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A Far-reaching Shift in Argumentation: Parliamentary Debates on (post-)socialist Agricultural Cooperatives in the 1990s

Abstract

The debate as to whether Slovak post-socialist agricultural cooperatives are cooperatives or not represents one of the focal points of their post-1989 development. The answer to this question determined and/or legitimized the rationale for the legislative framework concerning their post-socialist transformation. This analysis draws mainly on data from the parliamentary debates that preceded the enactment of three pivotal laws. In comparing the debates in 1991/1992 and 1995, the examination focuses on the shift in the argumentation put forward by representatives speaking on behalf of cooperative farms. A dramatic shift in reasoning about the character of cooperative enterprises and appropriate voting rights is interpreted as a pragmatic, effect-oriented action. It is argued that both delicate work with the hybrid nature of post-socialist cooperative farms as well as the initial withholding of cooperative principles contributed to the preservation of the specific kinds of agricultural cooperative, and consequently also large corporate farm, which now exist in Slovakia.

Keywords: post-socialism, transformation, agriculture, cooperatives, voting rights, Slovakia.

The theme of farm restructuring in post-socialist countries has attracted the attention of many social scientists¹. The transformation process in the Czech and Slovak Republic (later as separate countries) has also been included in several important comparative studies and collections (e.g. Swinnen et al 1997, Hann et al 2003). Studies often focus on legislation; on differences in the principles of transformation, restitution, and privatization; on the

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implementation process; and on the resulting changes in the property relations and organization concerning agricultural production.

The transformation of socialist agricultural cooperatives was at the centre of these analyses. Basically, the imperative to transform was propelled and accompanied by the expectation that the opportunity to farm privately would be rapidly embraced. However, the cooperative farms did not break up as was expected. Since the de-collectivization and privatization process in agriculture did not proceed as anticipated, several scholars undertook to study and interpret this rather surprising development (e.g. Blaas 1995, Kabat and Hagedorn 1997, Námerová 1997, Schlüter 2000, Swain 1998, 1999, 2007, Bezemer 2002, Bandlerová 2004).

This article also provides a contribution towards deciphering the puzzle of why agricultural cooperatives were maintained. However, unlike the work of most other scholars, this examination of cooperative farms is focused on the contentious determination of 'internal' variables, such as the allotment of assets, membership rules and voting rights, which played a significant role in determining the development of post-socialist farm restructuring. In particular, this study's object is the process of legislation enactment with a focus on parliamentary negotiation about the character of (post-) socialist agricultural cooperatives. These parliamentary discussions are analysed as a form of action, as a pragmatic, effect-oriented agency. Determining the character of cooperatives provided a necessary legitimizing tool which made it possible to submit or oppose specific legislative proposals which could consequently authorize certain kinds of local action – supposedly resulting in either preserving or dismantling agricultural cooperatives.

Onset circumstances of the transformation process

During socialism, collective farms represented the primary organizational form of agricultural production in Slovakia in terms of cultivated arable land, livestock breeding and rural employment². They farmed almost 70%

² Besides collective farms, there were state farms (fewer in number but bigger in size) and very marginal individual farmers. Additionally, one also ought to mention household plots and low-scale animal husbandry, which considerably contributed to the self-subsistence of rural households. Moreover, home production, tacitly supported by the state (Swain 2007: 2), would (partially) provide for the needs of the main state supply chain – especially in terms of vegetables and fruit and, on a much smaller scale, meat (Kabat and Hagedorn 1997: 233).

of the arable land and employed 85% of the agricultural workforce (VUEPP³ 1999: 84). Originally, they were established by the Act on United Agricultural Cooperatives No. 69/1949 Coll. and the idea, in principle, was to create a cooperative in (almost) every village. The process of the usually forced (although in some cases also voluntary) unification of individual farmers into collective farms continued virtually until the late 1970s⁴. Later, partly in order to avert or alleviate the economic difficulties of worse-off farms, the scheme "one village – one collective farm" was replaced by the project of merging village-based farms into larger units. Thus, at the end of socialism, there were 636 collective farms⁵, with an average area of around 2,500 ha⁶.

Unlike state farms, collective farms were established and evolved using land and property (forcibly) "donated" to the farm⁷. Some peasants (or their descendants) who contributed their land and property would join the collective farm; others found employment elsewhere. The formal titles to plots of land donated to a collective farm were not abolished in socialism and the list of property donations would be archived as formal, valid documents. Although collective farms were definitely subsidized by the state and were not nearly as financially self-sufficient during the last two decades of socialism as they were in the 1950s and 1960s, they still kept their relative autonomy until the end of the command economy. However, in spite of the word "cooperatives" in their official title, their assets did not belong to their particular members as individuals, as is characteristic for standard cooperatives. Since the members did not have formal ownership titles to cooperatives' assets, these farms were virtually collective farms in terms of internal ownership titles and property rights.

As of November 1989, the political, social and economic order of the socialist command economy was scheduled to undergo fundamental transformation towards a democratic society and a market economy. The

³ VUEPP stands for "Výskumný ústav ekonomiky poľnohospodárstva a potravinárstva," or "The Research Institute of Agricultural and Food Economics" (see: http://www.vuepp.sk/ eng/index_eng.html).

⁴ Námerová 1997: 78.

⁵ This number is also cited by Gubová et al (2001: 39). Kabat and Hagedorn (1997: 258) mention the number 630 and Blaas et al (1994: 18) the number 604.

⁶ VUEPP 1999: 84.

⁷ At the same time, one has to add that some collective farms also farmed on land that was confiscated by the state and was (later) included in the acreage of a village's collective farm. However, most of the confiscated land was cultivated by state farms.

