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Book Review: Watkins, W.P. *Co-operative Principles: Today and Tomorrow*

by

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Book Reviews

Watkins, W. P. *Co-operative Principles: Today and Tomorrow.* Manchester, England: Holyoake Books, 1986, xiii + 168 pp.

W. P. Watkins is a noted European writer, teacher, and consultant on cooperation whose work goes back over 60 years. He has involved himself with all forms of organized cooperation including agricultural cooperatives, worker cooperatives, consumer cooperatives, and credit unions. His purpose here is to articulate a clear and forceful set of cooperative principles that can be subscribed to by all forms of organized cooperation internationally. With such an undertaking, the author enters an ideological forest of competing ideas on societal organization. Cooperation is an international phenomenon caught up in competing systems, ideologies, economies, and socioeconomic organizations. By necessity, this review will have to enter some of those same discussions to follow Watkins through a thicket of opposing ideological and philosophical positions.

Evident in this work are certain underlying but central themes: (1) Power in the marketplace is a dominant and dominating force having major influence on the distribution of the products of production. (2) "Individualism" (and therefore much of classical and neoclassical economics, e.g., "economic man") is a mythical assumption. Man/woman is a "gregarious" social organism not naturally and intrinsically individualistic. (3) Spectacular socioeconomic progress has been made in the noncooperative sector, but at the cost of "human deprivation, misery, insecurity, and international and social strife." (4) Much of this "exploitation" has been due to "excessive individualism" (the blind pursuit of individual gain) and power imbalances in the marketplace. (5) Organized cooperation is a more rational if not a morally superior alternative. It is more rational because it is more consistent with fundamental characteristics of human beings. It is on a higher ethical plane in that it is more centered on distribution and balance in the marketplace.

Watkins presents seven cooperative principles within this thematic context. They are: (1) Association or Unity, (2) Responsibility or Function, (3) Liberty, (4) Democracy, (5) Economy, (6) Equity, and (7) Education.

"Association," according to Watkins, is the centerpiece and the most distinctive principle. "Association" refers to "individuals or entities joining together, coalescing, combining, integrating and remaining united in order to satisfy common needs, achieve common ends, or derive mutual advantage from their association." Watkins offers this assumption in contradistinction to assumptions of individualism and competition that underlie and drive much of the noncooperative sector. With "Association" as his founding principle, Watkins then develops the remaining six. An organic analogy is central to much of his discussion.

In explaining "*Responsibility or Function*," Watkins makes the statement, "Just as the physical body breathes, nourishes itself and moves from place to place by adapting and locating particular sorts of cells to serve as constituents of organs, so the body social selects, trains and locates its members for specialised duties fulfilling its various purposes." Watkins sees cooperative organization not unlike an organism, with social purposes

and constituent members acting to meet those purposes or functions. He combines "Function" with "Responsibility" not to lose sight of individuals within the larger structure. ". . . Function when viewed from the standpoint of society [cooperative] is Responsibility when viewed from the standpoint of the individual." The functioning of the organization is dependent on performance of the members, taken broadly to include member-users, elected directors, management, and employees.

"Responsibility" is to be understood in terms of legal and/or contractual relationships and, more importantly for Watkins, "Association"—individuals performing actions as part of a social organ oriented to meeting social needs. Breach of membership duties has "ethical" implications because it not only weakens the society and damages the disloyal member, but damages all members.

"*Liberty*" refers to freedom of action both outside and inside the cooperative. Watkins holds that, in nearly all cases, membership must be voluntary and open irrespective of political, religious, or social doctrine. However, once membership is subscribed to, the author gives "Liberty" within the organization a different coloration and ties it closely to organizational "Function and Responsibility."

