

Background Paper on The ICA Statement on the Co-operative Identity

Preamble:

1. The International Co-operative Alliance, at its Manchester Congress in September, 1995, adopted a Statement on Co-operative Identity. The Statement included a definition of co-operatives, a listing of the movement's key values, and a revised set of principles intended to guide co-operative organisations at the beginning of the twenty-first century.
2. This paper explains the context within which the statement evolved, and it elaborates upon some of the key issues raised, particularly in the reconsideration of principles.
3. Since its creation in 1895, the International Co-operative Alliance has been the final authority for defining co-operatives and for elaborating the principles upon which co-operatives should be based. Previously, the Alliance had made two formal declarations on co-operative principles, the first in 1937, the second in 1966. These two earlier versions, like the 1995 reformulation, were attempts to explain how co-operative principles should be interpreted in the contemporary world.
4. These periodic revisions of principles are a source of strength for the co-operative movement. They demonstrate how co-operative thought can be applied in a changing world; they suggest how co-operatives can organise themselves to meet new challenges; they involve co-operators around the world in the re-examination of the basic purposes for their movement.

5. Throughout its history, the co-operative movement has constantly changed; it will continuously do so in the future. Beneath the changes, however, lies a fundamental respect for all human beings and a belief in their capacity to improve themselves economically and socially through mutual self-help. Further, the co-operative movement believes that democratic procedures applied to economic activities are feasible, desirable, and efficient. It believes that democratically-elected economic organisations make a contribution to the common good. The 1995 Statement of Principles was based on these core philosophical perspectives.

6. There is no single tap root from which all kinds of co-operatives emerge. They exist all around the world in many different forms, serving many different needs, and thriving within diverse societies. Indeed, one of the main reasons for preparing this document on the co-operative identity was to reflect that variety and to articulate the norms that should prevail in all co-operatives regardless of what they do and where they exist. In particular, the Statement provided a common base on which all of the main co-operative traditions could prosper and work effectively together.

Co-operatives first emerged as distinct, legal institutions in Europe during the nineteenth century. Achieving their first permanent successes during the difficult years of the 1840s, co-operatives grew within five distinct traditions; the consumer co-operatives, whose beginnings have long been popularly associated with the Rochdale pioneers; the worker co-operatives, which had their greatest early strength in France; the credit co-operatives, which largely began in Germany; the agricultural co-operatives, which had their early roots in Denmark and Germany; and service co-operatives, such as housing and health co-operatives, which emerged in many parts of industrial Europe as the century drew to an end. All of these traditions flourished, albeit

with different degrees of success, in most European countries in the nineteenth century; all spread throughout most of the remainder of the world in the twentieth century.

Through its 1995 Statement on The Co-operative Identity, the International Co-operative Alliance formally affirmed and welcomed as equals all five of these traditions. It acknowledged the vitality each possessed, and it recognized that, whatever the original sources, each tradition had been adapted in different ways within different societies and among different cultures.

7. Further, the Statement was intended to serve equally well co-operatives in all kinds of economic, social and political circumstances. It recognized that all groups had created their own co-operative movements in very distinctive ways, borrowing from others and adhering to principles, but shaping their organisations according to their own needs, experiences and cultures. The 1995 Statement accepted and celebrated that diversity.

8. Further, the Statement of Identity provided a general framework within which all kinds of co-operatives could function. Each co-operative tradition or sector, however, has its own special needs and priorities. At the time of the Congress, therefore, each sector had prepared or was preparing a statement on Operating Principles to demonstrate what the general principles mean for its operations, particularly in the light of contemporary circumstances.

9. Finally, the Statement implicitly recognized that the international movement has a unique opportunity to assist in the harmonization of interests among groups of people organised as consumers of goods and services, as savers and investors, as producers, and as workers. By providing a common framework, the Statement should foster understanding, joint activities, and expanded horizons for all kinds of co-operative endeavour.

Rationale for the Restatement of Principles

1. There were particular challenges confronting the international co-operative movement that made articulation of The Co-operative Identity necessary and beneficial in 1995.

2. Between 1970 and 1995 the market economy had expanded its impact dramatically around the world. Traditional trade barriers had changed significantly and many of those changes, such as the creation of free trade areas, the decline in government support for agriculture, and the deregulation of the financial industries, threatened the economic frameworks within which many co-operatives had functioned for decades. To prosper, in many instances merely to survive, co-operatives had to examine how they would react to these changed circumstances.

