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Types of Co-operative Societies and their Economic Relations

by

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ANY study of the economic relations between the different types of co-operation requires an investigation of the basic principles of the co-operative society and an analysis of the natural classification which results from those principles.

The aim of co-operation is the realisation of an economic advantage. The means by which this aim is attained is the establishment of a joint enterprise to which the members delegate some of their economic functions. This relationship between the co-operative society and its members, namely, the delegation of individual economic functions to a joint enterprise, is the essential feature which distinguishes co-operative society from capitalistic society.

Thus the following definition may be given of the co-operative society, a definition framed to include other features generally recognised as existing in this form of association: "a co-operative society is an association of any number of persons or of associations of persons who, uniting of their own free will, and on the basis of equal responsibility and equal rights, delegate an economic function or functions to some joint enterprise with a view to obtaining an economic advantage."

The assumption of equal responsibilities and of equal rights gives a co-operative society, inasmuch as it is an association of persons, the character of a pure democracy. Delegation of individual economic functions to a single joint economic enterprise results in the elimination from the economic system of one or more private employers or companies. Every co-operative society is the realisation of a piece of economic socialism, or contains within itself the principles of economic socialism. The pursuit of economic advantage must not be interpreted to mean that co-operation is purely materialistic; inasmuch as co-operation spreads and develops among the poor and the weak, averting

poverty and ensuring economic independence to its adherents, it is uniting them into a society in which the principle of love of one's neighbour has set a nobler standard.

The right classification of co-operative societies depends not on the special aims which they pursue, but on their essential character. It has already been stated that co-operative societies are associations of persons who delegate certain of their economic functions to a joint enterprise. A natural classification of co-operative societies may be made according to the economic status of these persons and the nature of these delegated functions.

In countries of advanced capitalistic development the mass of workers in industry, commerce, and the public services are deprived of all ownership in raw material, in means of production, and also in the products of their labour. They are only concerned in the economic system in so far as they are workers and consumers. But the handicraftsman and the small trader, in other words, the former middle classes, and also the peasant (except where reduced to proletarianism by the big landed proprietor) are still owners of some means of production and themselves dispose of the products of their labour.

According as the economic functions which are delegated to the joint enterprise are connected with the consumption requirements of the members, or, alternatively, with their activity in their trade or profession, so will the resulting co-operative society fall into one or other of two main classes : consumers' co-operative societies, or trading or occupational co-operative societies formed by persons in pursuit of a trade or profession.

Savings and credit co-operative societies unite the characteristics of both these types : consumers' and occupational societies alike apply to them either to furnish them with credit or to administer their profits. On the other hand, seeing that both consumers' and occupational societies operate essentially with commodities, while savings and credit societies operate exclusively with money, it would seem proper to define the latter as a third type of co-operative society.

Or again co-operative societies can be subdivided according to the character of the relations existing between them and their members. The functions of all enterprises can be said to be purchase, conversion either of the quantity or of the quality of goods, and sale. According as a co-operative society takes over from its members one or other of these three functions, it can be classed as a purchase or supply society, a labour society, or a sale or marketing society.

This principle of subdivision is not applicable either to consumers' co-operative societies, which are all purchase societies, or to savings and credit co-operatives, which may be simultaneously classed as sale societies (as towards their borrowers) and as purchase societies (as towards their depositors). It applies solely to what have been called the occupational co-operative societies, and even then certain observations must be borne in

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mind. Thus sale and purchase can apply not only to goods, but also to the supply of services. Again, a purchase or a sale co-operative society does not cease to be such because, in addition to its operations of buying and selling, it converts in some way the commodities which it supplies to its members, or purchases from them, as the case may be. Further, a society can only be considered as a labour co-operative when its purpose is the better utilisation of the labour power of its members, either by means of a conversion of commodities, or by means of a simple rendering of services or supplying of labour. It follows that conversion of commodities may be a task undertaken by different kinds of societies. This is one reason for avoiding the term "production co-operative society", for such an expression might apply equally well to a bakery or flour mill run by a body of consumers organised on a co-operative principle, and to one run by workers in the bakery trade; it applies as much to a brewery run by a hotel-keepers' association as to a co-operative dairy which produces butter and cheese out of the milk supplied by its members.

