CHAPTER III

COOPERATION AND THE STATE

As the State plays a large role in directing the course of the cooperative movement, a study on the subject will be incomplete without a discussion on the relationship between cooperation and the State.

Whether the cooperatives should run their business without any assistance from the State and achieve the main objective of satisfying the economic needs of their members, or should they ask for State assistance, or in other words, should the State assist them and steer them in their business? - This is a basic question to which varying answers are forwarded by the different thinkers on the subject.

Some cooperators or cooperative theorists favour state assistance or, in the broader sense of the term, state intervention; while some others encourage deofficialisation of the cooperatives. There are thus two schools of thought. This conflict of opinions has been persisting till today since the days of Robert Owen and Dr. William King on whose ideas the cooperative movement germinated in the soil of England.
The decision of the early cooperators in England was to keep politics outside the Cooperative Movement, although it is by no means clear that this was regarded as a basic principle of cooperation by the founder members of the Rochdale Pioneers' Society until 1860. Little thought was given by the cooperators to the question of entry of cooperatives into politics. The great reformer, Robert Owen once moved in 1832 at the London Cooperative Congress as:

"Whereas the cooperative world contains persons of all religious sects, and of all political parties, it is unanimously resolved that cooperators as such are not identified with any religious, irreligious or political tenets whatever, neither those of Mr. Owen nor any other individual."

Some cooperators of his time, objected to the Cooperative Movement being identified with the notions about religion and government.

The cooperative leaders, with a few exceptions, had no desire to use political power to achieve their economic and social aims. Some leaders, on the other hand, persuaded the cooperators to abandon their tradition of observing political neutrality. The British Cooperators were thus

divided from the very beginning as to the question of whether they should enter politics or should remain neutral.

Political consciousness within the movement was, however, increasing during the years before the War (First World War). The establishment of the first Parliamentary Committee of the Cooperative Union (of England) in 1880 testimonises the fact that the movement recognised the importance of watching legislation and endeavouring to protect cooperative interests in Parliament.²

William Maxwell in his presidential address at the Perth Congress in 1897 raised for the first time the issue of direct representation of cooperators in the English Parliament. The issue of direct representation was again raised at the Paisley Congress in 1905, and a proposal was made to take steps to secure the election of a representative in the Parliament. But such a proposal was defeated by an overwhelming majority of votes against the proposal. There were thus conflicting views among the cooperators, though further proposals were made in subsequent Congresses. The following resolution submitted to the Aberdeen Congress in 1913, and the amendment it evoked, vividly express the

conflicting views about the issue of direct involvement of cooperators in political movements.

"That this Congress endorses the effort now being made by the Cooperative Union and other bodies to secure a closer union between the forces of organised labour and the cooperative movement, believing that it is only by combined and persistent effort in this direction that advantages gained by organisation and sacrifice can be permanently secured to the members and the future interests of the wage earner adequately safeguarded." ³ And, the amendment which followed thereafter, proposed to omit the words after 'Congress' and to substitute the following: "Whilst approving the concerted action with trade unions and other organized bodies for raising the status of labour, cannot sanction union with the Political Labour Party; and that the Central Board be instructed strictly to maintain the neutrality of the movement in respect of party politics, so that political discussion in our ranks may be avoided." ⁴

The cooperative principle of political neutrality means that cooperatives should not enter into politics,

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3. Ibid., p.41.
4. Ibid., p.41.
nor should they support the political parties for securing other benefits than their basic economic ones. Indeed, this principle of neutrality is closely linked with the cooperative principle of 'self-help and mutual help', which means that cooperatives should concern themselves only with their own affairs and not with the issues of the government doing things for their good. This, however, does not necessarily imply that cooperatives should deny the membership of persons with different political creed or ideological belief.