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aim of the post-1989 reforms in the economic system was to establish functioning market relations based on the institution of private property. Setting up a free market economy with a 'slim' state – as advised by foreign experts – was not a simple task, however. Paradoxically, withdrawing the state from economic relations required massive state assistance (Spicer et al 2000, Meyer 2003, Verdery 2003). The prime task to be accomplished in order to lay the foundation for a market economy was to constitute legislative regulations that would determine the mechanisms for the transfer of state, collective and public property to individuals and private companies.

The perceived necessity and urgency to transfer state and collective assets (back) to individual private ownership was based on two main arguments: economic and moral. The moral dimension of the imperative to restore private ownership titles to land and assets was referred to in a set of restitution laws⁸, of which Act No. 229/1991 specifically addressed confiscated agricultural property⁹. Returning property to its original¹⁰ owner aimed to symbolically underline the political postulates of the post-1989 government as well as to *mitigate the impacts of the injustices related to property rights*¹¹ which the owners had had to face under socialism. The economic reasons, on the other hand, leaned on the findings or presumptions of (foreign) economists that private ownership would improve the performance and efficiency of what were then state, collective or public owned enterprises (see e.g. Meyer 2003, Spicer et al 2000).

 $^{^{8}\,}$ Main restitution laws: Acts No. 403/1990, 87/1991, 229/1991, 282/1993 and later amendments to them.

⁹ However, the restitution of former property rights to agricultural land and assets was restricted to confiscations that had occurred between 25 February, 1948 and 1 January, 1990. Thus, for example, property titles or actual property were returned to peasants (or their descendants) which were expropriated according to Act No. 46/1948 (i.e. whose land exceeding 50 hectares was seized). At the same time, land confiscated according to the Benes' Decrees and to the interstate agreement between Hungary and Czechoslovakia on the exchange of citizens (Act No. 145/1946) was not returned to its former German and Hungarian owners but to the peasants to whom it was allotted during post-war land reforms (for a more detailed and comparative analysis of the ethnic aspects of restitution see e.g. Swinnen and Mathijs 1997).

¹⁰ Yet, due to several radical land reforms which took place in the first half of the 20th century, it is – in many cases- rather contentious to label the lawful beneficiaries as "original owners".

¹¹ Act No. 229/1991.

Division of Cooperatives' Assets

Despite the fact that Act No. 42/1992 is the main law prescribing the transformation of former collective farms, this law was not the first approved after 1989 in that regard. Supposedly, already during the last decade of socialism, there were debates about the legal relation of members to the property generated within these farms (Csaki and Lerman 1993: 11, J.M. 2011¹²). Apparently, these ideas concerning possible changes within collective farms provided significant material for the swift completion of the post-1989 legislation on cooperatives, afterwards passed as Act No. 162/1990.

Besides renaming the former "United Peasants' Cooperatives"¹³ as "Agricultural Cooperatives", Act No. 162/1990 *enabled the cooperatives… to award rights linked with members' shares to members…. For practical purposes, this meant that the shares would have the same status as property investments* (Gubová et al 2001: 13). The cooperatives' net assets were to have been divided among members according to the amount of land and work they contributed to a cooperative. Land and work were determined as criteria directly in the law; the ratio or the weight of each of these criteria was left to the cooperative to decide by vote (ibid: 14). Nevertheless, remarks in parliamentary debates preceding Acts No. 229/1991 and 42/1992 imply that very few cooperatives transformed internal property relations in line with this law. However, even though this legislation did not have a significant effect in terms of actual transformation and the criteria were soon to be reappraised, this law was still a consequential milestone in negotiations about the status and future of postsocialist agricultural cooperatives.

Thus, as of 1991, when hardly any cooperatives had transformed according to Act No. 162/1990, an important new debate on the character, history and property structure of Czech and Slovak agricultural cooperatives commenced. In addition to concerns about privatization, two other decisive dimensions widened considerations on cooperatives. First, the Commercial Code (approved as Act No. 513/1991), which included a part on cooperatives, had to be taken into account. The second dimension pertained to the criteria on the division of cooperatives' assets. In this regard, the controversial formation

¹² Interview with J.M. (2011), a former officer at the ministry of agriculture during socialism and after 1989, an advisor for the Union of Agricultural Cooperatives.

¹³ In Czech as "United Agricultural Cooperatives".

of (post-) socialist cooperatives came to the centre of the debate. Emphasizing the history of cooperatives and the distinct property status of land and assets (compared to that in state farms) led to a (re-) opening of questions about the ontological character of cooperatives and the rightful entitlements to these assets. These questions turned out to be difficult, as both the spokespersons of cooperative members and the representatives of the opposing viewpoint supported their statements with persuasive arguments and useful allies.

Several parliamentary representatives, as well as minister Dlouhý himself, stated that the debate could be summarised as a contestation over "whether or not the cooperatives are cooperatives" (to 42/1992). That is, whether the (post-) socialist agricultural cooperatives fall under the standard or internationally used definitions of cooperatives. Basically, recognizing cooperatives as cooperatives would consequently lead to empowering postsocialist agricultural cooperatives with a significant level of self-governance. Even more importantly, the issue at stake was not only self-governance in general, but self-governance during the crucial period of the allotment of collective property into individual shares and a decision on the future legal form for the enterprise.

