

On the other hand, the sector of "small units" (as they are called in the specific literature) utilizes the local material resources in a productive efficient manner. Areas with varying degrees of wealth have always been visible on any country's map and the poor areas have always been faced with the most serious social problems. Solutions worked out in the developed areas have only been partially applicable to the under-developed ones, with development models not being imported as successfully as expected. Few models have been as applicable across cultural borders, as that of **social cooperatives**. A positivist discourse dominates the literature of the field, which is oriented towards evidencing the multiple benefits a social group and the entire society can gain from establishing this type of organization. In our turn, we shall further develop the subject of co-operatives with an emphasis on the situation in Romania.

2. The model of social cooperatives

Essentially, cooperatives make use of local social-human resources, meet specific community needs and are forms of cooperation based mainly on relations of neighborhood. A cooperative which produces or facilitates the consumption of products, built on principles of democratic management and administration, is not an instrument for making profit to the exclusive benefit of its owners, even if they participate in its construction en masse. The distinctive feature is the practical method of setting up the initial capital, which is collective. A number of analysts of the cooperative phenomenon appreciate the model as a social ideal, involving it, for instance, in the elaboration of corporate development systems. Some countries have applied and continue to encourage the use of the social cooperatives' model (we should remember the cases of the cooperatives in the Emilia-Romagna region, in Italy, or the Mondragon model in Spain). Of course, the basic model is not new: it was initially elaborated at Rochdale (in Northern England) in 1844 when a group of 28 workers and entrepreneurs founded the first cooperative with a view to promoting the members' collective economic interests, as a reaction to the effects of the "absolutist" British industrialism of the 19th century. The British cooperative model can be found in widely varying countries of the world, from Asia, Africa, Latin America, to Europe, showing a maximum cultural resiliency. It has been adapted in order to meet diverse local needs and it has proved to be not only an alternative to the social alienation caused by explosive industrialisation but also a practical solution to the chronic poverty of various regions all over the world. The high degree of the cooperatives' geographical distribution and cultural adaptation has made a unitary definition quite difficult. However, one can speak about a set of universal characteristics of the cooperative, which ignore the cultural differences.

2.1 The definition of the cooperative organization

A type of small and medium sized enterprise, the cooperative is a profit-based association with a wide range of activities. The most widely accepted general definition of the cooperative is as an organizational form aimed at mutual financial assistance. One of the most quoted definitions is that given by Hans Munker¹, who describes the cooperative by identifying four capital traits:

- The cooperative is a **group** of persons made up of a variable number of members who have in common at least one **economic interest**;
- The purpose of the group and of each of its members is to meet their needs by **common action and mutual assistance**;
- The effective means for attaining their goal is the **enterprise** which they hold in private group ownership;

¹ Emmanuel Kamdem, "Co-operatives and Co-operatives Enterprises", in L. Nikolau-Smokoviti, Gyorgy Szell (eds.). *Participation, organizational effectiveness and quality of work life in the year 2000*. 1994: Peter Lang GmbH, Europaischer der Wissenschaften, Frankfurt am Main, p.299-308.

- the autonomy and self-management;
- the members' participation in decision making and the democratic control;
- the equitable distribution of the economic proceeds;
- the setting up of an indivisible reserve fund;
- the promotion of education.

Applying, usually selectively, the cooperative principles to the economic process means choosing the “middle way”, the “social economics”. Most of the researchers involved in the analysis of the cooperative phenomenon place it in counter-balance to capitalism. The contiguous relationship between the two “ways” explains the important groundbeing lost by the Romanian cooperative system during the current period of macro-economic restructuring towards privatization, during which it is being founded on capitalist mechanisms.