Of course, the principle of political and religious neutrality has merits of its own. It encourages the cooperators to develop a sense of self-confidence, self-respect and to work harmoniously without minding for any differences in their political and religious pursuits. Thus, the notion of political neutrality may be interpreted in the sense that cooperatives, because of their open membership, should accept the membership of everyone regardless of his political creed or ideological belief, and this may not go so far as to divorce cooperatives completely from politics. Such an interpretation may be further extended even to the international plane where the national organisations of cooperatives can identify themselves with different political aims and views.
Contrariwise, if it is interpreted in the sense that cooperatives should be strictly apolitical in character, that is to say, they must keep themselves entirely aloof from any kind of political activities, it would not be acceptable to all within the movement. This hypothesis is based on the fact that there is not any country in the world today, which does not recognise the importance of cooperative movement, and which has neglected the movement. On the other hand, the question of cooperatives' entry into politics has to be answered by the cooperative movement of the country concerned. The cooperative movement in some countries favours entry of cooperators into politics, whereas the movements in some other countries disfavour this. Cooperatives' participation in political movements has been a phenomenal success in some quarters of the World Cooperative Movement. In Britain the cooperatives formed their Cooperative Party in 1920. The main object in forming this party lies in the belief of the cooperators, of having active voice of their demands in the Parliament and of safeguarding their interests. Some cooperators, however, looked askance at this entry into politics by the British Cooperatives. Therefore, entry into politics by cooperatives must be left to the choice of the cooperative movements in different countries. We cannot deny that the British Cooperators are justifiable in their endeavour, for they still keep their cooperative character in the sense that
representation in the highest body of legislation is not only a symbol of unity in action but also one of self-help and mutual help practised through organizational methods. Thanks are due to those theorists and practitioners of cooperation who faced many antagonistic hurdles in the upbringing of such a gigantic task of representation of cooperators in the legislative bodies to the level of possibility and hope.

Cooperatives' entry into politics or otherwise has thus become not so big a problem of the cooperative movement. The important issue, now, is whether the cooperatives should seek assistance from the State or not. In other words, should they, relying entirely on the principle of 'self-help and mutual help' amongst themselves, endeavour at their own to bring about lots of prosperity for themselves and to attain the ultimate goal of cooperative democracy?

No doubt, the principle of self-help and mutual help still stands as the foundation stone of the idea of cooperation. This principle invokes cooperators to make voluntary efforts for and voluntary contribution to their cooperatives and does not expect any external assistance. Dr. William King was the first to stress this viewpoint vigorously in the middle of the 19th century in the British Cooperative Movement. Since then the principle has been claiming its
universal validity. But, strict adherence to the above principle is but the refusal of State help to cooperatives.

It will be of interest to the readers to point out the following views of the cooperators. The proponents of State intervention compare the movement to a child trying to learn walking. They argue that "just as normally a child's first steps are aided by friendly supporting hand, so trained and experienced guidance is required for new societies and for all others until they are prepared for a measure of self-direction." On the other hand, the advocates of deofficialisation of the movement compare it to a child trying to learn swimming with its father's help. Lest the child should get drowned, the father would like the child to learn the process of swimming with its feet dangling on his shoulders. In the process the child fails to learn swimming.

In both the cases, cooperative movement has been treated as a mere child trying to learn something with the help of a supporter. True, the child will be able, in the course of its streaming efforts, to fulfil what it likes.


6. Ibid., p. 166.
to learn even without the support of its supporter, with the only difference that it may take time and require patient efforts. Likewise, all cooperatives born as a child in the movement may work for something aimed at, and, if progress can be made in this regard without any State assistance, they are making thereby the best world within themselves. The summation of these small worlds would be like the formation of a big world, big enough, to influence human beings in other possible worlds to go together hand in hand on the way to global peace.

