

The Development of Cooperation in Europe During Late XIX – Early XX Century: Structure, Principles

ევროპული ინსტიტუტისა და
საქართველოს

ეკონომიკისა და ბიზნესის
აქტუალური პრობლემები
გლობალიზაციის
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საერთაშორისო სამეცნიერო-
პრაქტიკული კონფერენცია

მაკროეკონომიკა, ფინანსები
და ინვესტიციები

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Theme rationale. Cooperation is one of the distinctive displays of human masses self-organization. The originally Latin word “cooperatio” became a part of many European nations’ languages, including Ukrainian, maintaining the only profound and humane meaning – “collaboration”. It is commonly known that successful collaboration requires consolidation of efforts and means of those willing to collaborate. The rationale of introduced research is stipulated by proactive development of cooperation in modern world economic field. Thus, International Cooperative Alliance (ICA) unites 45 million cooperators, mainly heads of households, that allows estimating the number of people working on forming socially protected and economically stable society at 200 million [Machima 1995].

Goal of the research lies in disclosing general trends of setting-up cooperation into world economic and public movement; in effort to uncover the process of establishment of international unions and organizations that supported the development of human rights and freedoms, their social activity and economic freedom.

The analysis of latest researches and publications is rather diverse, both in its structure and in form. Special interest was attracted by the researches of international cooperation founders and documentary

material, in which the process of ICA establishment is described, as well as consequences for economics and social changes in public associations.

The foundation of article sources base is formed by: Internationale Handwörterbuch des Genossenschaftswesens (International Cooperative Dictionary), published in three volumes under the editorship of Prof. Totomiants in Berlin and Internationale Statistik der Genossenschaften, prof. Ihring (International Cooperative Statistics by prof. Ihring). These sources are followed by Appendix to the Report on the countries-members of International Cooperative Alliance. However, without a doubt these sources are not enough. Significant part of material has been taken from the work of Watkins W.P. International Cooperative Alliance 1895-1970, in which the process of setting-up of world cooperation into international economic structure had been rather thoroughly stated.

Main material summary

The initiative to practically implement the ideas of international cooperative collaboration has been taken by English cooperators in late 19th century. In 1889, General Secretary of British Cooperative Union, Christian socialist Vansittart Nil established Initiative Committee out of organization of International union

of friends of cooperative manufacture. The Committee addressed cooperative unions in various countries with the appeal to establish international cooperative center with headquarters in London. V.Nil and his supporters aimed at founding a kind of international cooperative union that would contribute to establishment of production cooperatives in all countries in the first place [Watkins 1970].

Christian socialists of late 19th century attributed the development of this kind of cooperation to the way of solving social problems of society, opportunity to eliminate contradictions between labor and capital, possibility to draw workers not just to participating in capital formation, but to enterprise management. They hoped that having become shareholders, workers would be utilizing incomes on the same level as entrepreneurs, and in such a way, the disputes between labor and capital will be resolved. Right socialists called upon drawing laborers to working at and administrating consumer cooperatives that were involved in production. However, they were not supported by members of consumer cooperation that became the main reason of delay in establishment of ICA [Hall&Watkins 1934].

The efforts to establish international cooperative organization were evidenced back in 1892 during international conference of friends of cooperative manufacture in London. Within the conference the statute of future international union has been considered and adopted, the decision to summon first congress in 1893 – admitted, and the temporary committee headed by Heinrich Wolf (supporter of credit and rural cooperation) – founded. The latter addressed cooperative organizations of various types with the appeal to participate in international congress. However, the attempt to assemble the first congress of ICA in 1893 was unsuccessful due to insignificant number of its participants and absence of agreement on pivotal questions of cooperative structuring [Watkins 1970].

First constituent international congress opened on September 19, 1895 in London. 207 delegates of cooperative organizations from Australia, Austria-Hungary, England, Belgium, The Netherlands, Denmark, Italy, Serbia, USA, France, Switzerland and observers from a number of other countries participated in it. At that time the centralized cooperative authority that could become a member of ICA had not yet been established in Russia, therefore, it was represented by an observer. The questions in agenda were as follows: 1)

Statute of International Cooperative Alliance, 2) Organization of international trade relationships, 3) Cooperative production, 4) Cooperative banking activity, 5) Consumer and rural cooperation.