Such changes also meant that most co-operatives were facing much more intense competition. Using the advantages of modern forms of communications, capital roamed the world with minimal interference, seeking out the most prosperous investments. Economically, this meant that many co-operatives found themselves directly confronting large transnational firms, many of them possessing capital and legislative advantages they did not have.

On intellectual and attitudinal levels, co-operatives were also confronted by international media and educational institutions that proclaimed the predominance of business controlled by investors. Within those contexts, the value of enterprises controlled democratically in the interests of people had been brought into question. In fact, the celebration of capitalist enterprise challenged the confidence of many within co-operatives, particularly in the North Atlantic countries. In the face of that challenge, there was a need to provide a clear vision of what made co-operatives unique and valuable.

3. In Central and Eastern Europe, the decline of the centrally-controlled economies had also brought into question the role of co-operatives. Paradoxically, though, it had simultaneously opened the way for the rebirth of co-operative enterprise, but that could only occur if there was a clear understanding of how new and revived movements should be regulated and encouraged.

4. At the same time, the rapid expansion of many Asian countries, along with economic growth in parts of Latin America and Africa, posed unparalleled opportunities for the growth of co-operatives. Indeed, co-operative leaders from those continents provided many of the new insights and fresh enthusiasm upon which much of the momentum for examining the future was derived.

All of these developments brought new perspectives to the international movement. They challenged some traditional assumptions, offered new interpretations, and suggested new solutions to old problems. For such opportunities to be seized, however, there was a need to identify clearly how co-operatives should play a role in societies undergoing rapid change.

5. Co-operatives confronted other, more general, challenges during the 1990s, challenges that promised to be even more important in the coming decades: they were the challenges associated with fundamental changes in the human condition around the world. They included issues raised by rapid increases in the global population; growing pressures on the environment; increasing concentration of economic power in the hands of a small minority of the world's population; varying crises besetting communities within all kinds of cultures; deepening cycles of poverty evident in too many parts of the globe; and increasingly frequent outbursts of "ethnic" warfare.

Co-operatives, by themselves, cannot be expected to entirely resolve such issues, but they can contribute significantly to their resolution. They can produce and distribute high quality food at reasonable prices. They can, as they often have, demonstrate a concern for the environment. They can fulfil their historic role of distributing economic power more widely and fairly. They can be expected to enhance the communities in which they are located. They can assist people capable of helping themselves escape poverty. They can assist in bringing people with different cultures, religions, and political beliefs together. Co-operators have much to offer to the world simply by building upon their traditions of distinctiveness and addressing efficiently the needs of their members.

6. The Statement of Co-operative Identity, therefore, must be seen within historical, contemporary and future contexts. The remainder of this paper elaborates, albeit briefly, on each section of the Statement from these three perspectives.

The Definition of a Co-operative

1. The Statement defines a co-operative in the following way: "A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise."

2. This definition is intended as a minimal statement; it is not intended as a description of the "perfect" co-operative. It is intentionally broad in scope, recognizing that members of the various kinds of co-operatives will be involved differently and that members must have some freedom in how they organise their affairs. Hopefully, this definition will be useful in drafting legislation, educating members, and preparing textbooks.

3. The definition emphasizes the following characteristics of a co-operative:
- (a) The co-operative is autonomous: that is, it is as independent of government and private firms as possible.
 - (b) It is "an association of persons." This means that co-operatives are free to define "persons" in any legal way they choose. Many primary co-operatives around the world choose only to admit individual human beings. Many other primary co-operatives admit "legal persons," which in many jurisdictions includes companies, extending to them the same rights as any other member. Co-operatives at other than the primary level are usually co-operatives whose members are other co-operatives. In all cases, the membership should decide how it wishes the co-operative to deal with this issue.
 - (c) The persons are united "voluntarily." Membership in a co-operative should not be compulsory. Members should be free, within the purposes and resources of the co-operatives, to join or to leave.
 - (d) Members of a co-operative "meet their common economic, social and cultural needs." This part of the definition emphasizes that co-operatives are organised by their members, for their members. Member needs may be singular and limited, they may be diverse, they may be social and cultural as well as purely economic, but, whatever the needs, they are the central purpose for which the co-operative exists.
 - (e) The co-operative is "a jointly-owned and democratically-controlled enterprise." This phrase emphasizes that own-

ership is distributed among members on a democratic basis. These two characteristics of ownership are particularly important in differentiating co-operatives from other kinds of organisations, such as capital-controlled or government-controlled firms. Each co-operative is also an "enterprise" in the sense that it is an organised entity, normally functioning in the market place; it must strive to serve its members efficiently and effectively.

