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J. A. Raftis, C.S.B.

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Article abstract

The author, in this article wishes to show briefly the peculiar functioning of cooperative institutions in modern economic life. After a short historical review in order to show the many efforts made to organize the economy on the basis of common ownership of the instruments of production, he criticizes the principles set forth by the cooperative movement and then examines its actual structure. His attention is given to the problems arising from the application of cooperative principles in the modern economy. He concludes in suggesting that a practical educational programme making people aware of their industrial potential may perhaps be the only solution and will bring favourable results.

Economic Cooperation in Modern Economic History

J. A. Raftis, C.S.B.

The author, in this article wishes to show briefly the peculiar functioning of cooperative institutions in modern economic life. After a short historical review in order to show the many efforts made to organize the economy on the basis of common ownership of the instruments of production, he criticizes the principles set forth by the cooperative movement and then examines its actual structure. His attention is given to the problems arising from the application of cooperative principles in the modern economy. He concludes in suggesting that a practical educational programme making people aware of their industrial potential may perhaps be the only solution and will bring favourable results.

The study¹ here summarized is not a detailed statistical account of the story of co-operation, as the comprehensive title might imply, but an investigation on a more analytic plane of inquiry. Some formal objectives and factual records of economic co-operatives were reviewed in order to isolate the peculiar functioning of co-operative institutions in modern economic life. The purpose is thereby to make one step towards bringing economic co-operation more fully within the orbit and, it is hoped, the advantages of a scrutiny by the tools of the academic economic historian — tools whose value has too long been realized more fully by proponents of communism and socialism.²

As co-operators have from the beginning insisted strongly upon popular education, a critique of the literary notions of the movement forms a natural

RAFTIS, J.A., C.S.B., B.A., M.A., (University of Toronto) and Doctor of Social Sciences (Laval University).

(1) Résumé of a thesis presented to the Graduate School of Laval University, Feb. 1951, for the degree of Doctor of Social Sciences.

(2) See the works of Paul Sweezy and Oskar Lange.

point of departure. The history of the various efforts to present the economic keystone of co-operation may be rapidly summarized. Those pioneer attempts to organize on the basis of common ownership of the instruments of production that emanated from worker dissatisfactions in early 19th century France were found to take a too simplist view of the organizational and distributive problems in industry. The much more successful consumer co-operative movement that arose in England was constructed on the solid market basis that the workers' own livelihood needs be provided. But the co-operative movement found itself bound neither by the limits of persistent failures in employees' co-operative production on one hand, nor by a unique success in consumer's co-operation on the other, when the co-operative idea germinated new successes in agricultural marketing and credit unions. These latter advances projected a more moderate and universal note into the literature that is best seen to-day in the definitive emphasis upon « services to members » — services, that is, in any field of common economic needs — as the economic foundation of any co-operative society.

Economic co-operation has always had, in addition, outspoken opponents. But whereas the literary evolution within the movement was formed in the long run by the exigencies of the historical realities of success or failure, anti-co-operative literature on the other hand has tended either to draw its central concepts of co-operation from esoteric samples or to emphasize solely those elements in co-operation that are held common or 'normal' to the traditional industrial order. Consequently such studies are found based largely upon an individualist or socialist bias, and deflect interest from the indigenous qualities of the co-operative organization. It should be an obvious lesson then that further investigation must proceed upon a proper appreciation of economic co-operation as a movement *sui generis*, as well as proceeding upon a precise historical estimate of the widely variable degrees of success in those different fields which are revealed in the above remarks upon co-operative beginnings.

So much for foundations ! But how about the actual structure of co-operative organizations ? A survey of this summary nature can only concern itself with two broad problems: a) the individual and the organization, and b) the organization and the pricing system. Without further exposition of literary precedents those points most urgently requiring attention under the first problem may be grouped into two questions, namely: 1) how have the organizational — and frequently centralizing — demands of the managerial authority in modern industry

been found compatible with the democratic structure of a co-operative institution?, and, 2) how has economic co-operation responded to the evolving, — and often dislocating, — impact of technological change upon the stability of the economic life and interests of individuals ?

The other problem was found pertinent to that constant effort by co-operators to subordinate the rationing function of the pricing system to superior co-operative ends. There has been a temptation to look upon the pricing system as — when once subordinated — an impartial distributive agency, or, others have claimed that co-operatives can so function detached from pricing laws that impartial exchange behaviour can be expected. But monetary exchange cannot be readily subsumed into an egalitarian democratic formula. It must reflect real disparities flowing from differences in ability and income. But such disparities are the experiential "raison d'être" of vital corporative rules of the co-operative association; and the recent attempts of Emelianoff to construct an economic theory of co-operation distinct from the influence of market pricing only derives from embryonic historical examples and thus succeeds in negating those very co-operative principles that have arisen to meet more advanced economic conditions. So the problem becomes one of degree. And the third pertinent question arises: to what extent has the distributive nature of the pricing system been subordinated to the higher 'use' objective of co-operation ?

The economic history of co-operation is of sufficient magnitude, or age, in four sectors of economic activity to provide patterns of development that will answer the above questions. The four selected fields embrace consumers' co-operation, employees' 'co-operation' in production, co-operative marketing, and credit unions.