Finally, co-operative societies may be subdivided according to purpose, or according to the economic status of the persons composing them. Thus, to take classification by purpose, consumers' co-operatives may appear as consumption (distributive) co-operative societies strictly so called, or as consumption societies directed to production, or, again, as consumption societies directed to housing and building. If the distinction is based on the economic status of the majority of members, occupational co-operative societies (for labour, sale, or purchase) may be subdivided into industrial and agricultural societies, while credit societies may be subdivided into urban credit societies and rural credit societies.

Some co-operative societies simultaneously fulfil two or more functions, but as one of these is generally preponderant it does not seem necessary to make a special class of these societies; for instance, the function of purchase and supply which the Raiffeisen societies undertake does not prevent them from being essentially savings and credit societies.

We have now completed a natural classification of co-operative societies into their principal types.

THE SYSTEM OF DISTRIBUTIVE SOCIETIES

Distributive co-operation is the only form of co-operation which has reached a sufficiently advanced stage of development to warrant our using the term 'system'. Distributive co-operation is the child of the capitalistic form of society, which has created armies of workers, both manual and salaried, in industry and in the public services, and has left them nothing beyond their labour power and the requirements of their domestic consumption; co-operation, in exercising on their behalf the function of purchase, is able to satisfy these requirements, obtaining for the

workers the best conditions as regards quality, quantity, and price of goods, and thus helping them to raise their standard of living.

After having organised distribution, this type of society proceeded to the wholesale manufacture of certain articles of everyday use. Productive departments were organised in the shape of bakeries, butcheries, dairies, mineral water factories, clothing factories, boot and shoe repairing workshops, and so on. The principle of extending such productive departments to cover the whole field of supply led the distributive societies to acquire agricultural enterprises, such as corn lands and pasture farms, etc. None of them, however, is able to deal with so much land as would make it possible to supply the whole of the wants of their members for agricultural produce.

It is a principle of the distributive co-operative system that in thus producing goods co-operative societies should produce only to satisfy the wants of their members and only in the service of the consumer. This is an important item in their claim of superiority over the capitalistic system ; for the capitalistic system, in producing for the market, tries to dominate consumption and to exploit the consumer.

Another principle of distributive co-operation and one which again gives it superiority over the capitalistic system is the habit of paying for goods in cash. In order to be able to apply this rule strictly, and in view of times of stress, sickness, unemployment, or strikes, distributive societies have made a point of encouraging the habit of thrift among their members, on whose behalf they receive and manage money saved. Saving is made easier by the system of selling goods to members at the current prices of the day and at the end of the year dividing among them, in proportion to the purchases made by each, the amount of profit made by the society. It is very usual not to distribute the amount of this dividend in cash, but to place it to the credit accounts of members. This also makes it easier for members to complete their payments for the purchase of a share in the society.

In a great many countries distributive co-operative societies have procured for their members other material advantages, such as insurance against theft and fire, etc.; in addition, they have started social and educational work of all kinds, such as lectures, libraries and reading rooms, convalescent homes, holiday homes, children's homes. Thus distributive co-operative societies, surrounding their members by an increasing number and variety of services rendered, tend to become, when developed to the highest pitch, a family of families (1).

The same principle which induces a number of families to

(1) For a more detailed description of the different tasks undertaken by distributive societies, see the article by Mrs. Sidney Webb, entitled *The Co-operative Movement of Great Britain and its Recent Developments*, in the *International Labour Review*, Vol. IV, No. 2, Nov. 1921, p. 227 et sqq. Great Britain is the country in which the distributive co-operative society has attained its most remarkable development.

delegate their economic function of purchase to a distributive co-operative society, induces such distributive co-operative society in turn to delegate its own function of purchase to societies of the second degree ; the best developed examples of these societies of the second degree are the wholesale societies. They are built up on the same principles as govern the distributive societies. In order to satisfy the requirements of the co-operative societies affiliated to them, the wholesale societies establish productive departments of all kinds ; they organise transport and forwarding branches, banks, and insurance, or else help to found separate banking and insurance establishments on co-operative principles.

But while highly organised distributive societies have been set going in most countries, wholesale societies for the most part have not been developed to their fullest extent except in Great Britain ; elsewhere they are less advanced. The example of England and Scotland⁽²⁾ seems to show that the tendency of the wholesale society is to become the distributive agency of the distributive societies, just as the distributive society itself was the family of families.