Congress delegates discussed draft of ICA Statute, which engendered a significant number of arguments. Besides the organizational basis of ICA the 12 articles of the Statute stipulated that the Alliance shall not be engaged in questions of politics and religion. The Statute had not been adopted, while it has been decided that it should be elaborated and brought up for additional discussion at second congress. The Central Committee comprising of 15 people has been elected as a management authority till the next congress. The Statute draft determined the payment amounts for individual and collective members. At the start of its activities, the Alliance allowed the participation of around 200 theoreticians and practitioners of cooperative movement. However, already in several years individual participation has been liquidated, as theoreticians belonged to opposite, often hostile political and ideological trends. Congress adopted the decision to incorporate the ICA headquarters in London and to conduct regular congresses once in three years. The International Commercial Agency had been established within ICA. Among the goals of ICA was to introduce cooperators from various countries to the work of national cooperative organizations, promote establishment of business relationships between cooperative organizations of different countries, popularize goal and targets of cooperation. In order to accomplish these tasks it had been decided to conduct various arrangements: to convoke conferences for cooperators, to spread cooperative information, to study new problems of cooperative movement, to study possibilities of mutual cooperative actions and to propagandize ideas of the Alliance. The establishment of ICA, or how it used to be called – Cooperative international, has become an enormous progressive phenomenon in the social life of that time.

The transition of collaboration from national to international versatile level has started. Mutually beneficial trade, material and moral support of laborers' struggle, joint public statements to adopt special cooperative legislation promoted strengthening and development of cooperative movement around the world. Thus, the organization that united over 2 million members and was hard not to notice has emerged on the world stage [Banner 1929].

A key to the long-term existence of ICA that survived few crises and maintained the unity was the recognition of the cooperative movement basis by cooperators all over the world. Cooperative principles are implemented only in the system, in close interaction with each other. The violation of at least one of them leads to the destruction of a particular cooperative structure. In matter, cooperative principles can be divided into economic and social. Economic principles lies in the foundation of cooperatives' strengths: free membership, economic participation of members in the life of organization, autonomy and independency of organizations, social needs concern. Social principles: voluntary membership, professional preparation, openness and shareholders' control. They were aimed at the creation of favorable conditions for realization of economic principles on practice. Cooperative principles were put down more than 150 year ago, almost simultaneously, by: theoretic Robert Owen, the Rochdale Pioneers in England (first cooperation practitioners) and Decembrists in Russia. The set-up of ICA signalized the completion of the first stage of global cooperative movement development and by the end of 19-thcentury, it entered a new phase [Lozovoi 1929].

The second phase of the global cooperative movement development began in 1896. In October 1896, the second congress of ICA was held in Paris. During the congress, the charter of the ICA that contained goals, principles and methods of the alliance activities was examined and adopted thus the legal basis for international cooperative relations was introduced that relied upon understanding of essence of cooperation in the first place. *It is stated in the Webster's Dictionary that the word "cooperative" has been being in use since 1883 and is defines as "an enterprise or organization owned by and operated for the benefit of those using its services"* [Webster's Ninth New College Dictionary 1985:288]. *It should be noted that cooperative is a peculiar type of enterprise. Its uniqueness is in orientation not on maximization of profit that would be normal for an enterprise but in orientation on full satisfaction of its members economic needs who are clients and owners of the cooperative at once. Basically, cooperative is highly organized form of mutual assistance. They should be viewed as a subsidiary or service structures for the economic goals that are set by the members of cooperative* [Martos 1985: 358].

The goals stated in the Statute of ICA, as a center for cooperative movement, were as follows: exchange

of experience in organizational and economical activities of cooperatives in different countries; improvement of cooperative legislation; propagation cooperative principles; organization of economic relations between cooperatives from different countries; formation of cooperative public opinion; participation of workers and servicemen in the profit management of every association.

The Charter defined rights and responsibilities of ICA, that became the foundation of its activities later: to be the representative of cooperation organizations on each level that in their activities comply with Rochdale principles; to spread cooperative principles and methods all over the world; to promote the development of cooperation; to maintain partner relations between organizations that are the members of ICA; to retain interests of cooperative movement in all forms; to assist in development of partner and economic relations between cooperative organizations of all types on national and international arena; to contribute to the strengthening of peace and safety.