Those who claimed that cooperatives are cooperatives pointed to their distinctive status during socialism when they, unlike state farms, wielded relative autonomy. Especially during the first two decades, they were financially selfsufficient and the workers/members would earn very little since a large share of the profit was assigned to the development of the cooperative (e.g. Borgula to 42/1992). Wage differentiation between cooperatives was also relatively significant later on (J.M. 2011). Besides their comparative self-sufficiency and thus a greater personal engagement on the part of the workers/members, cooperatives were distinguished from state farms mainly because formal land ownership rights and a membership status with some voting rights were maintained. However, the most forcible argument for considering agricultural cooperatives was the fact that their legal status as cooperatives had already been approved via the post-1989 law on agricultural cooperatives (162/1990) and the Commercial Code (513/1991¹⁴). Proponents of this standpoint emphasized that the government and parliamentary representatives should not enact legislation which would go against previously enacted laws. Allegedly,

¹⁴ To be precise, the debate about 229/1991 took place before the enactment of the Commercial Code but the proposal for the Commercial Code had already begun developing and was frequently referred to in the debate.

helpful support also came from the International Co-operative Alliance whose statutes template was pointed to as a benchmark to be respected and a reference model to be approached. The consequential argument was that the state should not interfere in the internal matters of cooperatives and thus should let members themselves decide upon the future form of the enterprise as well as the criteria for assets allotment.

On the other hand, opponents strenuously objected to the idea that (post-) socialist agricultural cooperatives ought to be conceived as standard cooperatives. First, they argued, a cooperative is not only a form of entrepreneurship but also a form of ownership. For them, a very indicative characteristic of these cooperatives is the fact that almost 70% of their members did not have any capital participation in these enterprises (e.g. Schneider to 229/1991). And, even if they contributed their property, they did so - in most cases - involuntarily. While a standard cooperative is based on the principle of spontaneity, socialist agricultural cooperatives were established under coercion (e.g. Anderko to 229/1991). Attention was also drawn to the relationship between cooperatives and the state by reminding parliamentarians of the extensive state subsidies given, especially to farms in climatically disadvantaged regions. Cooperatives progressively came to resemble state farms in which workers would receive a stable salary (e.g. Anderko and Hacaj to 229/1991 or Lacina to 42/1992). Therefore, cooperatives did not belong to their workers/members, just as state farms did not belong to their employees.

Who in a factory will get any shares just for working there? They worked there and for the work they were getting salaries. Or for drinking coffee at work but they were getting salaries. (Kakačka to 229/1991)

If you want to give shares for working somewhere then we should give shares to miners, teachers, doctors, manual workers. Everywhere, to every employee, we should give a lathe or half of a hospital or something else, anything, it may be a part of a tram that he could ride in his or her garden or do whatever with it. But why we should give shares only to workers at cooperatives? On what account? (Sláma to 229/1991)

Thus, on the one hand, those who claimed that "cooperatives are not cooperatives" provided compelling (as well as droll) arguments that highlighted the (presumed) analogies between the proposed solution for cooperatives and commonly unwished but potential demands in state farms and other state enterprises. Putting agricultural cooperatives in the category of state organizations made the claims of cooperative members seem baseless, frivolous and unjust. On the other hand, however, those disagreeing with special claims of co-op members/workers did not really claim that the cooperative assets should be considered state property. They also acknowledged the distinctive and particular character of cooperatives' property. In fact, the proposals they put forward were deeply embedded in viewing cooperatives as different from state farms.

They had three main points. First, they claimed, the land and property contributions of former individual farmers represent a constitutive part of any (post-) socialist agricultural cooperative, and these contributions were formally respected even during socialism. Second, since the formally maintained property relations as well as the upcoming restitutions still embodied a substantial portion of cooperatives' property, the owners should be given legal means to govern their own property. Third, land and agricultural equipment provided the core conditions for setting up collective farming, and therefore the property of the former owners was the crucial generator of subsequently accumulated cooperative assets. Hence, if there is someone who has a (moral) right to obtain shares of cooperatives' property then it is the former owners who were forced to include their sources of livelihood to establish collective farms. In fact, some representatives even suggested dividing the newly generated net assets only among those who had contributed their property, i.e. land, machinery, equipment, animals and feed. The concept of a lost profit that the former farmers ought to be (to a certain extent) compensated for or of a "supplemental post-rent for land" was also added to the debate. However, representatives of cooperative members argued that these requests went noticeably against the accepted principles of restitution.

Apparently, there were diverse interpretations of the phenomenon of (post-) socialist agricultural cooperatives and basically two main – and in essence contrary – legislative proposals for how to resolve the issue. Interpreting the story of cooperatives and delineating the similarities and differences in comparison to other forms of enterprise served as a legitimizing device for the respective bills that were being promoted and discussed. In sum, there were two relevant points to be resolved: the attribution of decision-making power and the allotment of assets. Each of them inevitably had to reflect an answer to the question of whether cooperatives are cooperatives or not.

Despite the fact that the attempt to combine these two perspectives or convictions in one piece of legislation was deemed impossible as it would, according to some speakers, result in "nonsense of thought" (e.g. Houška to 229/1991), in the end, a somewhat acceptable hybrid proposition began to shape up. The final answer to the central question about cooperatives which representatives in parliamentary committees agreed on evidently mirrored both opposing pressure and the intent to reconcile.

Cooperatives are essentially cooperatives. Thus, we don't claim that cooperatives are cooperatives but that cooperatives are essentially cooperatives. [This is because] these cooperatives did not fulfil some attributes, e.g. the principle of voluntarity when associating the means of production in order to farm collectively. Therefore, we cannot speak of them as 100 percent cooperatives. (Štern to 42/1992)

Since "cooperatives are essentially cooperatives", therefore, only members would have the right to decide whether the cooperative would continue as one unit or split up into its original village-based units. They would also decide upon the future form of entrepreneurship, i.e. whether it would remain a cooperative or be transformed into a joint-stock company or a limited liability company. However, so far as property is concerned, the mechanism of the transformation and division of cooperatives' assets would be ordained by law, not by members' votes.