Constituent parts of an organism cannot function independently and outside of larger structural and functional limits. The cooperative is a collection of individuals functioning in some united fashion for larger social purposes. "Liberty" within a cooperative must be understood in terms of "freedom with" fellow members. "Multitudes can never achieve, as individuals, economic independence and freedom from exploitation, but they can attain collectively an increasing measure of such freedom and independence through Co-operation . . ." Members must be willing to accept the rules of the operation, be they "binding rules" or other contract systems. "The more Co-operatives are able to dominate their economic environment, the more widely they extend their members' freedom to command all kinds of economic operations instead of remaining subservient to them," *given members are willing to give up lesser liberties for larger ones.*

Although this concept of "Liberty" pushes most readers' traditional assessments of its meaning, the chapter on "*Democracy*" is fairly standard. Because, according to Watkins, cooperatives are to be built around the principle of "Association," there must be some agreed-on methods of ascertaining members' wishes. Some system of government is in order that allows the organization to function for common ends, at the direction of common will (i.e., democracy). Further, given the organizational contextual understanding of "Liberty," informed consent and participation of members is crucial to cooperative survival.

Watkins's use of an organic analogy applies both to his "Democracy" and "Economy" principles. Citing Albert Thomas, Watkins states that

the structure of the Co-operative economic system, based as it is on a very large number of small economic units which are like antennae through which it can sense the requirements and possibilities of everyday life, has a sort of sensory apparatus comparable to that of a living body. That apparatus does not simply transmit information step by step to the central organs which

translate it to reasoned actions. It even, up to a certain point, permits automatic reactions, defensive or compensatory reflexes, which prevent maladjustment and avoid dangerous error.

Under the democratic structure, the general meeting is held as central to the pursuit of democratic decision making. The organ through which the general will is expressed is the general meeting. To preserve its importance, regionalization and representation must emerge with increases in cooperative size. Although *individual* liberties within the organization are in a real sense limited, the democratic process allows for internal, self-directed structuring of those limits through participation and representation.

By "*Economy*," Watkins is referring to the process of measuring results against efforts in producing economic growth and social progress. The same organic analogy that is applicable to democratic functioning applies here as well. Economic transactions, rather than the general meeting, are central. The author makes the case that the coming together of "*Economy*" with "*Association*," "*Function/Responsibility*," a cooperative sense of "*Liberty*," and "*Democracy*" enhances possibilities for planning beyond those possible in the noncooperative sector. Controls on supply may be possible; binding rules on producers may be more palatable; commodities may be more easily standardized; and quality products and quality guarantees are more tenable. Better and more predictable supply may permit larger scale and perhaps better integration among the several branches of the cooperative sector.

Watkins refers to a sense of "fairness" when discussing "*Equity*." "Equity" internal to the cooperative refers to the division of cooperative surplus among members and, in addition, employees, investors, and reserves. Watkins's treatment is fairly traditional but placed in a contemporary context. "Under present-day competitive conditions when attention is focused chiefly on prices and Co-operative societies are obliged to offer their members every inducement to reject attractive offers from private trade . . . the old solidarity which led the wealthier to make common cause with the poorer farmers is difficult, even impossible, to maintain beyond a certain point." Returns to members must be guided by contributions to turnover, which might include not only considerations for volumes purchased or sold, but also product grades delivered and/or other differential costs and benefits due to scale. "Strict uniformity and equality of prices and treatment in other ways may not necessarily be equitable." Other divisions, i.e., to labor and capital, should be related in some way to contribution to turnover, productivity, etc.

In presenting the principle of "*Education*," Watkins discusses three aspects: (1) technical training, (2) social discipline, and (3) knowledge. Technical training is self-explanatory and is related to operating efficiently. Social discipline includes understanding underlying principles as well as cooperative potentials in a breadth of economic and social problems. The flip side of this is the standard of conduct for the individual. Members, if they are to be masters of their cooperative, must be willing as individuals to serve it. By knowledge, Watkins is referring to the cooperative working in its socioeconomic context. "The study of Co-operation in a vacuum has

no kind of practical value or result. Co-operation only becomes significant against its economic and social background and without this knowledge Co-operators are prone to expect sometimes too much, sometimes too little, of their societies. . . ."