Even the wholesale society is not the final culmination of the co-operative movement. The final aim of the movement is the creation of an international wholesale society of which the members would be the wholesale societies in all countries ; this international wholesale society would then be a wholesale society of wholesale societies. Some initial steps have already been taken in the form of joint enterprises established by several wholesale societies, for instance, the joint management of plantations and tea dépôts undertaken in common by the English and Scottish wholesale societies, and the association of the Danish, Swedish, and Norwegian Wholesale Societies into one Inter-scandinavian Wholesale Society. At the present moment a committee of representatives of all wholesale societies is working out a scheme for an International Wholesale Society. But the first step will be to organise an exchange of goods between wholesale societies of different countries. The initial results achieved in 1921 are worthy of remark. The English and Scotch Wholesale Societies sold goods to the value of £114,000 to co-operative societies in thirty-three countries of Europe, Asia, Africa, America, and Australia, and bought goods from co-operative societies in Belgium, Denmark, Australia, and other overseas countries. The wholesale societies of Germany, Switzerland, France, and Belgium, have respectively had dealings with co-operative societies in nine, six, four, and three countries not their own.

Co-operators are well aware that a harvest sown today cannot be reaped tomorrow. But results already achieved justify the hope that even the most audacious of dreams may one day be realised. Their imagination already conceives of an international wholesale society which shall be a huge commercial enterprise

(2) *Ibid.* pp. 245-249.

with its branches, its counting houses, and its agencies in all parts of the world, and—more than that—shall be a great productive force with its countless factories installed at points where production is most rationally carried on, its plantations in the tropics, its mines throughout the world, its transport arrangements linking up co-operative undertakings everywhere, and, finally, with its international co-operative bank clearing all co-operative transactions.

Leaving aside such speculations, we may agree that consumers' co-operation, in virtue of its innumerable contacts with the realities of economic life and its power of co-ordinating economic production, is better able than any other type of co-operation to enter into economic relations with other kinds of co-operative societies.

DISTRIBUTIVE SOCIETIES AND OTHER FORMS OF CONSUMERS' CO-OPERATION

After the distributive societies the next most important branch of consumers' co-operation is formed by the housing and building co-operative societies.

Building co-operatives do not form a complete system like the distributive societies. In Germany, for instance, the federations into which they have formed themselves are mere associations for auditing purposes. Again, they differ as to the principles which they propose to follow. Some build houses for a single family, or occasionally for two families, and then transfer the ownership rights to their members with certain reservations; e.g. a right of pre-emption is secured to the society in case of sale; others hold to the idea of common ownership; others, again, provide both for private and for joint ownership. The fundamental question is whether property exists for use or for exploitation. Clothing and furniture exist for use; so also does the one-family house, and here private ownership is more economic than common ownership. The private owner will treat his property with more care and will himself do a great many repairs in his free moments which would cost a co-operative society a large sum. A standard well worth aiming at would be to put every industrial worker, with the help of a co-operative organisation, into possession of a one-family house with a garden. Ease in moving from one place to another might be secured by means of mutual interchange between a large number of co-operative societies in different places.

In large cities the ideal of one house-one family brings us up against technical problems about transport. In a great many countries housing has had to take the form of building large blocks for the accommodation of the working masses. Such blocks ought obviously to be held as common property. There is, therefore, no valid reason why housing and building societies should not contemplate both the acquisition of joint ownership

property where the economic circumstances seem to call for it, and also the transfer of separate houses to members as their private property, as far as this is feasible.

Some distributive societies in Germany have themselves undertaken the duty of providing houses for their members. By doing this they take over the functions of a housing or a building society. Force of circumstances will make it impossible to provide housing for all their members. The result is that even where distributive societies are contemplating a housing programme, there often exist housing and building societies alongside of them. But, as a general rule, there is a definite line drawn between the functions of the distributive co-operatives and those of the housing and building co-operatives, though in some cases relations are established by means of identity of membership; the leading members of a distributive society are at the same time the leading members of housing and building co-operatives; when blocks of flats or groups of separate houses are to be built, they see to it that distributive stores are provided for co-operative members who are to form the new population. Sometimes distributive societies, if they have any surplus funds which are not wanted for their own work, supply capital for the use of housing and building co-operatives.

