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**A HISTORICAL OUTLINE OF THE COOPERATIVE MOVEMENT
IN THE UNION OF SOVIET SOCIALIST REPUBLICS***

Prepared by

G. P. Degtiarev**

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**Labour Research Institute, State Committee for Labour of the USSR.

The Law of the USSR on Cooperatives released the languishing genie of economic initiative. The most fertile imagination could not have foreseen such a rapid growth of the number of cooperatives and diverse cooperative associations penetrating various regions and industries. The energy of human enterprise has overturned the stereotypes of centrally planned social activity. The dynamism of the present situation is reminiscent of the second decade of this century. The famous A. Chayanov wrote in 1918 that in Russia "the development of cooperatives is going at such a furious pace that the human brain cannot keep up with the events and theory is lagging behind practice". The cooperative movement began to develop "quite independently from the plans of our social architects and often even compelling the latter to follow their development". However, labouring under the illusion of the natural evolution of the cooperative movement, Chayanov obviously underrated the energy of the new social architects and the irresistible power of the incipient administrative command system which in the long run would crush the cooperative edifice. Today, the cooperative movement is being born anew - but in a totally different social, legal, and economic context, in a different political atmosphere.

Meanwhile, from the vantage point of today, let us cast a retrospective glance at the tortuous road travelled by cooperatives in Russia. It will help us to gain a better understanding of the problems of our cooperative movement today.

The wide-spread handicrafts and cottage industry, basically a family form of production, became fertile ground for a burgeoning cooperative movement in Russia. The mid-19th century marked the appearance of the first consumer societies which acted as a go-between, providing individual producers with raw materials and helping to market their wares. These were followed by credit, loan and savings societies, which accumulated the money of petty producers and granted them credits on easy terms. The development of consumer and credit societies was in a sense a reaction to the sway of big-time trading capital. And yet these types of cooperative association did not affect the production process of the handicraftsman - they were only a link between him and the market.

Large-scale industry, meanwhile, which developed in a context of an overabundance of hands, low incomes of the vast majority of the population, rudimentary communications, and considerable state contracts, increasingly involved the cottage industry in its orbit. The entrepreneur often found it easier to use handicraftsmen working at home than to build a factory. This resulted in a

kind of division of labour as large-scale industry mostly produced semi-finished products while consumer goods were manufactured by artisans at home. The latter did not compete with large-scale industry but rather complemented it. The undeveloped consumer market and low prices forced the artisans to specialize in order to raise efficiency. This became possible only with the introduction of mechanized tools and machinery at the workshops and cooperation of artisans for the joint use of machinery. A system of home producers, intimately connected with large-scale industry, began to take shape, gradually associating in production cooperatives. By the turn of the century, their output totalled one-third of Russia's entire gross industrial product.

During World War I, as large-scale industry could not cope with all the state military contracts, part of them were given to small workshops. This stimulated artisan industry to greater activity, with increasing specialization and expanding contacts. Bit business, meanwhile, had an organizing influence on the artisan industry as it disciplined the handicraftsmen's work and raised its technological standards. It also prompted more and more artisans to unite in production cooperatives. With the growing influx of hired labour into the artisan industry, the latter began to take on a spirit of entrepreneurship. Other types of cooperatives also rapidly developed. All this prompted A. Chayanov to conclude that the cooperative movement was a "self-developing" process.

Thus on the eve of the Bolshevik Revolution of 1917, Russia had a basically pluralistic economy. The cooperative system had a developed financial network, the key role in which belonged to the Moscow People's Bank. A ramified network of consumer societies extended over the whole country. At the disposal of production cooperatives were well equipped workshops, while cooperation and continued in farm production.

However, in its initial stages, the cooperative movement's development was far from smooth and trouble-free. Its natural evolution kept coming up against arbitrary interference from state authorities, as demonstrated by the legislative regulation of the cooperative process. The monarchy was extremely suspicious of any public movement, any expression of independent thought in economic activity as well as politics. Naturally, as a democratic movement, the cooperatives felt this hostility.