There are some rather peculiar inconsistencies in the presentation of these principles. As stated previously, Watkins maintains organized co-operation is a more rational, if not a more humane, alternative to non-cooperative sector development. He rejects the validity of individualist assumptions and questions the reliability and equitable nature of non-cooperative market mechanisms. Under the noncooperative profit system, ". . . the market mechanism [is] no more than a rough and ready and, at times, highly unreliable indicator of society's real needs. . . . It is notorious that market price is continually subject to attempts, more or less successful, to manipulate or regulate it. . . ." Yet he opens his chapter on "Economy" with the statement, "Unless their membership of a Co-operative society enables them to effect savings which they would not otherwise be able to make or yields them an income in money or provides a service which they would not otherwise receive, there is scarcely any advantage in their being Co-operators, whatever moral or social benefits Co-operation may offer." This sounds very much like "economic man" rationality. He closes the chapter with these statements: "The economic test is not the only one which Co-operation has to pass. It will be ultimately judged by its contributions to the achievement of satisfaction and security for the exploited, deprived and depressed peoples of the world." Much of the book makes the case that cooperative organization has practical and ethical advantages toward meeting those ends. The former statement seems inconsistent with this latter position.

His treatment of "Association" at certain points in the text does not seem as well-informed by his own explanations as at others. He is very emphatic in stating that "Association" is the most unique principle. He implies it is perhaps best developed "where Co-operators cultivate their sense of justice to the point where they recognise what is due to others as readily as they do what is due to themselves [in cooperative efforts]." Yet he somehow sees development of vertical and horizontal integration in the noncooperative sector as a flight away from "economic man" rationality and toward aspects of "Association." Perhaps it is protective movement away from competition, but it certainly is not movement from the individualist logic of classical and neoclassical economics.

These inconsistencies are not explicitly resolved in the text. However, it perhaps does not damage the work paradigmatically to suggest a temporal seating to these concepts. Today's context of socioeconomic austerity may permit only strict economic rationalist decision making. Watkins himself suggests this in reference to the dated nature of the "old solidarity and common cause between wealthier and poorer farmers." However, less austere times, or simply increasingly more and broader experience with the principles of cooperation ("Association" in particular), may permit a more collective and community interpretation of efficiency, return, and related concepts. Watkins himself suggests that ". . . Co-operation must be efficient *in its own sense of the term* [emphasis added]. . . ."

Watkins approaches the work from a "Power" paradigm. He assumes much of socioeconomic organization is determined by power relationships, power being derived from control of resources and position associated with complex organizations (bureaucracies). This power comes to be articulated in the marketplace and can develop to such levels that it "can keep certain classes of consumers and producers in a position of permanent inferiority." Once this power/bureaucracy view is chosen, it tends to conceptually dictate organization as the strategic alternative for balancing and removing superordinate/subordinate relations. As presented, Watkins maintains cooperative organization is the practical and ethically superior choice for socioeconomic progress.

All paradigms have utopian and pathological images. The utopian image of the power/bureaucracy view of reality is the *planned society*. Decision makers are less hampered by short-term demands and can engage in long-range rational planning. Coordination among large organizations is possible and permits the orderly exchange of needed products, services, and resources. Through coordinated activity, overall development of resources for broad societal benefit can occur. The pathological image is *totalitarianism*. Top decision makers (elites) become so entrenched in their positions they are able to turn organizational activities to their own benefit or to the exclusive and predatory benefit of their organization. In extreme cases, direct repression, limitation of rights and liberties, and, in cases of the State, police rule occur.

There are seeds of both tendencies in this work. Watkins would surely maintain that the democratic character of cooperation provides strong mitigating factors against centralization of prerogatives. Conversely, whether the assumption of "individualism" and what Watkins cites as "the mania of owning things" can be set aside as simply not intrinsic to the human character is questionable. Further, his subscription to an organic analogy tends to minimize possible class distinctions and conflicts (even within a cooperative) that can potentially split up an organization. Organizations very often do not function according to equilibrating "organic" tendencies, but rather according to resolution, and at times only partial resolution, of contradictory interests.

Watkins states that "in the social climate of today, people attempting to work together sooner or later risk self-frustration unless they can persuade not only their collaborators but society at large that their collaboration results in economy rather than waste, is democratic rather than dictatorial in its organisation and spirit, checks exploitation and reinforces social justice, promotes social responsibility in the exercise of power, and extends rather than diminishes personal freedom." Cooperative practitioners will have to decide whether Watkins's statement of principles can answer these challenges. Ultimately the final test of any set of principles is whether they can guide cooperative organization to the solution of practical socioeconomic problems.

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