These fields of study illustrate that the economic history of co-operation developed by means of the same basic components that had become germane to the capitalist inspired industrial order, especially horizontal and vertical integration, standardization, specialization, and the increase of effective demand by an elastic price policy. In the light of the great wealth that has been brought to man by industrialism this is a significant premise for the future of co-operation. However the *dynamism* of co-operative development differed from that of the traditional order in that industrial economies are developed in areas neglected by capitalism, in fields of activity beyond the interest of capitalism, and, in many cases, to a higher degree than is found under capitalism. This difference in dynamic may be ascribed first to a peculiar disposition of technical (or industrial) elements, and secondly

to economic forces proper. The first will provide a solution to the questions arising from the problem of the individual and the organization; the second will deal with the problem of the organization and the pricing system.

The industrial dynamics of co-operation is the awareness by groups of the efficiency potential involved in their common activities — whether consumer demands, marketing services, credit-wants or surpluses, craft workmanship — and the exploitation of this potential by adequate organization. It is this *group awareness* that holds out such great prospects for co-operation in undeveloped areas or among weak economic units for it is an autonomous realization of the great productive merits of industrial engineering — a realization without the promotional costs of finance capitalism or socialism. And since the specific industrial merits of co-operation is based upon the 'common activities' of the members the extent of these common activities provides a *technical measure* of the industrial potential in co-operation. Consequently the key to the wide applicability of consumers' co-operation was found in the universality of consumers' demand, the success of marketing co-operatives turned upon the comparatively parallel needs of the family size farm units, whereas the relative failure of employees' co-operative production is explicable in the evolving creation and obsolescence of industrial skills that goes with industrial change so that only in the more static craft industries could a 'common production function' be found as a technical base for this latter type.

In contrast to the industrial picture the novel economic dynamics of co-operation cannot be reduced to a simple formula or logical process but lies rather in the maintenance of a balanced institutional interaction whereby emphasis is placed upon the *productive merits* of the co-operative action itself in conjunction with *insulation from the direct impact of price* exchange. The shareholder in a modern corporation is interested only in increased profits — he is indifferent as to whether these profits are derived from increased productivity or simply bargaining power. But the co-operative strives to perform a service or productive function for its members and so its primary obligation becomes that of a common utility. As the members supply the materials for co-operative servicing it becomes a truism that the success of this primary purpose is identical with the use the co-operative's members make of the service — they are mutually determining elements. In order to gain the greatest productive and distributive efficiencies of this system the co-operative is deliberately cut off from *direct* dependence upon exchange price. So co-operators do not, as indeed they

cannot, obviate the necessity of the pricing system. And the gains from co-operation become reflected secondarily, and in the final analysis, in the credit balance of each member. But this profit motive is kept in a due subordination by the principles of service use of capital, productive interest rates, and the practices of active price policy, distribution according to patronage, etc.

Further, the co-operative is not a monopoly in so far as the increased productivity of each member is set up as an explicit objective in se. In its full logical development this should lead to non-exclusiveness through the continual emphasis upon the industrial merits in size and numbers. And the co-operative is not a joint-stock corporation in that the member seeks his gain, qua member, through the service rendered to him by co-operation rather than through his invested shares. The true nature of the economic dynamics of co-operation therefore lies in the respective activation and subordination of its various elements. Examples can readily be selected to demonstrate the manner in which the lack of subordination of profit pricing will lead at least to freezing of the full industrial efficiency potential (eg. the neglect of the consumers' co-operative movement in Great Britain to implement that active price policy found so fruitful by Swedish co-operators, and thus becoming a form of monopolistic competition vis-à-vis lower income groups), or at the most to an evolution to an out-and-out joint stock corporation (eg. the United Grain Growers of Canada structural preference for returns to shares over patronage).

In conclusion one might emphasize again the historical reality there is in the productive dynamic of economic co-operation and the feasibility of its distributive programme. But, as a corollary, a progressive co-operative organization requires an awareness of and a courageous adjustment to the whole nature of productive and distributive organs: above all the *flexibility* of the industrial order, and the *balanced and subordinated* interdependence of the distributive system. Co-operation has been and will be aided in these problems because it springs frequently from favourable sociological structures — above all the naturally homogeneous community or economically homogeneous occupations. But as industrialism advances these traditionally stable groupings become less dependable. An educational programme, vital by its acute appreciation of the productive and economic realities of co-operation, can be the only solution.

And so it is suggested in the closing chapters of this study that by a practical educational programme making people aware of their in-

dustrial potential and channels of distributive control a strong body of intermediate economic units could be created — that would lessen competitive market losses by strengthening the weak individual and subordinating price exchange to other more responsible ends, and on the other hand would reduce the socialist logic in industrialism by capturing industrial gains without the price of government controls. It is suggested too that the case for these intermediate bodies is not temporary for their need ethos is chronic to modern society — and so they must not be preliminary steps or initial stopgaps for as such they would become tools for intensification of the dilemma of monopolistic competition or social controls.

GROWTH AND DISTRIBUTION OF THE NATIONAL WEALTH

Many solutions have already been proposed to remedy the difficult situation created by the existence at the same time of extreme misery and extreme wealth in the contemporary world. These solutions such as: general development of the production and of the productivity, re-distribution of national revenues by fiscal policy and social security, increase of purchasing power, help to countries underdeveloped in agricultural and industrial equipment, etc., elaborated by various economic theories will be studied, discussed by specialists, theologians, economists, geographers, engineers, trade-unionists during the 39th session of the Semaines Sociales de France. This year, the session will be held at Dijon, July 22nd to 27th.