Values - The First Sentence

1. The co-operative movement has a deep and distinguished intellectual history. During each of the last ten generations of human history, many theorists in various parts of the world have made major contributions to co-operative thought; and much of that thought has been concerned with co-operative values.

Moreover, co-operatives around the world have developed within a rich array of belief systems, including all the world's great religions and ideologies. Since co-operative leaders and groups have been greatly influenced by those belief systems, any discussion of values within co-operatives must inevitably involve deeply-felt concerns about appropriate ethical behaviour.

Consequently, achieving a consensus on the essential co-operative values is a complex although inevitably rewarding task.

Between 1990 and 1992, under the direction of Mr. Sven Åke Bööck of Sweden, members of the International Co-operative Alliance and independent researchers engaged in extensive discussions about the nature of co-operative values. The results of that study are available in the book **Co-operative Values in a Changing World**, written by Mr. Bööck and published by the International Co-operative Alliance. That book, along with **Co-operative Principles: Today and Tomorrow**, written by W.P. Watkins, largely provided the theoretical context out of which the Statement on

Co-operative Identity was derived. They are particularly recommended to anyone wishing to pursue the topic in greater depth.

2. The first sentence on Values in the 1995 Statement reads as follows: "Co-operatives are based on the values of self-help, democracy, equality, equity and solidarity."

3. "Self-help" is based on the belief that all people can and should strive to control their own destiny. Co-operators believe, though, that full individual development can take place only in association with others. As an individual, one is limited in what one can try to do, what one can achieve. Through joint action and mutual responsibility, one can achieve more, especially by increasing the collective influence in the market and before governments.

Individuals also develop through co-operative action by the skills they learn in facilitating the growth of their co-operative; by the understanding they gain of their fellow-members; by the insights they gain about the wider society of which they are a part. In those respects, co-operatives are institutions that foster the continuing education and development of all those involved with them.

4. Co-operatives are based on equality. The basic unit of the co-operative is the member, who is either a human being or a grouping of human beings. This basis in human personality is one of the main features distinguishing a co-operative from firms controlled primarily in the interests of capital. Members have rights of participation, a right to be informed, a right to be heard, and a right to be involved in making decisions. Members should be associated in a way that is as equal as possible, sometimes a difficult challenge in large co-operatives or in federations of co-operatives. In fact, concern for achieving and maintaining equal-

ity is a continuing challenge for all co-operatives. In the final analysis, it is as much a way of trying to conduct business as it is a simple statement of rules.

5. Similarly, achieving equity within a co-operative is a continuing, never-ending challenge. Equity refers, first of all, to how members are treated within a co-operative. They should be treated equitably in how they are rewarded for their participation in the co-operative, normally through patronage dividends, allocations to capital reserves in their name, or reductions in charges.

6. The last operational value is "solidarity". This value has a long and hallowed history within the international movement. Within co-operatives, this value ensures that co-operative action is not just a disguised form of limited self-interest. A co-operative is more than an association of members; it is also a collectivity. Members have the responsibility to ensure that all members are treated as fairly as possible; that the general interest is always kept in mind; that there is a consistent effort to deal fairly with employees (be they members or not), as well as the non-members associated with the co-operative.

Solidarity also means that the co-operative has a responsibility for the collective interest of its members. In particular, it indicates that, to some extent, the co-operative's financial and social assets belong to the group; they are the result of joint energies and participation. In that sense, the solidarity value draws attention to the fact that co-operatives are more than just associations of individuals; they are affirmations of collective strength and mutual responsibility.

Further, "solidarity" means that co-operators and co-operatives stand together. They aspire to the creation of a united co-operative movement, locally, nationally, regionally, and internation-

ally. They co-operate in every practical way to provide members with the best quality goods and services at the lowest prices. They work together to present a common face to the public and to governments. They accept that there is a commonalty among all co-operatives regardless of their diverse purposes and their different contexts.