But cases as this are very rare in actual practice. Few cases can be traced where cooperatives are working without any State assistance in any form. Some cases may be possible in some types of cooperatives and that too, only in highly advanced countries, where the movement has come up as a movement of the masses from the grass root level. For example, in countries like Netherlands, the cooperatives could be self-governing because of the availability of large savings with the individuals. The pioneers of the movement were persons having full knowledge of the principles of cooperation and also all the good qualities of a decent citizen. This automatically brings us to the realm of a discussion on differences in the modes of growth of cooperatives in advanced countries and backward countries. As a matter of fact, there is a wide gulf of difference
between the cooperative development in advanced countries and that in underdeveloped countries. As Margaret Digby said, "the building up of a cooperative movement in an underdeveloped country has many points of difference from the growth of the movement in advanced countries."  

History of the World Cooperative Movement clearly shows us the various factors responsible for slow growth of the movement in underdeveloped countries like India. Most of these factors are human factors. Since cooperatives are associations of men, much of their success depends upon the qualities of their members. Consumers' cooperation in Great Britain stands as a good example in this regard. From the very inception of the movement the consumers could attain good progress even without government acknowledgement. On the other hand, the Raiffeisen Cooperative Credit Societies of Germany had to depend on State assistance when, after the First World War, currency inflation wiped out all the savings. Thus the attitude of the cooperators towards the State is subject to changes according to circumstances lying before them. Ideas once conceived cannot be a deciding factor for all the time. Moreover, the ever-increasing tasks of a welfare state in today's world for the over-all

progress of its people have induced the cooperators to change their hostile attitude towards the State. So, E. M. Hough's assertion that "the admission of the wolf of compulsion into the cooperative fold is unjustified and fraught with danger" may not hold good for all the time. It cannot be denied that cooperatives exist for the welfare of the society and the State too exists for the welfare of the society. Therefore, so long as the development of cooperatives are within the framework of State activities, the cooperative societies should be on good terms with the State. Rather they should look upon the State as their guardian, and well-wisher and accept the surveillance from the later, if necessary.

Modern cooperators have, therefore, to subscribe to the opinion of the International Cooperative Alliance whose Central Committee made, in a meeting in Zurich in January, 1946, the following declaration:

"Recognised that there is identity of aims between cooperative action and the action of the State, provided that the latter be freed from any coalition with private

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interests and that it corresponds to the necessity of an organisation which places an economy of service above an economy of profit.\textsuperscript{9}

The statement will be particularly true of the developing countries whose economic development largely depends upon the mobilisation of manpower and decentralised planning at the village level. Cooperatives, being the nucleus of rural development programmes, may help human capital formation and, thus, accelerate the pace of economic development in the rural sector of the economy.

The spirit of voluntarism of the highly conscious cooperators of the advanced countries like Denmark which has shown an example of cooperative success in the world cannot be expected in such underdeveloped countries as India. For, the people in such countries are mostly illiterate, conservative and orthodox in attitude because of age-old exploitation by the upper class people. Hence, voluntarism purely on self-help basis may not be forthcoming from these sections of people who are poor both mentally and physically. State patronage of cooperatives

is, therefore, desirable for such countries where so many unfavourable features haunt the cooperative sector.

But, the degree of state patronage as Margaret Digby said, varies with the national theory of the state and also with the character of cooperative membership. Experience shows that the governments of the Socialist and Communist countries of the world establish a closer relationship with the cooperative movement in pursuit of their socio-economic goals. Some advanced capitalist countries follow the principle of self-help while fostering their cooperative movements. But, even these countries do not disagree with the socialist ones in their line of thinking in terms of social welfare and economic welfare. The goal in the both is the same and, therefore, the means, however different, should not be misunderstood. The possibility of rapid cooperative development in a capitalist economy like Great Britain with the application of a method of flexible self-help is well illustrated by G.D. H. Cole in his work, The British Cooperative Movement in a Socialist Society. He writes: "The average capital contribution of the members would be more than sufficient to maintain the present activities of the cooperative movement .... Of course

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10. Digby, Margaret, op.cit., p.177.
for the cooperative movement it is not enough to make considerable inroads in retail trade and industrial production. Therefore, should the cooperatives take over a major part of trade that is still in private hands today, they would have to obtain the necessary capital for it from outside.  