In other post-socialist countries, the division of cooperatives' assets was prescribed by law as well. However, those who were considered eligible for assets and the criteria for their division differed substantially between countries (Swinnen and Mathijs 1997, Mathijs and Swinnen 1998, Swain 1999). In terms of the entitled beneficiaries, the option was to divide the assets exclusively among (original/previous) owners or (current) members or a certain combination of both. In the former Czech and Slovak Republic, the (original) owners were recognised as the rightful claimers. In fact, by setting the proportion at "50% for donated land, 30% for other contributed property, and 20% for work/membership" (42/1992, §17), former ownership was promoted as the primary condition for having a part of a cooperative's assets transferred into one's individual private ownership. There were several reasons for this. First, the formal ownership rights to land parcels were still valid. Second, the preceding post-1989 legislation, in line with moral and economic arguments, acknowledged and enabled the restitution of nationalised land and other property (instead of privatizing it according to some other principle, for example). Third, the ideological tuning of the post-1989 parliament was in favour of radical and rapid changes (P.B. 2011, E.P. 2011¹⁵, Spicer at al 2000) and the return of property accomplished a clear and symbolic act of distinction from the former communist government. And fourth, there was a strong expectation that granting shares of cooperatives' assets to former farmers would (significantly) help them to re-establish their individual farms (since they could withdraw their share from the cooperative in order to launch a private farm business) which, in consequence, would break ground for the development of an entrepreneurially minded electorate in rural areas (Swinnen and Mathijs 1997: 359, 370). In comparison to other post-socialist countries, the "transformation law" enacted in the Czech and Slovak Republic displayed an evident inclination to the principle of restitution (Blaas 1995: 135) and the scheme of division ascribed decidedly less per cent (and thus allotted less) for cooperative membership than in other post-socialist countries (Swinnen and Mathijs 1997: 338).

Despite the fact that the categories "cooperative member" and "former owner" are not dichotomous, in the practical usage (e.g. everyday talk, interviews, or even parliamentary debates), the term "former owner" commonly denotes those former owners who did not stay to work at cooperatives, and thus were not members. This differentiation was opposed by those who spoke on behalf of cooperative members in parliament (in debate to 42/1992), emphasizing that cooperative members are former owners as well. Notwithstanding objections to this simplified binary labelling, the contestation over decision-making power and effective property rights as well as the later practical implications of the transformation law kept, to a certain extent, reviving and affirming these dual categories.

According to a survey carried out by the Ministry of Agriculture in 1993, quoted by Kabat and Hagedorn (1997: 258), on average, 28.2% of the agricultural land farmed by cooperatives belonged to their members, 38.8% to non-members, 6.2% to the state, 1.7% to the church, 5.4% to village communities and 19.2% to unknown owners. There were around 680,000 people entitled to shares of cooperatives' assets (i.e. on average, 700 people per cooperative), of which 49.9% were members and 50.1% were non-members (Gubová et al 2001: 40). Regarding the cooperatives' divided assets, on average, 41% of the assets were thus transferred to the individual private

¹⁵ An interview with P.B. (2011) and E.P. (2001). Both have been the leading representatives of the Association of Landowners and Agri-entrepreneurs, an association of (small) private individual farmers in Slovakia.

ownership of non-members (Námerová 1997: 79). While some non-members owned fairly substantial shares of cooperative assets, others owned less. The same was true, of course, for members. However, as J.M. (2011) noted, in some cooperatives, this disproportion in property shares was against members in managerial positions since they were often appointed to these key positions in cooperatives rather late.

Applying the principle of restitution, it was agreed, posed a threat to agricultural cooperatives. It was also thought that allotting the cooperatives' property to a substantial extent to non-members will eventually result in wrecking the cooperative type of enterprise. This was because of an expected interest in individual farming and because it was thought that non-members would remove their shares. Maintaining a cooperative would imply buying (back) the shares from non-members, thus likely having a dismantling effect on cooperatives. These forecasts, however, were accompanied with divergent (moral) evaluations of this anticipated development.

The spokespersons of (former) owners interpreted the possible break-up of cooperatives in positive terms, as a predictable and logical result of the owners' right, propensity as well as responsibility to secure their property with the best care and use. The representatives of cooperative members, on the other hand, viewed the allotment criteria and their predictable effects not only as unfair and illegitimate but also detrimental to the society as a whole.

The additional proposals to the transformation law submitted by the group of parliamentary representatives led by the representative Mr. Tyl do not pursue transformation any more, but only further and further baseless restitutions in favour of land owners – the non-members of cooperatives – until effecting the entire destruction of agricultural cooperatives and the dismantling of cooperatives' assets which are of multiple times greater value than the original collectivised property. Yes, they are not concerned with the reparation for harm or rightful restitution any more but with some kind of revenge and their own enrichment. (Váňa to 42/1992)

I believe that sooner or later, we will bring about the demolition of cooperatives because their [non-members'] *prime interest will be to have their shares paid off as soon as possible in cash...* (Borgula to 42/1992)

The law on the transformation of cooperatives should surely not be a law on liquidation and privatization of cooperatives... (Serenčéš to 42/1992)

While the representatives of (former) owners and prospective individual farmers built their rhetoric around the expected long-term benefits of individual entrepreneurship and competition in the agricultural market, the spokesmen of cooperative members drew attention to the quickly achievable but long-lasting impairment of national food security. Especially if individual farmers proved an insufficient replacement of cooperatives' food production, they argued, the transformation law would pose a danger not only to cooperatives themselves but to the society as a whole. In this way, they sought to connect their interest in maintaining cooperatives (as an important source of employment and services in rural areas) with the interests of food consumers and thus any political representative responsible for food security.

Decision Making Power and Voting Rules

Despite earlier expectations and hopes, by the time of the parliamentary debate regarding the cooperatives bill, it was predicted (drawing on the findings of various surveys) that there wouldn't be many landowners and cooperative shareholders who would start their own private farm businesses. Moreover, only very few of those who were going to farm individually would have the potential to produce for market and not just for their individual/family subsistence. This prospect for individual farming inherently implied a certain outlook for cooperatives' assets.