Values-The Second Sentence

1. The second sentence reads: "Co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others".
2. It can be argued rightly that the ethical values to which co-operatives aspire influence the activities of some capital-controlled and some government-owned organisations. They are included, however, because they have a special place within co-operative traditions. In particular, they were fundamentally important within the various kinds of co-operatives as they emerged in the nineteenth century. They are also apparent in many of those responsible for the movement's growth and development over the intervening years.
3. Many of the early co-operatives of the nineteenth century, most obviously the Rochdale Pioneers, had a special commitment to honesty; indeed, their efforts were distinguished in the market-place partly because they insisted upon honest measurements, high quality, and fair prices. Worker co-operatives, throughout their history, have been renowned for their efforts to create honest systems of open management. Financial co-operatives gained excellent reputations around the world because of the honest ways they conducted their business, in particular the calculation of interest payments. Over the decades agricultural co-operatives have prospered because of their commitment to high quality, honestly-labelled produce.

4. Aside from a special tradition of honesty, co-operatives have aspired to honest dealings with their members, which in turn has led to honest dealings with non-members. For the same reason, they have a bias towards openness: they are public organisations which regularly reveal to their membership, the public and governments considerable information on their operations.

5. The other ethical values emanate from the special relationships co-operatives have with their communities: they are open to members of those communities, and they have a commitment to assist individuals in helping themselves. They are partly collective institutions which exist in one or more communities. They have inherited traditions which have been concerned about the health of individuals within communities. They, therefore, have an obligation to strive to be socially responsible "in all their activities".

Within their financial capacity to do so, many co-operatives have also demonstrated a remarkable capacity to care for others. Many of them have made significant contributions of human and financial resources to their communities. Many of them have provided extensive assistance to the growth of co-operatives throughout the developing world. It is a tradition of which co-operators should be proud; it reflects a value that they should emphasize.

6. In short, honesty, openness, social responsibility and caring for others are values which may be found in all kinds of organisations, but they are particularly cogent and undeniable within co-operative enterprise.

Principles - An Introductory Comment

1. Many people understand principles as iron-clad commandments that must be followed literally. In one sense, that is true

in that principles should provide standards of measurement. In another sense, they should restrict, even prohibit, certain actions while encouraging others.

Principles, however, are more than commandments; they are also guidelines for judging behaviour and for making decisions. It is not enough to ask if a co-operative is following the letter of the principles; it is important to know if it is following their spirit, if the vision each principle affords, individually and collectively, is ingrained in the daily activities of the co-operative. From that perspective, principles are not a stale list to be reviewed periodically and ritualistically; they are empowering frameworks — energizing agents — through which co-operatives can grasp the future.

2. The principles that form the heart of co-operatives are not independent of each other. They are subtly linked; when one is ignored, all are diminished. Co-operatives should not be judged exclusively on the basis of any one principle; rather, they should be evaluated on how well they adhere to the principles as an entirety.

3. Seven principles are listed in the 1995 Statement. They are: Voluntary and Open Membership; Democratic Member Control; Member Economic Participation; Autonomy and Independence; Education, Training and Information; Co-operation among Co-operatives; and Concern for Community. The first three principles essentially address the internal dynamics typical of any co-operative; the last four affect both the internal operation and the external relationships of co-operatives.

The “Voluntary and Open Membership” Principle

1. The beginning of the simple sentence explaining this principle emphasizes that “Co-operatives are voluntary organisations.” It reaffirms the fundamental importance of people choos-

ing voluntarily to make a commitment to their co-operatives. People cannot be made to be co-operators. They must be given the opportunity to study and understand the values for which co-operatives stand; they must be allowed to participate freely.

Nevertheless, in many countries around the world economic pressures or government regulations have sometimes tended to push people into becoming members of some co-operatives. In those instances co-operatives have a special responsibility to ensure that all members are fully involved so that they will come to support their co-operatives on a voluntary basis.

2. The sentence continues by referring to how co-operatives admit members. It affirms that co-operatives are "open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political, or religious discrimination." This statement reaffirms a general commitment basic to co-operatives since their emergence in the nineteenth century: a commitment to recognizing the fundamental dignity of all individuals, indeed, all peoples.