3. Short history of Romanian cooperativism

The cooperative phenomenon has had a relatively long history in Romania. The beginnings of cooperativism can be traced back to mid 19th century Transylvania, where the first people's bank was set up. It can be said that the cooperative movement appeared against the background of the poor population's attempts to improve their living standards. The first judicial documents acknowledging and regulating the cooperative's operation as a business unit in Romania date back to 1887, to the “Dispositions regarding the cooperative organization” of the “Trade Code”. Other judicial documents promoting the cooperative development model in Romanian society were The Law on people's banks (1903), the Law on handicraft cooperatives (1909), the Decree-Law on town cooperatives (1919), the Cooperation Code (1928) and the Law for the organization of cooperation (1935). This legislative dynamism may be regarded as a mark of cooperativism's significance, encouraged at the turn of the century as an alternative to the relatively weak industrial development of the country. Thus, in 1928 there were about 11,000 cooperatives registered, of which 70% survived the economic crisis. The “great trial” that cooperatives had to cross was the beginning of the communist regime. Although they did not escape nationalization and state control, the cooperative form of activity and property was officially recognized by Decree no.133/1949, which regulated both the operation of the handicraft and consumption cooperatives and that of the agricultural ones, together with any other type of associations. In 1954 the credit and business cooperatives were organized (Decree no.455). The cooperative doctrine was one of the political ideologies which marked the end of the 19th century. The current administrative separation of the two branches of the Romanian cooperative system - artisan production/ small industry and services (“handicraft cooperatives”), and consumption and credit cooperation (“consumption cooperatives” and village “people's banks”) respectively - dates back to the same period of accentuated politicization of the cooperative movement. Following a period of relative economic prosperity under the communist regime, upon the change of regime in 1990, the two cooperative sub-systems have entered a severe decline, unstopped yet, despite the proven economic and social potential of the cooperatives. The decline can be largely accounted for by the extremely negative image the population developed of the village consumption cooperatives during the food crisis of the '80s, when selling consumption goods was conditional on the “acquisition” of agricultural produce from the population.

Two Decree-Laws (nos. 66 and 67 of 1990) were designed to recognize the cooperative form of organization under the new regime, but these acts of political will could not compensate for the lack of interior renewal, especially in the field of human resources where the inadequacy grew more serious every year. The statistics show a generalized economic recession accompanied by a severe decrease in the number of cooperative members. On the other hand, the population no longer perceives joining in a cooperative as a true employment alternative. This is the explanation for the fact that people do not adhere to this form of association for economic purposes. Reduced relevancy, lacunae, obsolete

methodology and untrustworthiness characterize the information the cooperative institutions with a centralist mission provide. It is difficult to describe the system's decay with internal data, since those who have undertaken to collect and interpret the statistical data are not forthcoming with details of the methodologies being used.

One of the structural modifications operated during the last years in the profile of local cooperativism was the institutionalization of the mutual assistance funds. Before 1990 these were "public" associations of the retirees under the patronage of the pension systems and in collaboration with them. A recent law has officially acknowledged them as social organizations without a profit-based scope, with an exclusively financial mutual assistance status. The character of the rotational credit association does not allow the mutual assistance funds the status of small or medium sized enterprises.

We shall further deal with the three specific cases of cooperativism applied in Romanian society.

4. Types of cooperative enterprises in Romania

4.1. The handicraft cooperatives

The Romanian handicraft cooperation sub-system has been a traditional component of the national economy. It is recognized by, and affiliated to, the International Cooperative Alliance, an organization that imposes the observance of the fundamental cooperative principles. Like all of Romanian economy, to which it is inter-dependently connected, the "handicraft cooperatives" sub-system has entered a crisis. The cooperative's reform cannot evade adaptation to the new general economic environment, which is characterized by turbulence. Their present condition indicates a strong resistance to change and a lack of options regarding the reform strategy.

The goods and services provided by these types of business units have a pronounced **local** character, a particular characteristic of the handicraft cooperative. For decades, especially under the communist regime, cooperatives were the only suppliers of services in many fields, in circumstances of oligopoly. Through their activities they met the current needs of the population, such as: the repair of electric household appliances, the processing of precious metals (jewelry), barbering and hairdressing, photographic and clothes cleaning services, the repair of foot wear, carpentry, etc. Other cooperatives specialized in the production of small industry artisan goods - which have rapidly lost their place in the market to products manufactured in conditions of increased competition in the new private workshops and factories, many of them opened by former cooperative members.