Regarding shares in agricultural cooperatives, it is important to note that the transformation law eventually determined different possibilities (basically different effective property rights) concerning the shares of those who were going to farm individually and those who were not. Those who decided to farm individually were able to withdraw their shares from a cooperative (within 90 days after submitting their requests) but the rest of the shareholders could settle their shares only seven years after the transformation law's enactment (42/1992, §13). Even though the cooperatives eventually had to buy the shares from non-members, the law secured a seven-year delay in fulfilling this obligation. Hence, due to the fact that the shares of the majority were to stay within a cooperative for a fairly long time, it might turn out more advantageous to adopt another strategy in order to monitor one's own share in a cooperative. In this regard, the issue of decision-making power over cooperative property became of great importance – especially to non-member shareholders. First, it was argued, because it had already been accepted that only members have the right to vote, shareholders who are non-members should be guaranteed the right to join the cooperative as members (e.g. Nazari-Buřivalová to 229/1991). Thus, after submitting their application to cooperative representatives, the shareholder applicants should be granted the full status of members. This claim was in line with the oft-repeated argument that *the era when other people would decide about one's property has to be terminated once for all* (Hacaj to 229/1991). Obviously, becoming a member would provide the shareholder with means of having some control over his or her property.

Second, they claimed, in order to effectively achieve this control both during and after the transformation process, owners with a larger share in a cooperative ought to have a bigger say in making decisions about its assets and business strategy than members with smaller shares. Without differentiated voting power between members, owners with a significant amount of property at stake won't have a say commensurate to their property risk. Therefore, they suggested, voting power should be strictly proportional – any member should have voting rights ('a weight of their vote') equivalent to the size of their share (e.g. Malina or Sláma to 42/1992), that is, as many votes as the multiple of a certain agreed value for what belongs to them.

Cooperatives, as any other corporate entity, can go bankrupt and the only ones who will, in case of bankruptcy, lose their property are those who own something in a cooperative, that is owners. (Hladík to 42/1992)

Anyone who starts running a business takes a risk. Therefore, it should be up to them to decide how big a risk they are willing to undertake. The bigger the property involved, the greater the risk. Hence, everybody has to have voting power corresponding to the risk they undertake. (Lacina to 42/1992)

...it is completely incomprehensible to demand equal voting power so that somebody whose property value is, for example, one million will have to face somebody whose property is zero ... Whoever has property worth a million can suffer a loss but the one who had zero, he can just collect himself and go. (Sláma to 42/1992)

The parliamentary representatives speaking on behalf of cooperatives strongly objected to both of these suggestions. First, they emphasized, to impose the obligation to accept any new applicant for a membership as a member would be a serious interference in the self-governing principles

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of cooperatives. Cooperative members, in accordance with internationally respected rules, should have a right (through voting) to decide which applicant will be granted membership and which will not (Fišera to 229/1991). Despite objecting to the obligatory acceptance of any applicant as a member, there was no dissent with the right of any shareholder to apply for membership and the likelihood of their being accepted. In fact, though unspoken, this could have been seen as a means of maintaining cooperatives, since members were not entitled to full property settlement until seven years after the enactment of the transformation law.

The second suggestion – to introduce differentiated voting power – was considered an even greater assault on the principles of cooperative enterprise. The principle "one man one vote" constitutes an essential rule of cooperative democracy (Fišera to 229/1991, Váňa to 42/1992, Tolar to 42/1992) and the cooperative members as well as their representatives in the parliament expressed fundamental disagreement with abolishment of this convention and value.

I have adopted the stance of the International Co-operative Alliance on the proposed legislation. The enactment of differentiated voting power would go against internationally legally accepted cooperative principles. (Sochor to 42/1992)

we are against the imposition of the principle of differentiated voting power on cooperatives because this principle is not in accordance with the principles of cooperatives. (Humpál to 42/1992)

Cooperatives cannot be joint-stock companies. Cooperatives have to conform to the international rules for cooperative entrepreneurship where, for example, one member has one vote. (Fišera to 229/1991)

In my personal opinion, if somebody doesn't want to transform a cooperative and be a member in this new cooperative, then he or she can take out their share and start farming individually. However, if somebody cares about the newly starting cooperative, then it seems a matter of course to me that, in accordance with the basic principles of cooperative organization, his vote will have the same power as the vote of any other member. That is, there will be equality of votes. (Rynda to 42/1992)

...let me remind you only ... that reciprocal solidarity stands for one of the fundamental cooperative principles. (Špaček to 42/1992)

Thus, there were two main perspectives on the character of post-socialist agricultural cooperatives and the inherent question of voting rights. In one interpretation, property rights were emphasized and a cooperative was primarily seen as an assemblage of assets belonging to individuals which were (forcefully) aggregated together. Therefore, the owners of the assembled property and those with large shares in particular, whether members or nonmembers, should be provided the means to influence the future use of their property. In this viewpoint, the deviant origin of agricultural cooperatives as well as the peculiar structure of property relations permit atypical rules regarding membership and voting rights.

On the contrary, in the other interpretation, the organizational form of a cooperative was central. A cooperative was seen mainly as a way of working together and deciding together as members which implicitly (often) meant working together and thus deciding together about some major economic matters and choosing together, on the basis of an equal vote, the board responsible for electing a principal and managing the enterprise for an agreed time. Cooperatives were also promoted as a functioning form of farming and the chief model of agricultural production which had not only the potential but also obligation to provide food commodities for the nation, if only they were not dismantled by the (predatory) claims of individual farmers and/or non-members.

During the debate and after the enactment of transformation law 42/1992, it was felt that it would spell the doom of (post-) socialist agricultural cooperatives. Therefore, very soon after the split of the Czech and Slovak Republic in 1993 and the subsequent change in government, the representatives of agricultural cooperatives, united under the umbrella of the Union of Agricultural Cooperatives, began to devise an amendment which would provide an alternative solution for cooperatives. However, the spokespersons of cooperatives were not the only ones asking to remedy the original legislation.