From the movement of their emergence, consumer cooperatives were controlled by Russia's Ministry of the Interior. Consumer societies were classed together with charitable institutions, so permission for setting up such a society was issued by the Ministry in accordance with the procedure specified in the Statute on Public Charity. In the late 19th century, the government passed compulsory Rules of a Consumers' Society. The right to approve the establishment of consumers' societies in each particular province belonged to the Governor. The latter also had the right to disband such a society whenever he found its activity to deviate from the approved Rules or to "disrupt public peace and security". Only as late as August 1917 were consumer cooperatives placed under the jurisdiction of the Ministry of Trade and Industry.

The activity of production cooperatives was regulated by the Statute on Labour Artels of 1902, which became part of the Civil Code. The Standard Rules of a Production Artel were approved in 1904, all authority in approving or banning such artels belonging to the Governor.

The activities of credit associations were regulated by a statute of 1904. Permission for setting a credit cooperative was issued by the Ministry of Finance. The concessional system for setting up cooperatives increased arbitrary rule by

the authorities. State power hampered the development of cooperatives. The vagueness of legal terms and concepts virtually gave the governors a free hand, and the latter often used their right to shut down cooperatives under the pretext that they presented a threat to public order and security.

Whereas individual cooperatives still had some sort of legal backing, associations of cooperatives for a long time were considered illegal. The Ministry of the Interior adamantly refused to endorse a national union of consumer societies, saying there was "simply no need for one". Yet the idea of calling a constituent assembly of such a union continued to inspire many activists of the cooperative movement. At the famous Nizhegorod National Fair of 1896, a de facto, though unsanctioned, congress of cooperatives, adopting a draft Statute on Unions of Cooperative Societies and Congresses of Their Representatives. Predictably, the government refused to endorse it, permitting only congresses of separate cooperative societies. In 1898, the Moscow Union of Consumer Societies held its first congress, becoming the prototype of today's Tsentrosoyuz (National Cooperative Association). A year later, representatives of credit, loan and savings cooperatives held their first national congress. But all appeals to the Czarist government to approve the setting up of a National Council of Cooperatives were promptly turned down.

The period of 1907-1908 marked a turning point in the cooperative movement. Cooperatives learned from their own bitter experience how difficult it was to confront the state single-handed and how important it was to join forces with other cooperatives. This new-found understanding by many cooperative leaders was wholeheartedly supported by the rank and file.

In 1908, the first National Congress of Cooperatives was held in Moscow to discuss cooperative legislation. In 1913 in Kiev, the second congress appointed a commission to draw up draft legislation, completing its work by 1915. A draft law based on German cooperative legislation was submitted to the State Duma (assembly), which passed it. Handed over next to the State Council, the draft was altered, which evoked protests from cooperatives throughout the country.

The Central Cooperative Committee, established in 1915, functioned for only three months before being closed down by the government. But soon after the 1917 bourgeois revolution the Committee was reestablished and adopted a decision to call a national congress in March. Shortly before the opening of the congress, the Provisional Government endorsed, with a few minor changes, the Law on Cooperative Societies, which had been submitted to it by the cooperative movement. This was one of the few examples of a legislative initiative coming from a cooperative association being endorsed by the government. The congress formed a Council of National Cooperative Congresses, which became the ideological centre of the Russian cooperative movement.

In June 1917, the Provisional Government passed a decree on the procedure for registering non-profit societies, associations and unions, and in August of the same year a decree on congresses of representatives of cooperative institutions. This legislation embraced the entire scope of cooperative law, recognizing the following hierarchy in the cooperative system: cooperative - union - congress. The new legislation established a non-authorized system (without prior notification of and permission from the authorities) for forming all cooperative institutions at judicial bodies.

Recognition of the non-authorized procedure for establishing cooperative bodies instead of the old concessional procedure marked a fundamental change in cooperative legislation. Before this, people did not have the right to set up a

cooperative on their own - they only had the right to seek permission for its establishment. Another fundamental change was that the new law encompassed all types of cooperatives, whereas the old one contained no clear-cut definition of a cooperative or how it differed from other societies. It also required that registration of new cooperative institutions be done openly, in public, and be subject to public control. This brought cooperative legislation in line with that universally recognized in the West.