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From the above discussion it is quite clear that the cooperatives have to choose between two alternatives — strict observance of the principle of self-help and voluntarism on the one hand and that of flexible self-help and acceptance of state assistance on the other. The former does not necessitate any coordination and assistance from the government side, whereas the latter requires a close cooperation with the State. Moreover, under conditions of building socialism the former retards the process of economic transformation within a short time whereas the latter facilitate such a transformation. Hence there is need for state guidance and state assistance not only in socialistic or communistic economies but also in the modern democracies. Cooperatives with the assistance and guidance of the state, will help mobilise both the material and human resources for economic development, especially for

those in the rural areas whose economic activities are quite limited to that of maintaining bare existence and who can save very little for prosperity.

Most of the developing countries of the world today have accepted cooperatives as an instrument for implementation of state policy in regard to economic progress. India is not an exception. In India, the cooperative movement has been introduced by the government and its existence today is also the result of continuous patronage and guidance of the government. Surprisingly enough, the progress of the movement in this country, even with large doses of government aid, is not as impressive as is expected, except in a few states like Maharashtra and Gujarat. Long back, the All India Rural Credit Survey Committee compared the cooperatives in India to children struck down by the malady of infantile paralysis. The little patients are studied, courses of treatment prescribed and carried out, muscles gradually strengthened and all efforts made to rehabilitate them and send them back to normal life.\(^\text{12}\)

At one time writers like Prof. P.T. Bauer have raised a strong opposition against the state partnered cooperation

in India on the plea that there is no inherent merit in supplying credit or marketing facilities by this form of organization rather than by private firms or openly by government departments. 13

Prof. Bauer's implication and those of other antagonists are not consistent with the economic thought of a modern welfare state. They conform more to the 'laissez faire' policy of the past decades. We have to give our due consideration to the declaration of the All India Rural Credit Survey Committee, 1954 which came to conclude that, "the prevailing conditions cannot be transformed by the very persons who are oppressed and rendered weak by their existence. The forces of transformation have to be at least as powerful as those which are sought to be counterbalanced. Such forces can be generated not by cooperation alone but by cooperation in conjunction with the State." 14

India's democratic form of government with a socialistic pattern of society cannot belittle the role of the cooperatives in bringing such an order of the society.

Therefore, in the ultimate analysis, what is required by the cooperators is to take notice of the attitudes of the government towards the cooperatives. Questions as to whether the former is antagonistic or indifferent or over-sympathetic to the latter should be posed by the cooperators themselves. In other words, the cooperatives are supposed to study whether the government is rendering them nominal assistance and, thus, showing imbalanced attitude to them, or, it is assisting and guiding them impartially, favouring a well-balanced attitude. It may be argued that no state or no government is bad to its people and hence, to the cooperatives. As every government wishes for the welfare of the governed, the government of any state will have to envisage plans for cooperative development and not strive for their downfall. Much of the failure has been due to the lapses on the part of the administrators and supervisors on the departmental side, and lack of true cooperative spirit on the part of those directors on the Board of Management of the cooperatives as well as on the part of the general members.

As a matter of fact, the reasons for the failure of cooperatives in our country are not attributable to the state policy or state plan only but to those personal who are responsible for their administration, supervision and guidance.
Fortunately enough, for our country the government has not shown any sign of indifference to cooperatives from the very inception of the movement. If there were slightly indifferent attitudes, the cooperatives would have faced lots of difficulties in their growth. For, even without any sign of hostility or opposition, the government might not strive for the healthy growth of the movement, and the condition of the rural folks, as they encountered before, would remain unchanged and, rather worsened. Comparatively better conditions, today, explain the arguments in favour of state intervention in the cooperative movement of underdeveloped states.