There were several grave reservations about the transformation law and its practical implementation coming from all the positions in the interpretive spectrum. Two issues were targeted the most. One referred to the withdrawal of one's property and the other to the approaching time to settle the nonmembers' property shares. The process of land and share withdrawal from a cooperative in order to establish one's own individual farm has often been accompanied with disagreements and feuds. These mostly concerned the take-over of one's own or an alternate plot of land (K.C. 2011, L.L. 2011¹⁶), the evaluation of machinery and services delivered to claimants in the value of their shares (E.P. 2011), and the commonly occurring breach of stipulated deadlines (Farkas or Boros to 264/1995). All these deficiencies in the process of the withdrawal of one's share and establishing an individual farm deserved rectification in the form of an amendment to the original law 42/1992.

The representatives of cooperative members agreed that the transformation law was full of consequential imperfections but saw the main defects elsewhere. Unlike the spokespersons of non-members withdrawing their land and shares, they were mainly concerned about the property which was going to remain within cooperatives. They would repeatedly reproach the other side for being narrowly focused only on emerging farmers without dealing with and providing a (socially sensitive) solution for cooperative farms.

The aim of this law [42/1992] was to create legislation that would support the establishment of small and medium-sized individual farms which would prosper from the property of cooperatives. Those who proposed this law expected that through the transformation process, most of the cooperatives' property would end up in family farms ... The settlement of shareholders who would not decide to farm individually was considered unimportant. (Baco to 264/1995)

However, based on the transcripts of the parliamentary debate on the proposal of an amendment to 42/1992 (which was later enacted as No. 264/1995), this objection would be valid only in regard to the early suggestions of amendments. Later, after the proposal of 264/1995 had been laid out, the issue of property shares in cooperatives came under scrutiny from both sides. In fact, during the debate to 264/1995, it was rather the representatives of cooperatives who would keep mentioning the insufficient number and size of individual farms in order to underline the necessity to maintain agricultural cooperatives and to ameliorate conditions for their entrepreneurship.

According to the parliamentary representatives speaking on behalf of cooperatives, there were several compelling reasons to amend the original transformation law. Firstly, (allegedly) there was an evident asymmetry between the possibility to withdraw the share and start farming alone and the

¹⁶ Interviews with private individual farmers K.C. (2011) and L.L. (2011).

option to keep the share within a cooperative. Secondly, there was an apparent need to adapt the law not to the naïve "dreams about beautiful family Swiss-like type farms" (Koncoš to 264/1995) but to the fact that the replacement of cooperatives by individual farms never became a reality. Thirdly, the scheduled settlement of non-members' claims after seven years following the enactment of the transformation law, was likely to end by frustrating and damaging all stakeholders.

It was deemed impossible to satisfactorily compensate non-members for two reasons. One was that the formula for the calculation of the net-worth of cooperatives had supposedly considerably overestimated their worth.

The net worth of cooperatives, calculated in 1992 for the purpose of their division into individual property shares, was determined according to the book value of a cooperative's commercial property. Thus it was based on the value of its assets, while deducting the liabilities. At the same time, the ratio between liquid and non-liquid assets (i.e. entrepreneurially non-functional property) was not taken in account. The structure of commercial property of an average cooperative is as follows: approximately 50–60% is in the value of buildings, 15–20% is in technologies and machinery, 10–15% comes from the value of the animals, 5–10% is the value of stocks and only 5–10% is the value of financial property. (Bandlerová 2004: 10)

Besides this inexact calculation, the representatives of cooperatives argued, there were also the negative impacts of the broad post-socialist reform and accompanying critical economic recession which also contributed to the decreased value of the cooperatives' net worth. The socialist markets and sales networks were to a large extent severed, and new commercial relations had not yet been firmly established. The subsidies to agriculture diminished and thus "a substantial part of cooperatives' property is usually blocked by risky and irrevocable debts, mortgages in banks, or liabilities to other creditors" (ibid). Thus, due to a lack of sufficient financial capital, the physically indivisible character of certain assets, and the indebtedness of farm enterprises, if there were an eventual property settlement with non-members, there would be no way of actually paying them off.

All these factors (allegedly) moved the representatives of cooperatives to suggest a (very controversial) proposal to transform the individual property shares into so-called "cooperative shareholder bonds". While the original calculated transformational property shares were registered as liabilities, i.e. as a debt to be eventually paid off, the cooperative shareholder bonds would constitute a type of equity which would act as investments in cooperatives. They would (theoretically) enable the shareholder to receive their share of cooperative's profits in the form of dividends as well as to trade these bonds on the market.

Thus, besides having a fixed face value, property shares in the form of shareholder bonds would also acquire their variable market value. In his way, proponents argued, it would still be possible, although not necessary, to settle the property shares with non-members in the original time limit of seven years. However, this settlement would *factor the real market based value into the transaction* (Baco to 264/1995) as they *would allow for taking the economic situation of cooperatives in account* (Koncoš to 264/1995). So, in their explanation, the market value of a property share in the form of a shareholder bond is derived from the economic situation in agriculture and in a particular cooperative.

Hence, via the transformation of property shares into shareholder bonds with flexible values, the cooperatives cannot only forestall the devastation of cooperatives but also tackle the unconventional structure of property relations in cooperatives where a substantial part of a property belongs to non-members, a part to non-working members, and most of the property to owners with (very) small shares. It would therefore be possible, proponents indicated, to convert a dispersed and fragmented property structure into a more concentrated one (Baco to 264/1995, Koncoš to 264/1995).