The judicial-administrative categories of cooperatives currently included in the national artisan small industry are: the handicraft cooperative, the handicraft cooperative enterprise, the shareholding cooperative enterprise and the small handicraft cooperative. Each of these organizational forms has its own status, the differences between them being in terms of internal structure. They allow their members to distribute the profit among themselves upon completion of the financial year, directly proportionally with the "deposited shares". **Profit distribution** is the main statutory provision preventing the comparison of Romanian artisan and small industry cooperatives with those in the European Union's member states, and at the same time it excludes them from the category of non-profit organizations. Even without a true profit, most of the handicraft cooperatives in Romania cannot be considered similar to the associations set up on the basis of Law no.21/1924 whose memorandum explicitly provided for the **non-distribution of the profit** coming from business activities.

The handicraft cooperative is defined, in its most recent statute (June 1996), as "an independent association with a business and social goal, set up according to the free

consent of its members, for the purpose of carrying out activities in common, with cooperative owned or rented means of production". Other characteristics of the cooperative are also specified thereunder: the number of **at least 50 members** and the existence of an initial registered capital of at least 1 million lei. Membership can be obtained upon request, starting from age 16, provided that the registration fee and the contribution to the registered capital established in the general meeting were deposited. The status of cooperator is not incompatible with that of member, employee, shareholder etc. in other organizations. The contribution to the registered capital, except for the patrimony, is returned to the member who leaves the cooperative. The double sanction should be remarked, whereby the final sentencing to imprisonment by a court of law automatically triggers the loss of cooperator status.

The activities of handicraft cooperatives vary: from providing services, executing works upon order, producing consumption goods and artisan objects, purchasing goods from private or legal persons, reconditioning and turning them into account, to trading merchandise, importing and exporting, practicing sports. Cooperatives have one or several distinct units, departments with similar profile and can employ home labor.

Among the other categories, a special case is that of the **cooperative employing handicapped personnel**. For cooperators with various degrees of handicap, assessed by medical labor ability expertise boards, the initial contribution to the registered capital may be equal to at least one basic salary. The cooperative made up of persons whose disabilities do not prevent them from carrying out production activities may obtain the status of "protected unit", under Law no.57/1992 regarding employment of handicapped persons. In order to obtain this special status the proportion of disabled employees must reach at least 70%. In the case of blindness, the percentage decreases to 50%. The main advantage of this status is the tax exemption, particularly regards VAT, which may theoretically lead to a larger economic rehabilitation of this type of cooperatives.

As regards the **organization of the resources**, the chapter concerning **the financial means** registers (according to the memorandum) the following instruments:

- the registration fees and the contributions to the registered capital;
- the value of the goods and production means brought in by the cooperators;
- quotas from the cooperative's profit designed for development, for covering the expenses with the circulating assets, for social, cultural and sports actions, etc.

The **net profit distribution** is made as follows:

- a minimum 30% allocated to production maintenance and investments;
- a fund for the cooperators participation in the profit in accordance with their work and their contribution to the registered capital;
- a reserve fund for critical situations;
- a fund for financing social, cultural, sports actions (unspecified but generally not applied lately);
- a 3% fund at the disposition of the cooperative's president (the existence of this financial instrument has led to the diminution of the democratic character of the organization's management);
- a fund for assisting handicapped people, constituted in the case of cooperatives employing their work, consisting in maximum 30% of the tax exemption benefits;

The cooperative registering losses or being unable to continue functioning may be either reorganized into a new type of cooperative (usually smaller) or liquidated. In accordance with the memorandum, its transformation into a private company is not allowed (under Law 31/1990).

The handicraft cooperative maintained a partial autonomy under the communist regime. The types called “cooperative enterprise” (SoCom), “share holding cooperative enterprise” (SCA) or “small cooperative” (CMM) represent attempts to reform the system by accentuating their entrepreneurial character. Through the new forms of organization it is made possible for the status of cooperator to be associated with that of investor or that of shareholder. The person willing to join in one of these cooperatives must **subscribe a quota in the registered capital** (SoCom), or buy **cooperative shares** (SCA). Therefore, cooperators have some new rights in addition to the wages: they may obtain interest for their contribution to the registered capital, or dividends from the shares turned into account. The traditional principle “one man = one vote” thus turns into “one share = one vote”. In certain circumstances the general meetings can approve an accumulation of shares. A special case, regarded as a significant step towards an accentuated privatization, which blurs the well-known traits of the cooperative, is provided by the so-called “small handicraft cooperative”: it can be founded by a minimum of 5 persons, even legal ones, who become the financing associated members. It is hoped that this way private investors would be attracted into cooperatives, the possible holders of great resources, and first of all of capital. The biggest problem the small industry sector has had to face in Romania during the period of transition towards a market-type economy was precisely **the chronic lack of liquid capital**. Three elements related to cooperatives put them at a **disadvantage** during the transition to a capitalist-type economy:

1. the preference to invest private capital, irrespective of its size, into a business with a restricted number of partners;
2. the indivisibility of the cooperative's assets;
3. the limited distribution of the profit (although the indivisibility of the reserve fund was renounced).