To conclude this brief outline of the evolution of the cooperative movement in pre-Revolutionary Russia, mention should be made of the social atmosphere in which the process took place.

We can single out three distinct periods of public interest in the *artel*, initially the predominant form of cooperative. The first period, spanning a decade from the mid-1860s, was marked by heightened public interest in the idea of an *artel* and attempts, often unsuccessful, were made to apply it in production. The next decade showed complete indifference of society to the ideas of industrial *artels* and no significant attempts to put it into practice. But from the mid-1880s, the former interest was rekindled, followed by concrete assistance from businessmen having direct dealings with artisans and handicraftsmen. But, coming from the outside, the idea of uniting in cooperatives was National Congress of Cooperatives, however, was a watershed event. This congress and the general atmosphere of reforms and press freedom in Russia at the time heightened public interest in the cooperative movement. The book market was inundated with various literature on cooperative issues as the broad public learned more and more about them and cooperative activity grew at an unprecedented rate. Many men of outstanding intellect and professional aptitude devoted themselves to the cooperative cause, while economists and social scientists tried to draw theoretical conclusions from the vast practical experience accumulated by the cooperative movement, which at the time was recognized as one of the best in the world.

The Civil War of 1918-1920 following the Bolshevik Revolution had a disastrous effect on the economy as a whole and the cooperative system in particular. In the period of War Communism, the rapidly growing state establishment actively interfered in the economy, controlling the purchase of raw materials, banning the sale of finished products by any non-state-run enterprises, etc. Great damage was done by the cooperative movement by the nationalization and shutting down of factories, plants and workshops manufacturing semi-finished products. Having lost the source of raw materials, the cooperatives found themselves in quite a predicament. The way of life of society, however, had also changed as demands and tastes were largely levelled. The economic dislocation called for a revival of such antediluvian crafts as manufacture of bast shoes, clay pottery and wooden dishes. Crafts which had long receded into folklore and legend had now become essential to human life again. The economic dislocation revived subsistence farming and the most primitive domestic production. With the disruption of economic and trade links, many types of business ceased to exist. That which used to be intellectually and culturally most advanced suffered most. What was primitive and backward remained more or less intact.

How did the legal regulation of cooperatives change in the period of War Communism? Soon after the Bolshevik Revolution, the Soviet government issued a decree under which most legislative acts remained in force - including legislation on cooperatives - pending the adoption of new ones. Only the registration procedure for new cooperatives was changed with the dismantling of the old judicial system. But the wholesale nationalization of the economy

naturally had its effect on cooperatives, too. The nationalization of the Moscow People's Bank financially decapitated the cooperative system. The Decree on Communes made it compulsory for the entire population to join cooperatives, while consumer cooperatives became the tool of the Commissariat (ministry) of Food Supplies. Following the decrees on disbandment of the councils of cooperative congresses and on unification of all types of cooperative organizations, the different types of cooperatives lost their independence in uniform communalized consumer societies.

Only Lenin's New Economic Policy (NEP) suspended the destruction of the cooperative edifice. The decrees of 1921-1923 returned cooperatives their original rights and status. From barter trade, the economy gradually returned to commodity-money and credit relations. The legalization of credit relations brought about the reestablishment of credit cooperatives. A large part of the nationalized property was returned to their original owners. But the Moscow People's Bank remained under state control. After the government proclaimed the freedom of market relations, procurement, purchasing, marketing, and other go-between cooperatives came into their own again. The Decree on Cooperative Finances gave cooperative organizations the status of subjects of private law: thereafter, they were to perform all their operations at their own expense and risk.

The sound scientific backing of the New Economic Policy was largely due to Russia's remaining intellectual potential.