State intervention or in more agreeable term, state assistance, can thus no longer be regarded as unnecessary. The only question which requires a clear-cut answer is that one posed upon the degree of intervention, whether a large degree of intervention is conducive to cooperative growth or should the cooperatives invite only a little assistance from the state.

Too much or, in other words, unnecessary and undue intervention is not desirable from the point of view of maintaining the autonomy of the cooperative system. It would simply mean breaking the internal democracy of the cooperatives already in existence without state assistance. The ultimate results will be damaging. Too much spoon
feeding will hamper the growth of self confidence and true cooperative spirit among the cooperators. On the other hand, too little intervention or assistance will also not serve the cooperative purpose in some quarters. For example, in underdeveloped regions where cooperative consciousness is wanting in large measure the people will always expect a large amount of state assistance.

It is, therefore, desirable that cooperators are well imbued in the principle of standing on their own legs. Every cooperative effort should be backed by the motto of 'work for surplus and lending' and not for 'deficit and borrowing'. Over-sympathy by the government may create a state of lethargy in the work of cooperatives and, thereby, they may forget the whys for which they form their own cooperatives. Hence, the government should never over-sympathise with the cooperatives.

The best dose of state intervention or state assistance, would be a balanced one, neither too much nor too less. The government has to look into the affairs of the cooperatives as to whether they can stand on their own legs and render the assistance deemed necessary for them accordingly.
It would be worthwhile to recall here the remark once made by our late Prime Minister, Jawaharlal Nehru. He said, "The State should promote and assist the cooperative movement instead of trying to control it. The movement must be people's movement and governmental assistance should be such as helps it in its growth and not stifles it by interference and control."  

An I.L.O. publication has rightly pointed out the duty of the government towards assisting the cooperatives in the following way: "The help of government has to be given in the extremely skillful manner, without even losing sight of the fact that the object is not to perform work for the members of a cooperative society but to teach them to do it for themselves. Too little supervision may lead to societies running wild, attempting ambitious projects beyond their capacity and not covered by their bye-laws; disloyalty, neglect of accounts and defalcations ignorantly or deliberately committed. On the other hand, too much supervision and interference will devitalise the cooperative and lead the members to believe that the government is to run it for them, instead of their doing this themselves. Such an attitude is the very antithesis of cooperation." 

It goes beyond criticism that state partnership in cooperation is highly essential in the cooperatively underdeveloped countries like India. In India, even though the achievements made by the cooperatives is not as high as in the advanced countries, the progress so far achieved is the result of continuous flow of state assistance and state guidance. The new and weak cooperatives, at present at the infant stage in the Indian villages will grow up with strength and new vitality while under the protecting umbrella of government aid and supervision. Had the state initiative not been there in India, the very poor persons would not have joined the cooperatives. The poor could not command credit worthiness which was a necessary qualification for joining cooperatives in the last century.

In fact, it is much by the state partnership and initiative that the Government of India has been able to carry out the objectives of the Plans with greater efficiency. In India the cooperative sector has been accorded greater stress and greater patronage in the task of realising the main tenets of a welfare state, that is, economic equality with social justice.

The main issue calling for a standardised solution from our side is the question of withdrawal or, in other
words, discontinuance of flow of state assistance. The retirement of state share capital or state assistance will largely depend upon the viability position of the cooperatives concerned. For this, a review of the entire working position may be taken by the government to testify whether the cooperative has reached its viable stage and thus, the period of years be fixed after which there shall be discontinuance of the flow of state assistance and withdrawal of state partnership.