Seeing the tendency of cooperatives to be liquidated, it can be appreciated that the organizational division phenomenon has had a **regulatory function**, because it has led to an even more compatible aggregation of individual interests.

The difference in size between the registered capital and the net patrimony of cooperatives is large. According to an estimation by the statistics department of “Ucecom”, net assets on a national scale, which includes the fixed assets, is 37 times higher than the capital made up of the cooperators' shares. In order to encourage people to remain in cooperatives, all assets were apportioned. The changes went as far as allowing the rental or transfer of assets to another cooperative, or even the actual sale of assets. The sales frequency was high, especially in the case of the cooperatives' commercial premises but the sums obtained did not produce sufficient resources for a re-launch. The weak democratic control over the correctness of these operations led to abuses.

The **apportioning of the registered capital** of a cooperative was necessary due to the ambiguity surrounding the matter under the communist regime, when the free association procedures were evaded and the cooperators' recruitment was discretionary constituting an act of managerial authority. In fact, at a time when the authorities were trying to liquidate any form of ownership other than the state's, the private group ownership of the cooperative was called “cooperative ownership”, a much disputed term. The apportioning of the registered capital to each member was intended to “return” the cooperative into the property of its members.

The liberal amendments introduced in Romanian cooperativism have oriented the artisan cooperative towards the business firm. The liberalization was designed to stimulate the accumulation of capital by cooperative organizations and to increase their satisfaction. In an attempt to disperse the dissatisfaction manifested in acts of syndication during the

transition period, the so-called **social councils** of the cooperators were set up. They had a consultative role and no executive responsibilities.

As regards the structural innovations, serious question marks have been raised over the **equitability** of the former handicraft cooperatives' members' access to the "privatization" (or semi-privatization) process, operated following a partially democratic consultation after 1990. On the other hand, the administrative-judicial innovations' **viability** is also questioned now, several years after their promulgation, while the economic depression has deepened. The reform, which remained at its initial level, of ideological clarification, has led to the loss of the cooperativism's traditional specificity and has generated institutional hybrids with a low operational effectiveness in the circumstances of the Romanian market.

The number of handicraft cooperators in Romania decreased progressively, year after year. Two years ago their official number was 134,301, three times lower than at the end of 1989. Of the about 20,000 handicapped people working in cooperatives in 1989, only 6,000 were left at the end of 1995. (See Table 1).

Table 1

	1989	1990	1991	1992	1993	1994	1995	1996
total number of cooperators	429778	332977	280519	222846	182469	152704	134301	126386
cooperators with handicaps	19395	17040	13680	10827	8552	6796	5917	5230

Source: *Handicraft Co-operatives Yearbook*, "UCECOM", Bucharest, 1996, p. 15.

The sector's structure has changed in terms of its organizational composition as well. But this change did not lead to an increase in the number of people employed in this sector. In six years the number of cooperatives **doubled**, from 562 to 1,048 organizations. This proves the existence of a strong will for change but also the instability of the internal environment. While the number of cooperators decreased, as more and more of them left for various reasons, the organizations became more and more divided. The internal cohesion weakened and the press coverage reflected frequent cases of conflicts. The divisions, the politics, the challenging of the managers and even the syndication tendencies were the main aspects of the matter reflected in the press. In fact, none of the cooperatives set up after 1990 is really new, i.e. being founded by a group of persons' act of voluntary association.