3. The phrase "open to all persons able to use their services..." acknowledges that co-operatives are organised for specific purposes; in many instances, they can only effectively serve a certain kind of member or a limited number of members. For example, fishing co-operatives essentially serve fishing people; housing co-operatives can house only so many members; worker co-operatives can employ only a limited number of members. In other words, there may be understandable and acceptable reasons why a co-operative may impose a limit on membership.

4. The phrase "willing to accept the responsibilities of membership" reminds members that they have obligations to their co-operative. Such obligations vary somewhat from co-operative to co-operative, but they include exercising voting rights, participating in meetings, using the co-operative's services, and

providing equity as the needs arise. It is a set of obligations that requires constant emphasis, but which should reap significant benefits — for both the member and the co-operative.

5. Co-operatives should do everything possible to ensure that there are no barriers to membership because of gender. Furthermore, in their education and leadership development programmes, co-operatives should ensure that women are present as far as possible in equal numbers as men and that all evident population groups and minorities are also encouraged to participate.

6. The Membership Principle also prohibits discrimination based on "social" characteristics. "Social" refers, first of all, to discrimination based on class. Since its earliest years, the co-operative movement has sought to bring together people of different classes; indeed, that is what distinguished it from some other nineteenth century ideologies.

"Social" also refers to culture, in which might be included ethnic and, in some instances, national identity. This is a difficult concept, however, because a few co-operatives are organised specifically among cultural groups, very often minority cultural groups. These co-operatives have every right to exist as long as they do not impede organisation of like co-operatives among other cultural groups; as long as they do not exploit non-members in their communities; and as long as they accept their responsibilities for fostering the development of the co-operative movement in their areas.

7. The Principle also includes a reference to "race." In various drafts of the document circulated prior to the Congress, the reference to race was omitted. It had been omitted in the belief that even the idea of "race" should not be accepted as an appropriate way to categorize human beings. "Race" can imply bio-

logical differences, a view that in the last 150 years has created cleavages within the human family resulting in bigotry, wars and genocide.

Discussions with co-operators around the world, however, suggested that not including a reference to "race" might be misleading: for example, some people, unfamiliar with the fundamental philosophic position of the co-operative movement, might conclude that it was acceptable to exclude people on the basis of "race." For that reason, it was included in the membership principle accepted at the Congress so that there can be no doubt as to the movement's position on the issue. Perhaps when the Principles are reviewed the next time, the reference can be dropped.

8. Co-operatives should also be open to people regardless of their political affiliation. Since its beginnings, the co-operative movement has encouraged people of different political allegiances and ideologies to work together. In that sense, it has tried to transcend the traditional ideologies that have created so much tension, unrest, and warfare in the late nineteenth and twentieth centuries. Indeed, this capacity to bring diverse people together for common goals is one of the great promises the movement offers to the twenty-first century.

9. Almost all co-operatives admit members regardless of religious beliefs. There are some, most commonly financial co-operatives, that are organised by churches and religious communities. Such organisations do not negate the principle as long as they do not impede organisation of like co-operatives among other religious groups; as long as they do not exploit non-members in their communities; as long as they co-operate with other co-operatives in every possible way; and as long as they accept their responsibilities for fostering the development of the general co-operative movement in their areas.

10. The Membership Principle has a close connection to the Education Principle and the Democratic Principle. The membership can play its role only if it is informed and if there are effective communications among members, elected leaders, managers, and (where applicable) employees.

Moreover, the membership can only feel involved if it is consulted and if it is confident that it will be heard. In that sense, while there is a necessity for elected leaders, managers, and staff to be competent, they must also be able to understand their members fully, regardless of religious or political beliefs, gender or sexual preference, cultural or social background.

11. "Membership" is arguably the most powerful — but often the most underrated — of all the Principles. In essence, it means there should be a special relationship between the co-operative and the people it essentially serves. That relationship should define the business conducted by the co-operative, affect the way it does business, and shape its plans for the future. Further, a recognition of the centrality of "membership" must mean that co-operatives will be committed to a particularly high level of service to members, the main reason for their existence.

The "Democratic Member Control" Principle

1. "Democracy" is a complex word. It can usefully be thought of as a listing of rights; indeed, the struggle for democratic rights on a political level is a common theme of the history of the last two centuries. Within co-operatives, "democracy" includes considerations of rights; indeed, rights and responsibilities. But it also means more: it means fostering the spirit of democracy within co-operatives, a never-ending, difficult, valuable, even essential, task.

