the President for his presidency and to the General Secretary for the work in preparation for this meeting.

The motion was unanimously endorsed.

CLOSE OF THE MEETING.