In addition to argumentation aimed at averting the breakdown of agricultural cooperatives, proponents of the proposal introduced other, perhaps less envisaged, arguments. The proposal basically provided cooperatives with two possibilities. The first option was to issue shareholder bonds only to nonmembers, on the basis of which they would pay the non-members dividends based on the face value of these bonds and the yearly balance of the cooperative. Cooperatives could also buy these bonds for their market price. Bonds bought by the cooperative would be subsequently considered abolished. In this way, cooperatives could aggregate the property in the ownership of a cooperative, under the governance of its members.

However, there was also another option included to the amendment proposal. Cooperatives could decide to issue shareholder bonds to members as well. In that case, though, "the cooperative will thus enact in its statutes that members have the right for more votes during voting at members' meeting, proportionally to the face value of their shareholder bonds" (Law No. 264/1995, \$17g (4)). Thus the representatives of cooperatives proposed and the majority

of parliamentary representatives enacted the (option of) differentiation in voting power among members in a cooperative. This time around, it was not considered an aberrant idea, but it was presented as a righteous and appropriate solution.

[It is] an undeniable reality that present cooperatives, as they, already in the 1950s, transformed from the first and second type into the third and fourth type, they have become more capital associations than property associations. Therefore, they are obviously closer to joint-stock companies than to the original idea of a cooperative. (Baco to 264/1995)

our present cooperatives are much closer to joint-stock companies than to cooperatives. Members are not connected as entrepreneurs but as capital shareholders. Therefore, it is not a cooperative in its original sense. ... It is a regime which is according to our Commercial Law close to a joint-stock company. Thus, as stated in this proposal, a cooperative can decide to provide shareholder bonds also to its members and then the shareholder bond will represent a stock. It will be a publicly mercantile paper. (Baco to 264/1995)

Despite the significance of the modification of voting rights in a cooperative, the promoters of the amendments would not accent this part of the proposal in their speeches. In fact, they did not explicitly mention it even once. Comments on that regard were uttered only by the representatives of the opposition (Miklušičák to 264/1995, Nagy to 264/1995). They would point to the discrepancy with the internationally valid rules for cooperatives as well as to the potential misuse of ordinary members' unawareness since the approval to issue shareholder bonds to members inevitably implied the alteration of voting rights and voting rules. They were also opposed to the idea that nonmembers would be entirely edged out of the privilege of having (voluminous) voting rights.

Out of all of these criticisms, submitters would react only to the one regarding the position of non-members. They would emphasize the non-members' right to become members, which was eventually enacted as an obligation to accept any applicant¹⁷. They did not react to other statements of

¹⁷ Later, however, the representatives of cooperatives appealed to the Constitutional Court against this matter. The Constitutional Court approved their claim that agricultural cooperatives as cooperatives cannot be ordained to accept any applicant as a member.

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disapproval. Instead, they kept addressing the issue of property, not of voting. Emphasis was put on the possibility of trading the bonds and cumulating them in the hands of those who "care about the development of cooperatives" (Koncoš to 264/1995), who would like to "run a true business in agriculture" (Baco to 264/1995), and who would "entrepreneurially activate this property" (Baco to 264/1994). However, trading should especially benefit non-members who, if 42/1992 was maintained, would have no gain for their cooperative shares (Delinga to 264/1995).

Hence, if we juxtapose the main points of the proponents' assertions in the debate about Act No. 264/1995, we can observe a noteworthy and promising mixture of appeals as well as verdicts. Justified by the judgement that cooperatives are not quite cooperatives, the submitters introduced joint-stock-like shareholder bonds instead of property shares and interpolated (an option of) a differentiated voting power in the cooperative form of entrepreneurship. However, because cooperatives are nevertheless cooperatives, the voting rights remained restricted only to members and the legal options offered quite divergent prospects for members' and non-members' shares (shareholder bonds). In this way, the amending law did not remedy the ambiguous character of the post-socialist agricultural cooperatives but, on the contrary, reinforced their hybrid nature.

At the same time, if we compare the debates to 42/1992 (229/1991) and 264/1995, we can see a compelling shift in argumentation delivered by the representatives of cooperatives (B) in relation to the arguments presented by the advocates of the property owners and/or non-members (A).

The proposal of 264/1995 was strongly criticized by the opposition. There were four main objections expressed. First, transforming property share registered as a liability into shareholder bonds of an unsteady value, without the owner's consent, seriously breaches property rights. Second, the law introduces an enormous asymmetry between (the managers of) cooperatives and the owners of shareholder bonds, especially non-members, in relation to both the value of bonds and trading conditions (i.e. it is only up to cooperatives whether and when they will buy the bonds, plus offer by far exceeds demand). Therefore, it is unreasonable to impose market mechanisms when market conditions are so imbalanced. Third, this amendment significantly diminishes the intended effect of restitution and compensation to former owners incorporated to 42/1992. Fourth, this legislation would definitely halt the establishment of new individual farms and thus conserve the cooperative-type of farms in Slovakia.

 Table 1. Shifts in argumentation

Argument	Group that emphasized the argument	
	Debate to 42/1992	Debate to 264/1995
(1) The transformation should be as much in detail as possible determined by law	А	В
(2) It is necessary to introduce market relations in the transformation of agriculture	A (support for the establishment of individual farms)	B (transformation of property shares into shareholder bonds, tradable in their market value)
(3) Cooperatives are not quite cooperatives	A (voting rights also for non-members, differentiated voting power)	B (differentiated voting power)
(4) Only owners truly care for cooperative's property	А	В
(5) Those with bigger shares should have greater voting power in a cooperative	А	В*
(6) A shareholder/member should have voting power proportional to the value of his property/shareholder bonds	А	B* (but voting rights restricted only for members)

(* Not explicitly stated in the debate but incorporated in the legislation.) Source: Author's own research.