2. The first sentence of this Principle in the 1995 Statement reads: "Co-operatives are democratic organisations controlled by their members, who actively participate in setting their poli-

cies and making decisions." This sentence emphasizes that members ultimately control their co-operatives; it also stresses that they do so in a democratic manner. It also reaffirms the right of members to be actively involved in setting policies and in making key decisions.

In many co-operatives, this active involvement occurs at general meetings at which policy issues are discussed, major decisions are made, and important actions are approved. In other co-operatives, such as worker, marketing, or housing co-operatives, members are more routinely involved in the day-to-day operations of the co-operatives.

In all co-operatives, "men and women serving as elected representatives are accountable to the membership." This sentence reminds elected representatives that they hold their offices in trust for the immediate and long-term benefit of members. Co-operatives do not "belong" to elected officials any more than they "belong" to the employees who report to these officials. They belong to the members, and all elected officials are accountable, at election time and throughout their mandate, for their actions to the membership.

3. The third sentence of this principle reads: "In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

This sentence describes the customary rules for voting in co-operatives. The rule for primary co-operatives is self-evident. The rule for voting at other than the primary level is open-ended in the belief that co-operative movements themselves are best able to define what is democratic in a given circumstance. In many secondary and tertiary co-operatives, systems of proportional voting have been adopted so as to reflect the diversity of inter-

est, the size of memberships in associated co-operatives, and the commitment among the co-operatives involved. Such agreements should be reviewed periodically, and it is usually unsatisfactory if the smallest co-operatives in such arrangements have so little influence that they feel they are essentially disenfranchised.

The "Member Economic Participation" Principle

1. This Principle reads: "Members contribute equitably to and democratically control the capital of their co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership."

2. Co-operatives operate so that capital is the servant, not the master of the organisation. Co-operatives exist to meet the needs of people, and this Principle describes how members both invest in their co-operatives and decide how to allocate surpluses.

3. "Members contribute equitably to and democratically control the capital of their co-operative." This statement reinforces both the need for members to contribute capital to their co-operative and for them to do so in an equitable fashion. In essence, they can contribute capital in three ways. In most co-operatives, members are required to invest in a membership share or shares in order to belong and to benefit from membership. Only rarely should such membership "share or shares" be paid any interest.

Secondly, as co-operatives prosper, they may create reserves, derived from the retained earnings of the organisation's activities. Normally, all or a significantly large proportion of these

earnings are owned collectively, representing the collective accomplishments of members supporting their co-operative. In many jurisdictions this collective "capital" is not even divided among the members should the co-operative cease to exist; rather, it is distributed to community enterprises or other, associated co-operatives.

Thirdly, many co-operatives have needs for capital far greater than what they can save from their economic activities. They can reasonably expect that members will regularly contribute to co-operatives a portion of their dividends on some rotating basis or until retirement; in those cases co-operatives would not pay interest, the member benefiting from continuing participation and future dividends.

Co-operatives, however, may have to make special appeals to members for further investments; indeed, more of them probably should do so. Under those circumstances, it is appropriate to pay interest on such investments, but at a "fair" rate. The return paid on such investments should be at a competitive, not a speculative rate: for example, the government or normal bank interest rate.

4. Members also control the capital of their co-operatives. There are two key ways in which they do so. First, regardless of how co-operatives raise capital for their operations, the final authority for all decisions must rest with the membership. Second, members must have the right to own at least part of their capital collectively, a reflection of what they have accomplished as a collectivity.

5. When the activities of co-operatives create surpluses, members have the right and the obligation to decide how those surpluses should be allocated. They allocate such surpluses for any or all of the following purposes: developing the co-operative; benefiting members in proportion to their transactions with

the co-operative; and supporting other activities as approved by the membership.

One of the most important activities they can — and should — choose to support is the further development of the co-operative movement, locally, nationally, regionally, and internationally.

The "Autonomy and Independence" Principle

1. Co-operatives in all parts of the world are very much affected by their relationship with the state. Governments determine the legislative framework within which co-operatives may function. In their taxation, economic and social policies, governments may be helpful or harmful in how they relate to co-operatives. For that reason, all co-operatives must be vigilant in developing open, clear relationships with governments.