At the national level, **the human dimension** of a cooperative decreased by an average of six times between 1989 and 1995, but the diminution varied from one county to the other, depending on certain area particularities. (See Table 2) Radical modifications occurred in three counties, located at large distances from one another:

- Gorj (from 11 cooperatives in 1989 to 65 in 1995; here the lowest average number of cooperators per organization was reached, which decreased 25 times in this interval; in fact, this was the county to initiate the model of the "small cooperative", founded by a minimum of five members, which is less than the number of founders necessary for a legally constituted non-profit organization);
- Constanta (from 20 in 1989 to 71 cooperatives in 1995; this also accounts for the decrease in size by 12 times of the local cooperative during the last six years);
- Suceava (from 13 to 40 cooperatives, with a decrease by 90% of the average number of employees/cooperative).

The counties manifesting the highest degree of **cohesion** during this period of intense disintegration, illustrated by the decrease of the average number of cooperators between 1989 and 1995 were: Harghita, Giurgiu, Cluj, Mures and Bihor. These counties presented the most **conservative** tendencies. Four of them were located in Transylvania.

manifesting a severe isolation tendency, being incapable of adaptation to the new macro-environment's requirements. "Ucecom" is nowadays financially stable due to the profitable activity of several joint ventures in which it is main stock holder, such as: The Bank for Small Industry and Free Enterprise ("Mindbank", set up in 1990), the "Arinco" joint insurance company, the "Sadcom" warehouse, the "Icecoop" foreign trade company. The position of this institution as to the handicraft cooperatives is contradictory. Although it behaves like a private investor it defines itself in its own memorandum as a "non-profit institution" and claims to be the "rightful successor of the Central Union of the Handicraft Cooperatives in Romania", respectively the former central body functioning before 1989. In fact, "Ucecom" was the acronym under which it was known under the previous regime as well. At that time it was under the direct control of the Communist Party. The primary function the previous regime granted it was precisely the centralist planning of the artisan output.

The current central institution claims that it "supports, coordinates and represents the handicraft cooperative organizations and regulates their function", being their representative worldwide. Undoubtedly, "Ucecom" is no more a cooperative than it is a legally constituted non-profit organization. At present, most of the handicraft cooperatives in Romania are affiliated to "Ucecom" upon payment of an affiliation fee. The only exception is in the county of Arad, where the highest profit rate was registered during the last years. Although "Ucecom" formally acknowledges the decentralization and autonomy principles, in fact it assumes an opposite role. It maintains in its subordination a national network of 40 area associations with similar objects of activity and an uncertain mission. These county offices represent intermediate centralist links and are hardly justifiable as organizations. In fact, the territorial organization scheme is a true copy of the one existing before 1990, when in each county there was a "county union of the handicraft cooperatives". They duplicate "Ucecom"'s role and contribute to the weakening of the direct link between the central administration and the basic levels represented by the cooperatives and cooperators. The activity of the county "Atcom"s is reduced and their contribution to the support and stimulation of cooperatives is imperceptible. Lately, taking the assets of failed co-operatives, some territorial associations have started to administrate their own businesses and to be profitable.

An "Arbitration Court" operates within "Ucecom", which "solves any asset litigation between handicraft cooperative organizations, between cooperatives and their members, with the exception of certain rights..." The "General Control Inspection Office" is just another department exercising centralist control and is entitled to exercise authority over "any business group disposing of cooperative capital, with the exception of the enterprises set up with business agents from outside the handicraft cooperative system". These two departments are in fact instruments for imposing a "cooperative legislation" - actually a corpus of internal norms, rules and regulations with a variable degree of coherence.

The division components of the central bureaucracy are numerous: the Handicraft Cooperatives Congress, the National Conference, the President of "Ucecom", the National Management Council, the Executive Board, the Executive Board's Bureau, the Revision Commission. The top is relying on an organizational structure designed for the transmission and execution of decisions, in which several departments are included: the technical dept., the development and cooperation dept., the dept. of social issues, the dept. of cooperative legislation, the dept. of statistics. All in all, the National Associations' staff has lately been lately varying around the level of 200 employees, with a significant increase in the number of employees "detached" during the first two years after the political regime changed, followed by a tendency to decrease. Being a bureaucratic organization, its personnel is old, as the young employees leave the institution of their own accord after the so-called probation period. In this case, we are dealing with an organizational culture with a strongly conservative specificity, opposed to external communication and innovation. Such a cultural background may hardly be seen as a renewal factor favoring managerial reform. With these dimensions and bureaucratic organization "Ucecom" calls itself "ministry of the handicraft