Principles of Rochdale Pioneers were put in the foundation of international cooperative principles. The Charter proclaimed the principles of political and religious neutrality of cooperation. According to the Charter from 1896, the superior body of ICA was congress that was held once every 3-4 years. During the congress, Central Committee (CC) was elected. Members of CC elected executive board. President of ICA was a member of the executive board. Every country was able to send from one to six persons to CC, depending on the number of cooperatives and value of cooperative movement in the country. This structure had not been changed until 1996. The definition of famous German specialist in the field of cooperative law H. Munkner stated that cooperative principles is a system of abstract ideas, that cooperatives obtained from their own practical experience and proved to be the most relevant managerial set for those who wish to create and maintain the activities of cooperative organizations [Munkner 1981:18]. The definition of the other scientist, famous American cooperation explorer D. Barton states that cooperation principle is the supreme rule of leaders, general and basic truth, all-round and universal arrangement that reflects special goals and uniqueness of cooperation form of business [Barton 1989:23].

Cooperation principles are the basis of understanding of the idea, organizational identity, eco-

conomic mechanism and social purpose of cooperative organization, they reflect the genesis and evolution of cooperative idea. It is known that fundamental principles of cooperation that became internationally recognized include free and voluntary membership; democratic control (one member of cooperative – one vote); economic independence of cooperative; apportionment of profits (losses, risks etc.) depending on the participation in economic activity of cooperative; care about education of cooperative members. Even though cooperative idea is not a doctrine and cooperative principles are not postulates, there are some compliance criterion, for every cooperative (or economic entity) with conception of cooperative entity in the system of market economy. These criterion include: a) corporate character of the entity, when, as was highlighted by the classic of cooperative theory – I. Emelyanov, cooperative should be an aggregative unity of private owners; b) the purpose of the cooperative is to be an “extension” of personal economy of its client-owner thus has an attendant character; non-profitable idea of cooperative entity that is executed with the assistance of cooperative redemptions mechanism [Emelianoff 1948:112]. In addition to the definition of principles, cooperate society reached much more in social context – *the essential etic values of cooperation* were proclaimed: mutual assistance, democracy, equality, justice and solidarity.

National cooperative organizations praised, by all means, the creation of one international center. Moscow unity of consumer entities (MUCE) declared its decision to enter ICA on the VIII meeting of representatives on March 15, 1903. Annual membership fee of 3 pounds was paid in and execution board of ICA decreed to make (MUCE) an official member. Thus, the latter became the first Russian consumer member-organization of ICA [Koryakov 1998].

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Conclusion

The result of ICA set-up was the intensification of international connections between cooperatives. On the III congress of ICA in 1897, Dutch cooperators offered to establish “cooperative exchanges” with samples of cooperate goods from different countries to move from episodic trade connections to permanent cooperation. French cooperators offered to develop cooperative wholesale entities with external trade functions in every country. English cooperators stood up for the idea of international trade agency as a part of ICA. Congress adopted a resolution with an offer to all members of ICA – to create, in every country, foreign trade cooperative association to maintain connections with bureau of ICA headquarters in London.

Foreign trade association that had trade connections with cooperative unities in European countries had been working since 1896 in England [Webb 1919]. At the same time, production cooperatives were the most interested in the development of international trade. Cooperative distribution stimulates cooperative production and production cooperatives strived for improvement of theirs position in the competition with big capital by eliminating intermediaries on external market. At the same time, international cooperative trade house provided benefits for consumer and other types of cooperative because the expansion of the trade house improved the perspectives of the whole cooperative movement.

Therefore, legal and political set-up of the single cooperative center resulted in intensification of international economic contacts and the increase in self-government of the society, its economic and social autonomy.

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Summary

The article refers to the features of the international cooperative movement in the late 19th century. Setting it up as a working economic and social structure, relationships with other international organizations and specific proposals that came out of their cooperation. The basic principles stemming from the nature of cooperation, national characteristics, motivational factors that determine it and goals that it persuaded are stated in the article.