An absolutely modern type of consumers' co-operation, at least in Germany, is the suburban settlement co-operative society (3). These have to some extent the same aims as the older forms of housing and building societies; their purpose is to give their members an opportunity of acquiring as their personal property a separate house with as large a garden as possible. Their efforts are, therefore, directed to opening up for building purposes suitable sites which lie further out from the centre of a city, but which enjoy good communications. These efforts are still in a very preliminary stage. It may be assumed that in course of time the relations of distributive societies to these settlement societies will become much the same as their relations to the older housing and building societies. Any rivalry between distributive societies undertaking a housing programme, on the one hand, and the housing, building, and settlement societies on the other, is quite out of the question, as the need for houses is much too great to be covered by any of these co-operative organisations.

In addition to the settlement societies which aim at building separate houses for industrial and salaried workers, there exist other settlement societies in Germany which cater for the rural population. The first aim of such societies is to acquire estates and manage them jointly, or to put commons, moorland, and waste lands under cultivation with a view to an eventual parceling out into independent farms. The orchard settlement in Oranienburg near Berlin known as the Eden Settlement may be looked on as a forerunner of this type of co-operative society.

(3) *Vorstädtische Siedlungsgenossenschaften.*

This settlement is a co-operative fruit-growing concern ; it has established its own distributive store, and is a member of the Wholesale Society of German Co-operative Distributive Societies. If these rural settlement societies are successful, it is quite likely that they will enter into close relations both with the distributive societies and with the wholesale societies which supply these. The consumers' co-operative will want to enter into close business relations with the rural settlement both as buyer and seller, and so will be led to invest capital in it. At the moment the rural settlement movement is still at the very beginning of its development, and it is impossible to foretell what direction it will take. Success will be the best guide.

One very old type of consumers' productive society is about to disappear ; this is the association of families together for the purpose of managing a mill, a bakery, or other enterprise. It is impossible for such societies to hold their own against the competition of the productive departments of distributive societies ; they are usually forced either to turn themselves into a distributive society which shall include a productive branch, or to amalgamate with some existing distributive society.

Kitchens serving one or more houses or blocks of flats, club houses, etc., may be counted as members of distributive societies, or, if their purchases are large, as members of wholesale supply societies, and make their purchases through such societies. Here again we are but at the beginning of a development in co-operation. But at any rate it may be stated that the widespread and powerful movement of distributive co-operation is disposed to look with very friendly eyes on the rest of the consumers' movement and would be very glad to further its progress.

Later on it will probably be more practical to assign special economic functions to consumers' societies of a special kind and not to burden the ordinary type of distributive society with them. The distributive societies will be wise to limit their efforts in the main to undertaking what will benefit the whole of their membership. Collective kitchens, for instance, are an undertaking which could be of use only to a small minority of the members of a distributive society.

DISTRIBUTIVE CO-OPERATIVES AND LABOUR CO-OPERATIVES

Co-operative labour associations, known also as workers' productive societies⁽⁴⁾, are one of the oldest forms of co-operative activity. Co-operative labour associations are associations of workers formed for the purpose of running some joint enterprise like a bakery, a carpentry shop, a basket factory, or a silkweaving mill, in short, any industrial undertaking, their object being to sell their labour at the highest price they can get. In these co-operative labour associations the workers are simultaneously the

(4) *Arbeiterproduktivgenossenschaften.*

only shareholders ; they are therefore the only members of the society.

At one time the highest hopes were placed in the development of the labour associations. Co-operative experience throughout the world has belied these hopes. In her account of the English co-operative movement Miss Beatrice Potter (Mrs. Sidney Webb) has undertaken a classic investigation into the co-operative labour association. It is clear that the majority of labour associations have failed owing to lack of capital, lack of a market, and lack of discipline ; and finally also there has usually been lack of good leaders. Co-operative experience has further demonstrated how easily successful co-operative labour associations tend to close their membership and gradually to turn themselves into capitalistic associations. Nevertheless, there still exist in a good many countries, for instance in Great Britain, some efficient co-operative labour associations, though they have often ceased to keep absolutely to the form of a labour association ; they have admitted distributive societies as their members and have tended to become the joint productive departments of such distributive societies.