cooperatives”, undertaking as its explicit mission to **maintain the system’s unity**. The **cooperative education system** is traditional, especially as regards the secondary level, specialized in vocational schools and high schools. During the period between the two world wars there were even higher education branches, which dealt with the study of cooperatives. In 1995 there were twelve schools officially acknowledged by the Ministry of Education, which promoted 5692 graduates. The types of schools functioning in cooperatives nowadays are: vocational schools with eight or ten grades, complementary apprenticeship schools, post high school schools for foremen in various fields. All these train a set of people of which only a small number find job opportunities in cooperatives. Under the title of “Artifex - Academy of High Cooperative Studies” even a university with two accredited faculties started functioning in 1992, which is now training over 1000 students. Another training institution is the Center for managerial improvement of the executive personnel in cooperatives, “Cepecom”. Due to the lack of managerial competition, identified as a general problem, there is also a lack of performance that leads to the limitation of the range of professional improvement programmes offered by this Center.

4.2. The consumption and credit cooperatives

The consumption and credit cooperatives developed in parallel with the handicraft production system. The legal frame was frequently regulated in a unitary manner for both categories of organizations, as it actually was for cooperatives in general. The first credit cooperatives date back to mid 19th century, when a **people’s bank** was set up in Transylvania (Bistrita). The population’s participation, particularly that of the small rural contributors, in the financial capitalization process, was designed for the formation and strengthening of the middle social class and through history it experienced periods of support and encouragement by the state. The association of many of these people’s banks led to the establishment of the “Albina” credit bank, initiated in Transylvania (1872-1948), which turned out to be one of the most prosperous Romanian banks of the first half of this century, with a large network of small banks designed for the rural population and for supporting the agriculture.

The two types of cooperative organization composing this economic sector oriented particularly towards the rural environment are: the consumption cooperative and the credit cooperative. Their functioning is regulated under Law no.109/1996 and under several other inter-sectorial norms and regulations. Mostly similar, the two statutes present differences as regards the object of activity and the specific operation criteria.

Both associations define themselves as “autonomous, apolitical and non-governmental associations, aimed mainly at organizing activities based on the principle of mutual assistance between members”. The **consumption cooperative’s** specificity is shown in the range of objectives among which are: trade, public food and beverage services, tourism, industrial output, acquisition of vegetal and animal products from the population with the purpose of processing and re-selling them, other services. The **people’s bank** set up on basis of the cooperative principles grant “priority” loans “on favorable terms to the cooperative members and agricultural producers”. At the same time, it “turns into account” the members’ money deposits by participating in the registered capital of companies, it executes financial and banking operations for various individual and legal persons, and it concludes and guarantees insurance under mandate. Unlike in the case of a private bank, the registered capital deposited for the setting up of a people’s bank does not bring interest, and deposits are not guaranteed under the Population Deposit Guarantee Fund administered by the National Bank of Romania. In fact, the NBR does not intervene in any way in the authorization or supervision of the credit cooperatives.

The fundamental principle “one man = one vote” gives an explicit characterization of the administration of these cooperatives whereby share holding - which is specific of non-cooperative business organization forms - cannot be promoted. Although these cooperatives

have pledged to maintain the fundamental democratic decision-making principle, they have adopted, in their turn, the distribution principle, characteristic of the private business firms, which gives the owners the possibility to obtain a net annual profit under the form of dividends. The employees are not the equivalents of the cooperators, although it is possible for an individual to hold both statuses at the same time. Distinction should be made between “employer” and “employee”. Thus, the position of cooperator is declared incompatible with that of trade union member. Like in the case of the handicraft cooperatives, with the generalized impetus of unions and labor rights defense in Romanian society, paradoxical situations appeared, like the “cooperators’ trade unions”. This shows a shortage in the adaptation of the cooperative organization form and in the application of the democratic management instruments.

One of the problems which adversely affected the credit and consumption cooperatives, openly expressed after 1990, was the **preferential client treatment**. Instead of the ideal openness to free association, a stage of closedness was reached, in which nepotism often played a negative part. The new functional statutes insistently exclude relatives up to the third degree (“husband, wife, as well as the relatives, close and distant, of the administrators”) from the administration board and censors’ commission, and show the necessity to warn public opinion about the interest manifested by the administrator’s relatives in an “operation” affecting the cooperative’s well-functioning.