The civil legislation of 1923 distinguished state (nationalized and municipal) property, cooperative property, and private property. It also distinguished the following types of association: society in participation (agreement to share profits and losses), unlimited (general) partnership, limited partnership, joint-stock partnership, and cooperative. Thereby the law recognized diverse forms of economic activity, which meant opening the road to the gradual revival of economic pluralism.

In the early years of NEP, much importance was attached to deregulation of state-run enterprises, which were designated in Soviet legislation as "trusts". Under the 1923 decree, they were put on a self-financing basis and geared to making a profit. The authors of the decree believed that without independence in production and trade, state-run enterprises would not be able to adjust to the market. Relations between trusts and third parties were regulated by civil law. In civil circulation, they enjoyed virtually unchecked economic freedom bordering on the autonomy of private companies.

The authors of the decree also attempted to limit any interference by state authorities in the trusts' activity, building their relations on the lines of a joint-stock company: joining it as a shareholder, the authorities bore full financial responsibility.

The government drew up comprehensive cooperative legislation which became a ramified branch of law embracing the following types of cooperative societies: house-renting and house-building society, invalids' society (artel), credit society, consumers' society, producers' society, farming society, and labour society (artel). A draft Cooperative Code of the Ukraine was drawn up soon after.

However, the New Economic Policy was not altogether consistent. As early as 1923, the state began to interfere in the economy, above all in price-fixing was one of the factors that caused the market crisis and goods famine. Centralized state management of the trusts was reinstated on the basis of production plans,

while profit-making was subordinated to the more general goals of national economic policy, financial responsibility for the trust's performance was replaced by administrative responsibility for meeting state production targets. This accelerated the formation of a special breed of Party officials, the economic nomenclatura. Failures in economic management were compensated by the state. Political goals, directly transformed into economic ones through administrative planning of production, led to total government control of all economic relations, marketing and purchasing operations, centralization of the entire economy, and economic uniformity that put paid to pluralism. In order to eliminate what was described as the "irrational and unhealthy competition" among trusts, their trading organs were amputated. The politicization and bureaucratization of the economy naturally invaded the cooperative system, too. Consumer cooperatives became the main intermediary of state industry, mostly operating on general and model contracts. However, the excessive centralization of state planning dictated by the system of general contracts resulted in production being divorced from the market. State-run industries were unable to react flexibly to market demand or to influence consumer demand. In legislation and in managerial practice, the term "planning" gradually displaced "regulation". The predominant view was that centralized planning could in the long run eliminate "the chaos of market forces". Although, by its very essence centralized planning was meant to harness market relations, not replace them by administrative commands.

Consumer cooperatives were bound hand and foot by "general contracts", turning in effect into a state distributing agency, while the Central Cooperative Union became a kind of ministry. This situation has remained to this day.

Starting from the mid-1930s, the producer cooperative system was also stringently centralized, subordinated to the state plan, and could no longer work for the market. The market itself was replaced by a centralized system of distribution. Credit cooperatives were eliminated. By 1956 producer cooperatives, too, were disbanded.

Private enterprise legalized during the NEP period had been met with suspicion both by the Communist authorities and the broad masses. The ideal of egalitarian justice that had been forced on society during War Communism proved extremely tenacious. The state policy of regulating private enterprise in industry and trade had the aim of strangulating private capital. Private entrepreneurs in production and trade became in effect pariahs, who were even disfranchised. Economic instability and a social atmosphere of a gathering storm induced entrepreneurs to invest mostly in trade. Private trade often degenerated into profiteering. Apart from purely economic factors, the ideological rejection of the idea of property stratification of society - a natural concomitant of free enterprise - prompted the Stalin administration to phase out the New Economic Policy by the late 1920s.

Today's resurgence of the cooperative movement in the USSR signifies an attempt to implant market relations in a non-market economy. Decades of pent-up problems bred by a deformed economy have finally burst out into the open. History repeats itself, but much useful experience has been forgotten and lost. It is time to see what we can learn from that impressive chunk of experience amassed by the Russian cooperative movement both before and after the 1917 Revolution and make use of it in the new context of today.