

# Co-operation: Idea and Movement: European Experience

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## Abstract

This paper examines the history of cooperative societies in Europe. The aim is to investigate the ways in which cooperatives acted as agents towards sustainable community development. The Paper is a descriptive survey, which involves the collection of data for the purpose of describing the origin, role and development of European cooperative societies in 18<sup>th</sup> and 19<sup>th</sup> century. The paper concludes that to be effective and successful, cooperative must continuously achieve two inter-related goals: enhance viability and improve ability to service its members; and remain an economically viable, innovative and competitive enterprise.

Co-operation is an association for the purpose of joint trading and 'to secure economic ends by honest means'.<sup>1</sup> Co-operation is a joint behaviour directed towards the same goal with common interest or hope of reward. The co-operative way of doing business takes many forms, ranging from local to centralized and federated organization and from highly specialized to multipurpose societies.<sup>2</sup> There are numerous definitions of co-operation. In Horace Plunkett's view 'co-operation is self-help made effective by organization'.<sup>3</sup> Hurbert Calvert defined co-operation as 'a form of organization wherein persons voluntarily associate together as human beings on the basis of equality for the promotion of the economic interests themselves'.<sup>4</sup> Co-operation implies an association of individuals for the promotion of some common economic object. The pooling of individual activity for social, moral and economic ends, which is envisaged in co-operation, can assume many forms and have many purposes; its chief aim, however, being the pursuit of certain common economic interests. Naturally therefore, the co-operative activity assumed different forms in different countries, as per the need of their communities.<sup>5</sup> The theory of co-operation is that an isolated and powerless individual can by association with others and by moral development and mutual support obtain material advantages availing to wealthy or powerless individuals. Thus, co-operation implies co-operative society.<sup>6</sup> The co-operative credit society is an association of combination of persons who jointly pledge their credit in order to raise sufficient funds for the purpose of lending out among themselves on cheaper terms.<sup>7</sup> Moreover, the co-operatives are seen as social and economic institutions and organizations formed by a group of persons to promote their own economic and social needs by means of a jointly owned controlled and used enterprise.<sup>8</sup> Indian co-operative movement is historically significant as much as 'India was the first non- Western country to experiment with rural co-operatives'.<sup>9</sup>

Co-operation is a universal phenomenon. Etymologically, co-operation as a word is derived from late 16th century Latin *Cooperat* meaning 'worked together', and from the verb *cooperari*, *co* 'together' + *operari*, 'to work'. It entered into Late Middle English from Latin *Cooperatio(n)* and reinforced by French

*Cooperation.* By early 17th Century, Late Latin carried a word *Co-operatives* carrying the meaning of 'worked together'.<sup>10</sup> Co-operation is often confused with collaboration. Later can refer to group activity within any corporate conglomerate or subsidiary activity. The words co-operation and co-operative have been used by communist writers to denote that all the members of a community are to work together for the common benefits instead of working each his own account'.<sup>11</sup> Co-operation in its technical sense means the abandonment of competition in distribution and production and the elimination of middlemen of all kinds. Co-operation begins in mutual help with a view to end in a common competence.<sup>12</sup> Co-operation on the other hand, is rooted in 'a highly democratic', participatory and group directed process'. Co-operation demands a move away from a mere collaborative attitude within a typical corporate command chain'.<sup>13</sup> The poverty of the peasant and the proverbial rapacity of the moneylender rendered the provision of co-operative agricultural credit 'a fundamental necessity'. The first basis of co-operation is a common economic need among the members and a realization of the fact that honest combination will render the attainment of that object easier and cheaper.<sup>14</sup> Co-operative credit promotes the voluntary association of individuals having common needs who combine towards the achievement of the common economic ends they have in view thus bringing into combination a moral effort and progressively developing realization of moral obligation. Thus, co-operative credit postulates self-help, thrift, mutual aid and connotes mutual control and autonomy.<sup>15</sup> In a co-operative society (i) the associate is for economic good; (ii) the moral aspect is as much emphasized as the material; and (iii) special importance is attached to the educative influence of co-operative effective.<sup>16</sup> Moreover, cooperation is more than an ordinary business. It is 'morality applied to business'.<sup>17</sup>

Europe experienced the emergence of co-operative movement in response to economic changes during early phase of Capitalism. In the early 1700s, the UK organized a fire insurance co-operative. In 1750, a French group of cheese-makers formed a co-operative. It was 'the first consumer co-operative in the development world'. In 1831, the First Congress of Co-operatives met in the UK. The USA had a mutual insurance company in 1752 founded by Benjamin Franklin known as the Philadelphia Contributorship.<sup>18</sup> In 1844, a group of 28 poor weavers in the industrial town of Rochdale England raised a capital of £. 28 and established a small co-operatively owned store in Toad Lane that sold a few necessities. They codified their experience in the Rochdale Principles of Co-operation. The Society sold at cheap rates. It was exposed to continual unjustified criticism by members and excited the hostility of rival traders. Thus, it usually proved short lived.<sup>19</sup> Co-operative credit combines 'the credit of individuals so that all may benefit each and each may, benefit all'.<sup>20</sup>