The organizational and hierarchical structure of the consumption and credit cooperatives at the national scale, as legislated in 1996, is over-burdened and non-performing. It only perpetrates, in broad lines, a form that operated prior to the transition period. The association of the two major types of activity into unique system raises a true difficulty related to the unification of the scopes and interests, and to the extended bureaucracy, amplified ever since the communist regime.

At the end of 1996, the system included 1577 consumption cooperatives and 758 people’s banks, covering the rural environment all over the country. In accordance with the figures made available, the total number of members has reached the fabulous level of 2.73 million persons in consumption cooperatives and 1.73 million in credit ones. This gives an average of 1734 associated members per consumption cooperative and 2287 per credit one - which represents the rural population of a large village or even more than that.

Other types of organizations included from the administrative point of view into the category of consumption and credit cooperatives are: the National Union of Consumption and Credit Cooperatives - “Centrocoop”, with its territorial network of subordinated agencies (“Federalcoop”), and a parallel structure of representation, coordination and control of the people’s banks, namely the Credit Cooperatives’ Fund - “Creditcoop”, with its own county network. All in all, the number of institutions with a bureaucratic-administrative character goes as high as 82! We do not know the number of employees working in all these institutions. “Centrocoop” appreciates that the decline has been stopped. The total economic volume of activity in the consumption cooperatives reached lei 1074.5 billion in 1996 and the export value amounted to US\$ 4.2 million. In computing the percentage these figures have in the national economy we must take into account that the 1996 Gross Domestic Product reached lei 1112 thousand billion (which gives a percentage of less than 1% of the GDP). Under the previous regime exports were directed mainly to the CAER market, following the non-performing rules of a market with limited freedom, and to the Middle East.

As regards the amplitude of the people’s banks’ financial activity in the same year 1996, loans were granted to members in amount of lei 454.3 million. In principle, the credits were designed for supporting agriculture. The low interest practiced during the explosive inflation years determined a de-capitalization of the small people’s banks once their capital was directed, by way of loans, to the large private banks practicing sensibly higher interests

“Centrocoop”, the detailed indicators have a low statistical performance and a clear inadequacy to the new type of economy. On the other hand, the Bulletin has a limited internal circulation. The data disseminated by “Centrocoop” ‘s statistic office is neither periodical nor consistent nor is its methodology transparent.

4.3. The mutual assistance funds

At a time when the securities’ market is unstable and inflation high, the fate of the mutual assistance funds and people’s banks is one of **subordination** to the private banking system. Through the stimulating interest practiced on loans, they become additional sources of liquid funds for the private banks, to which only a limited and well-established number of persons have access. The multiple pressures exercised on these associations, designed for mutual assistance by rotation credits, is not meant to encourage their development, and the migration of their capital towards the great actors of the financial market is constantly endangering their very institutional existence. On the other hand, the rotation credit principle provides the mutual assistance funds with an increased mobility, compared to the other types of banks, reducing the bureaucratization, which makes people’s access to the banking services harder.

The mutual assistance funds’ **vulnerability** comes from the necessity that their rhythm of capitalization always be more rapid than the rhythm of loan granting. The strict order in loan granting is the main operational pre-requisite. Joining in a rotation credit association implies the existence of an important extent of social trust, both in the institution itself and in the other participants. The observance of the rotational rule in the granting of the loan right involves the ethical dimension of this assistance, which must be clearly regulated. Unfortunately, among the rules and regulations of the MAF there is no explicit reference to the general rule of sequential crediting, which is being left at the latitude of the general meeting of each MAF.

Law no.122/1996, which replaces decree no.358 of 1949 regarding the so-called “organization of the mutual assistance funds beside the trade unions” defines the employees’ mutual assistance funds as “associations without a lucrative purpose, organized on basis of the employees’ free consent”, having as object of activity “the granting of loans with interest, which return to the members’ social fund after the deduction of the statutory expenses”. The degree of MAF’s institutionalization is reduced, since the fund is made up by employees of a self-sustaining organization, and thus comes upon the pre-existing structure of a “host-organization”. Small personnel made up of a president, a vice-president, a secretary, and an accountant and censors’ commission with at least three members administers the money. The law gives tax exemption for the operations of the mutual assistance funds. Their legal personality is granted under Law no.21/1924. However, despite their compliance with the requirements of Law no.21/1924, these associations belong to the “gray” area of the non-profit sector, as the financial specificity of their mission does not allow their inclusion among the other acknowledged active organizations of the civil society, set up on basis of the same law (no.21/1924).