So, while formulating the appropriate dose of state assistance, the government has to take into account certain things. That, it should not liberalise the assistance in such a quantum as to curb the autonomy of these democratic institutions. The state's enrolment as a partner-member shall also have to respect this consideration. The assistance should be given to such an extent as to induce these institutions to make normal business profits over and above their social and moral obligations. Only then, they would be able to work with confidence and enthusiasm and, above all, with independence and a hope for benefit. Thus, when the institution reaches the stage whereby it can stand on its own legs without any governmental support, the government may better retire from its being a partner-member. By then, only its paternal obligations by way of promotion of social and economic overheads in cooperation
such as, education and training, technical assistance, research and evaluation, etc. will be justified. Prolonged intervention in such a case will automatically change its colour into wholesome control, thereby paralysing the whole working of the cooperative for many reasons like lack of confidence.

A very weighty argument against state interference has been forwarded by Smith Gordon and O' Brien in their book, "Cooperation in Many Lands". Warning the optimists of state interference they say, "Cooperation is, above all things, the expression either of a voluntary enthusiasm for self-help by association or of an instinctive revolt against the oppression of circumstances or of vested interests. If, in response to one or other of these stimuli, it does not spring into life and maintain itself on a voluntary basis, it cannot be created or maintained by spoon feeding." 17

The implication of the above statement is that state patronage and state assistance may not bring about a permanent improvement in the functioning of cooperatives. It is very likely that government officials do not have

sympathy and spirit of promotion for the cooperatives. In our Indian context there is some truth, if not all, about the above remark.

As a matter of fact, excessive interference and officialisation of the movement has made many failures in Indian States. This is so, because a cooperative with excessive state interference or assistance is like an over-sympathised child doing many undesirable things in the absence of its parents, or, like an over-nursed child feeling always sick because of the ever-increasing feeding habit of its parents.

If the cooperators are made known through proper education and training that they are organising cooperatives for their own benefit, they will like to work for themselves. Motivation of the cooperators is thus highly essential, sometimes more essential than the rendering of assistance. For such a motivation, mass cooperative education at the village level becomes very imperative, particularly for those underdeveloped regions where cooperative knowledge is sadly lacking. If need be, state assistance has to be directed, especially for those sections of people who are stricken by vicious circles of poverty and cannot get rid of the same because of many reasons beyond their control.
As a matter of fact, rapid cooperative development will not be possible unless the autonomy of the cooperatives is respected by the government. It would be worthwhile to quote here Shri A. P. Shinde, the former Union Minister of State for Agriculture who said in his Inaugural address at the Annual Conference of Registrars of Cooperative Societies at New Delhi on 6th September, 1971 that, "if it is to be a state sponsored movement, with government officials running it, it may do some good - if the government officials are competent - but it does infinite harm in the sense that it provides few opportunities for the people to learn to do things for themselves, to develop a spirit of self-reliance, self-dependence, and even to make mistakes if they want to make mistakes." 18

To conclude, it can be emphatically put that, while planning for cooperative development programmes, the government should follow the criterion of using as far as possible, locally available resources. All the governmental efforts or measures for sponsorship of cooperative societies should be so devised as to attract more voluntary initiative as well as to induce them to work for their own common interest. It is desirable that the government calculates beforehand

what are the basic socio-economic factors required for healthy growth of the cooperatives concerned and directs its policies accordingly, and prescribes the necessary stimulants. The underlying implication for this is that the measures should be such as can be lifted at once when found ineffective or can be streamlined if found useful, until the cooperatives concerned can stand on their own legs.

The above consideration may reduce the powers of the government into two categories - ordinary powers and extraordinary powers as suggested by Mc Auslan in his paper, 'Cooperatives and the Law in East Africa'. According to Mc Auslan, ordinary powers for the purpose of assisting and supervising cooperatives should only be used on request of a cooperative organisation. Extraordinary powers should allow the government to intervene ..... in the affairs of the cooperative movement when supervision in partnership has failed."19

The cooperative law of the state should thus be framed in such a manner that the unnecessary interventionist powers of the governmental departments or agencies are

avoided to the maximum, and that the powers of the government are used only for good reasons. Hence, the government or the state should exercise their minimum intervention in the cooperative movement.