However, co-operative credit was essentially a German invention. The pioneers and also bitter rivals of Germany's co-operative credit system were Franz Hermann Schulze-Delitzsch (1809-1883), a village Magistrate who studied the working class of the towns and rural tracts and Friedrich Wilhelm Raiffeisen (1818- 1888) a man of slight estate, a burgomaster or village mayor, of very poor health, with no particular prosperity but of 'unbounded energy'. Their movements shared a philosophy of member ownership and control, 'self-help' and mostly independence from the state.<sup>21</sup> Schulze-Delitzsch's movement however, was an urban phenomenon and dominated by small craftsmen and small business-groups with growing credit needs as a consequence of increasing mechanization. The Raiffeisen movement began in 1864 and mostly concerned with agriculture and the financial needs of farmers and rural peasantry. Raiffeisen intended his banks to serve moral as well as economic ends. By 1890, the co-operative movement was firmly established in Germany onwards, it spread to European countries.<sup>22</sup> Experimental societies founded by Raiffeisen in peasant villages and by Schulze among the artisans and agricultural classes of the towns were

successful against poverty and bureaucratic opposition. Both favoured cheap capital for those who were debarred from it by its enormous cost. Their common object was the strengthening and raising of the poor by means of self and mutual help. Both rejected more benevolence.<sup>23</sup> In other words, Rochdale Co-operative Society began as 'a consumer co-operative store', and the Raiffeisen societies were 'primarily self-governing associations' of borrowers.<sup>24</sup> Like India, the German peasants were heavily in debt and moneylenders were exploiting them. F.W. Raiffeisen was 'greatly moved by the suffering and distress of German peasants'.<sup>25</sup> In Germany, Raiffeisen, the founder of the Co-operative agricultural movement laid much emphasis upon the moral as upon the material aspects of co-operation.<sup>26</sup> In Italy, moneylender was more ubiquitous and rapacious like India. The Schulze-Delitzsch Societies were introduced with certain modifications as Popular Banks by Luzzatti in 1865 and the Raiffeisen societies were started by Wollenburg in 1883 in urban and rural areas.<sup>27</sup> Karl Marx explicitly 'extolled the co-operative movement'. In his inaugural Address of the Working men's International Association in 1864, he underlined that "the co-operative have shown that production on a large scale, and in accord with the behest of modern science, may be carried on without the existence of a class of master's employing a class of hands". Thus, Karl Marx believed that 'a system of co-operative firms is not only feasible, but bound to assert itself in history'.<sup>28</sup>

The Raiffeisen movement excited the interest of social reformers in Britain and officials throughout its empire to a degree that dwarfed its rivals.<sup>29</sup> Raiffeisen deservedly remains 'the father and pioneer of co-operative credit'. He worked in the country and his specific object was 'to benefit very poor people'.<sup>30</sup> Henry Wolff described it 'a new world', in which 'the idle man becomes an industrious, the spendthrift thrifty, the drunkard reforms his ways and becomes sober'.<sup>31</sup> Co-operative credit is 'the simplest and most needed form of co-operation'.<sup>32</sup> The theory of the Co-operation was that it assisted people in two ways: (i) by inducing people to save, it added generally to the amount of loanable capital; and (ii) by pledging the joint responsibility of a number of persons for the personal credit of one man it improved the borrowing power of the individual.<sup>33</sup>

To sum up we may say that cooperation is an organization owned by and run for the benefit of its members. First developed in many of the new industrial towns in Britain at the end of the 18th century, the Cooperative Movement was largely an attempt to offer an alternative to competitive capitalism. In the early 19th century the social reformer Robert Owen made several attempts to set up his own cooperative communities, but it was with the founding of the Rochdale Pioneers in 1844 that the cooperative movement in Britain really got under way. In 1864 these came together in a federation known as the Cooperative Wholesale Society. In 1869 the Cooperative Union, an advisory and educational body, was formed. The Cooperative Wholesale Society developed as a manufacturer and wholesale trader, opening its first factories and developing its own farms. The Cooperative Party was established in 1917 to represent its members' interests in Parliament, and subsequently contested elections in alliance with the Labour Party. The movement spread rapidly to northern Europe. In the USA the first cooperatives were established at the end of the 18th and the beginning of the 19th centuries. In India and other developing countries, particularly in Africa after World War II, cooperatives have been an important factor in the growth of the economy.

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