The financial instruments of a mutual assistance fund are simple: the members’ social fund, the death assistance fund, and the cumulated reserve fund. The income results from the circulation of the financial resources among the MAF members and other similar funds, from the registration fees and from the interests on the current bank accounts. The size of the loans granted from the social fund varies from three to five times the nominal social fund, and is reimbursed in installments, straight from the employees’ payment orders, with a stimulating interest.

In parentheses it should be noted that the internal memorandums of the handicraft cooperatives provide, in their turn, for an own procedure of organization of the

handicraftmen's mutual assistance funds, which, however, no legal document refers to. The handicraftmen's rotation credit "sub-associations" are not affiliated to the MAF structures.

In 1996 the number of associations legally registered under Law 122 reached 5215, having 2.236 million members (with an average of approx. 430 members per MAF). Though the law did not require it, most MAF-s were affiliated to 41 county branches, and to the National Union of the Employees' Mutual Assistance Funds, headquartered in Bucharest, which was a central structure with a representative role. The number of employees in these associations, which made up the territorial network of representative organizations, reached 106 in 1996. Apart from them a significantly higher number of volunteers was registered (489 according to NUEMAF's appreciation). The global expense volume of the mutual assistance funds reached lei 1241.58 million in 1995.

The marginal role mutual assistance funds were given among the other types of cooperatives was explained by the absence of the value added and their non-participation in the Gross Domestic Product. Their success was nevertheless proven in the most varied societies all over the world. In the future, an increase is expected in the number of rotational credit associations in Romania.

4.4. Reflections in the press

Hereunder we present some of the subjects most frequently approached by the press:

- *The syndication of the cooperatives.* The setting up of a Confederation of the Free Trade Unions in Cooperatives was not recognized by "Ucecom", which rejected the role of "employer" of the handicraft cooperatives. One of the issues the trade union got involved into was to take over the former "Cascom" Pension Fund's patrimony, namely the vacation and treatment base, just like other trade unions did. The press in any way has not signaled the activity of this association with a trade union character, which consists in promoting the interests of the cooperatives' employees, during the last two years.
- *The fall of "Cascom".* The delays in paying the cooperators' pension rights, which ended in a complete suspension of the payments and insistent approaches for their integration in the state system, were intensely reflected in the media. "Ucecom"'s image suffered a considerable negative impact because of this matter. One of the reproaches brought to the central administration was the setting up, at a time when Cascom was in full crisis, of "Mindbank", in which Ucecom held the majority package.
- *The handicraft cooperatives' "autonomy".* Although rarely reflected in the press, the cases of some handicraft cooperatives' de-affiliation revealed a tendency to challenge the centralism. In this context, the double supervision of the cooperative was invoked (on the one hand the state's supervision and on the other hand that of Ucecom's control bodies), which affected the cooperative's independence. The cooperative's autonomy would open its way to becoming company. (For example, the article entitled "The handicraft cooperatives in the bonds of socialism", in "Romania libera" no.621, April 1, 1992. p.3).
- *The corruption.* The decisions to dissolve certain cooperatives with high losses, which reached the press, were interpreted as discretionary acts of the cooperative's executive, in connivance with "Ucecom". In the same direction were targeted the articles signaling the selling of cooperatives' assets (especially business premises), in incorrect tenders. The case was also frequently invoked of Ucecom's president, accused of being politically involved, in his capacity as vice-president of PDSR, ruling party until 1996, and his alleged fabulous salary. The former Bankoop president's being arrested provided another subject for granting non-guaranteed loans.
- *The fraudulent business.* A cycle of articles ("Ziua", September 1994) dealt with the fraudulent businesses of "Sadcom" and "Icecoop" (two of the companies set up by Ucecom) which carried out contracts abroad with high losses.