In regard to the main characters who play a role in the story of agricultural cooperatives, the opponents called for an alternation of how they were categorized. In the debate to 264/1995, instead of portraying the post-socialist development as a combat between the (former) owners/non-members and the members of cooperatives, it was the management of cooperatives that was (publicly) raised as a chief category to be paid attention to.

After the enactment of this law, the managers of cooperatives will be in a privileged position in comparison to the owners of the cooperative bonds. There are only a few tens of them. The owners of cooperative

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bonds, issued for their property shares, won't have another choice than to render these bonds to the chairmen of cooperatives or to the members of management for just a fraction of their value. (Langoš to 264/1995)

I talked about privileges but I was not talking about privileged cooperatives but about the privileged position and abilities of cooperative chairmen or of the management, this is chairmen and vice-chairmen. It is not privileged cooperatives but these members of cooperatives that will be in the most advantageous position to buy up the cooperative bonds. (Langoš to 264/1995)

Thus, we can observe two distinct perspectives on the same envisaged process. While in the proponents' interpretation, the trading of bonds was promoted as a win-win solution, not only benefitting both the sellers and the buyers but also the entrepreneurial moral order in which those who "care" and who "are interested" in the improvement of cooperative farm enterprises will be provided an opportunity and a motivating stimulus to employ their managerial skills in order to lead cooperatives in a demanding market environment.

The representatives of the opposition challenged this exalted harmonious depiction of relations and forthcoming development. In their account, the law would seem to play a very contentious role in shifting power relations between the involved stakeholders significantly in favour of a narrow sub-category of cooperative members. According to them, even though *the proposal* ... *is noticeably one-sided and only draws on the alleged needs of agricultural cooperatives* (Farkas to 264/1995), it is important to regard a cooperative as a composite category. In a way, this approach to cooperatives was not so distant from the view of the proponents. However, unlike the submitters of the proposal, representatives of the opposing opinion did not see the interests of cooperatives as simply interchangeable with the interests of their managers.

Conclusion

This article offered a more nuanced view of the critical parliamentary debates which preceded and determined the final wording of three pivotal pieces of legislation concerning the transformation of the (post-) socialist agricultural cooperatives (i.e. Act No. 229/1991, 42/1992, and 264/1995). It was aimed at three intertwined issues which were addressed in the debates: the

pronouncements on the character of cooperatives, the criteria for the division of cooperatives' assets and the arrangement of voting rights. Resolutions to all these three points stipulated practical implications to both external and internal relations defining the entrepreneurial setup and self-governing organization of a cooperative. Therefore, all of them represented existential issues at stake that significantly influenced the fate of agricultural cooperatives in Slovakia.

The character of (post-) socialist agricultural cooperatives has been contentious and thus also vehemently contested since the very beginning of the post-1989 transformation period, although not employing the same argumentation. While in the first set of discussions (to 229/1991 and 42/1992) the spokespersons of cooperatives defended the cooperative form of the enterprises and the opponents argued against, in the debate to 264/1995 it was almost the other way around. Whereas in the first debates, both equal voting power and voting rights restricted only to members were presented as crucial backbones of cooperatives, in the dispute to 264/1995 only restricted entry remained as the requisite of a cooperative are cooperatives reflected primarily different circumstances underlying the cooperatives' assets.

This shift, or more exactly, the original argumentation stressing the distinctiveness of cooperative enterprises that cannot be likened to and converted to other types of enterprises, emerges as remarkable, especially when juxtaposed to nowadays almost taken-for-granted assertion that the voting rule 'one man equals one vote' represents the cardinal, most detrimental problem of cooperatives.

...this was, according to me, the core mistake of transformation that the principle 'one man equals one vote' was maintained. For that reason, management did not have support in decision-making bodies of cooperatives. As the borders of various decision-making powers were not clear, the economic relations became too complicated. Thus, I think, this is where we have to look for the reason of the decline of many cooperatives of which many don't even exist anymore. (Záhumenský, Kontakty¹⁸ 2011)

Besides the rather reductionist explanation, what is even more intriguing in interpretations like this one is the disaffiliation or omission of the first

¹⁸ Kontakty – A programme broadcast on Slovak Radio, at that time devoted to the theme of cooperative shareholder bonds. (Aired on 29 June, 2011.)

two parliamentary episodes from the story about post-socialist agricultural cooperatives. On the contrary, I would like to argue that the reasoning put forward by the representatives of cooperatives in the debates to 229/1991 and 42/1992, which accentuated and managed to incorporate into law a decision-making configuration typical for cooperatives, played a decisive and supportive role – if one endorses the sustentation of agricultural cooperatives¹⁹.

It is evident that after the conversion of the property shares to cooperative shareholder bonds and especially after the Constitutional Court in 1997 approved the claim that agricultural cooperatives as cooperatives cannot be ordained to accept any applicant as a member, (some) managers of cooperatives, as well as some other experts, started to more openly attribute an adverse effect to the standard cooperative principle 'one man equals one vote'. However, despite this indication, the main point of this article was not to allude to the incoherencies in reasoning proffered by the representatives of cooperatives. The main point was rather to emphasize the dexterous work with categories, definitions, arguments and evidence that effectively assisted in the preservation of (certain kind of) cooperatives and large farms in Slovakia which, in fact, was the declared goal. Thus, it has been neither the adherence to the principles (or ideals) of cooperatives nor their thorough denouncement that helped to prevent the break-up of agricultural cooperatives in the post-socialist period. It was rather the careful balancing on the tightrope of a hybrid amalgam of features standardly characteristic and not-characteristic of cooperatives.

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¹⁹ However, at this point, it is necessary to add that in line with the findings by Mathijs and Swinnen (1998), assigning the voting rights only to members and not allotting the assets on a restitutive basis would also result in breaking up cooperatives. Their comparative analysis has shown that decollectivisation (i.e. the break-up of cooperatives into individual farms) happened especially in counties that allotted cooperatives' assets to members/workers.

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