At the same time, the Autonomy Principle addresses the essential need for co-operatives to be autonomous, in the same way that enterprises controlled by capital are autonomous in their dealings with governments.

2. The principle reads: "Co-operatives are autonomous, self help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so freely and on terms that ensure democratic control by their members and maintain their co-operative autonomy."

3. In referring to "other organisations," the Principle acknowledges the fact that, around the world, more co-operatives are entering into joint projects with private sector firms, and there is no reason to believe that this tendency will be reversed. It does stress, however, how important it is that co-operatives retain their freedom ultimately to control their own destiny whenever they enter such agreements.

The "Education, Training and Information" Principle

1. The co-operative movement has a long-standing and distinguished commitment to education. The 1995 Principle reads: "Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of co-operation."

2. This Principle emphasizes the vital importance played by education and training within co-operatives. Education means more than just distributing information or encouraging patronage; it means engaging the minds of members, elected leaders, managers and employees to comprehend fully the complexity and richness of co-operative thought and action. Training means making sure that all those who are associated with co-operatives have the skills they require in order to carry out their responsibilities effectively.

Education and training are also important because they provide excellent opportunities whereby co-operative leaders can understand the needs of their membership. They should be conducted in such a way that they continuously assess the activities of the co-operative and suggest ways to improve or to provide new services. A co-operative that encourages effective two-way communications between its members and leaders, while operating in an effective manner, can rarely fail.

3. The Principle ends by recognizing that co-operatives have a particular responsibility to inform young people and opinion leaders (politicians, public servants, media representatives, and educators) about the "nature and benefits" of co-operation. In recent decades, too many co-operatives in too many countries have ignored this responsibility. If co-operatives are to play the roles of which they are capable in the future, it is a responsi-

bility that will have to be better met. People will not appreciate, they will not support what they do not understand.

"Co-operation Among Co-operatives"

1. This Principle reads: "Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures."

This Principle, first articulated in the 1966 restatement of principles, has been followed to varying degrees since the 1850s. It was never more important as a principle than in the 1990s. If co-operatives are to achieve their full potential, they can do so only through practical, rigorous collaboration. They can achieve much on a local level, but they must continually strive to achieve the benefits of large-scale organisations while maintaining the advantages of local involvement and ownership. It is a difficult balancing of interests: a perennial challenge for all co-operative structures and a test of co-operative ingenuity.

Co-operatives around the world must recognize more frequently the possibilities of more joint business ventures. They must enter into them in a practical manner, carefully protecting the interests of members even as they enhance them. They must consider, much more often than they have done in the past, the possibilities of international joint activities. In fact, as nation states lose their capacity to control the international economy, co-operatives have a unique opportunity to protect and expand the direct interests of ordinary people.

2. Co-operatives must also recognize, even more than in the past, the necessity of strengthening their support organisations and activities. It is relatively easy to become preoccupied with the concerns of a particular co-operative or kind of co-operative. It is not always easy to see that there is a general co-operative interest, based on the value of solidarity and the principle of co-

operation among co-operatives. That is why general co-operative support organisations are necessary; that is why it is crucially important for different kinds of co-operatives to join together when speaking to government or promoting “the co-operative way” to the public.

The "Concern for Community" Principle

1. Co-operatives are organisations that exist primarily for the benefit of their members. Because of this strong association with members, often in a specific geographic space, co-operatives are also often closely tied to their communities. They have a special responsibility to ensure that the development of their communities — economically, socially, and culturally — is sustained. They have a responsibility to work steadily for the environmental protection of those communities. It is up to the members, though, to decide how deep and in what specific ways a co-operative should make its contributions to their community. It is not, however, a set of responsibilities that members can avoid accepting.

Conclusion

The co-operative principles cumulatively are the life blood of the movement. Derived from the values that have infused the movement from its beginnings, they shape the structures and determine the attitudes that provide the movement’s distinctive perspectives. They are the guidelines through which co-operators strive to develop their co-operative organisations. They are inherently practical principles, fashioned as much by generations of experience as by philosophical thought. They are, consequently, elastic, applicable with different degrees of detail to different kinds of co-operatives in different kinds of situations. Above all, they require co-operators to make decisions: for example, as to the nature of the democracy of their institutions, the roles of different stakeholders, and the allocation of surpluses that are created. They are the essential qualities that make co-operators effective, co-operatives distinct, and the co-operative movement valuable.