This tendency is not surprising in view of the fact that those persons who founded and conducted the co-operative labour associations were invariably members of distributive societies ; in order to found their new form of society they used the savings they had accumulated in their distributive societies and they made every effort to get the distributive societies to buy goods off the new associations. However, the principal buyer from these associations must always be the central organisation of distributive societies in each country, in other words, the wholesale supply society of that country ; it is therefore only to be expected that in all countries, primarily in Great Britain, but also in Germany, a large number of labour associations should have been taken over by the wholesale societies and turned into their productive departments. The efforts which the wholesale societies inevitably make to manufacture all articles of large consumption to satisfy the needs of the organised consumers through the medium of their distributive societies forces them to establish their own productive departments, without much consideration for already existing labour associations and in competition with them. The mere prospect of such future competition from the all-powerful wholesale society often induces the co-operative labour association to suggest amalgamation with the wholesale society of its own accord.

Co-operative labour associations which number distributive societies among their members, such societies being their regular customers, are in a better position. There are also co-operative labour associations which manufacture for a local consumption only, e.g. some German associations owning bakeries. These, however, have to face the competition of the bakery of the local distributive society, and are therefore forced to specialise.

Co-operative labour associations of workers in the building

trades—painters, joiners, plumbers, plasterers, and carpenters—are a more recent growth. Co-operative association of plasterers, carpenters, and builders' labourers in building labour associations started only a very short time ago in Germany as part of the so-called building association movement (5). This again is an experiment and it is at the moment impossible to prophesy its outcome. The fear can hardly be suppressed that the great defects which were largely fatal to the co-operative labour associations of an earlier date will reoccur.

The attitude of the distributive co-operative societies is naturally friendly to the labour associations. They are accustomed to ask the associations to submit tenders and where possible to assign contracts to them. None the less, German distributive societies almost always refuse to supply such labour associations with working capital, the reason being that they are themselves suffering from want of capital in consequence of the depreciation of money, and also that insufficient security is generally offered. Again, we must not ignore the fact that the large distributive societies, and especially the large wholesale societies, run their own building departments. Large building, housing, and settlement societies are also likely to develop their own departments for building operations. It is therefore quite possible that the tendency of the distributive form of co-operation to become more and more completely self-sufficing will continue, another illustration of the fact that we are still only at the beginning of many unknown developments in the co-operative movement.

Better prospects seem to await those co-operative labour associations which are associations for the sale of labour or services only. Not much capital is required, as all that is wanted is the necessary plant and enough cash to pay wages to the members for a week or two. Simple labour associations of this type are those formed to contract for excavation work, road making, street laying, and so on; loading and unloading of vessels might also be undertaken by such societies. The attitude of the distributive societies to this type of labour association is again friendly.

In many countries the federations of distributive societies admit all types of co-operative labour associations to their membership, and naturally assist them in every possible way. Since 1912 the Central Federation of German Distributive Societies has, however, by a clause in its constitution, excluded from its membership any co-operative labour association and, indeed, any co-operative society which is not a distributive society, on the ground that each type of co-operative should develop its own federal organisation.

Agricultural labour associations have recently been established in one or two countries for the joint cultivation of a large landed estate. An older form of the same kind of society is the society which advances joint funds to buy or lease an estate and

(5) *Bauhüttenbewegung.*

to cultivate it and market the produce. I have been informed that such agricultural labour associations are making good progress in Italy, and great hopes are being placed in them. Only experience can show how far they are suitable for the very intensive forms of cultivation practised north of the Alps.

DISTRIBUTIVE SOCIETIES AND AGRICULTURAL SOCIETIES

Agricultural co-operative societies formed for marketing purposes, such as sale co-operatives properly so called, granaries, dairies, societies for the sale of stock or of eggs, butcheries, and even co-operative distilleries and sugar-beet crushing mills are almost invariably associations of independent farmers, cultivating small, medium-sized, or large estates. The statistics of agricultural production prove that production is almost always higher per acre under a system of peasant proprietorship than under large-scale landownership. Cultivation is more intensive, stock more plentiful and better cared for, better use is made of waste products, losses due to bad weather apt to be less important; the peasant proprietor can also call on a relatively more adequate supply of labour. In many countries and places such as Denmark and certain districts in Germany, where almost every size of peasant farm can be found in each locality, and where the sons of even the most well-to-do farmers attend the agricultural schools, peasant property is in a position to profit by the advance of agricultural science. Finally, the economic advantages of this form of cultivation have increased as the result of specialisation, the improved adaptation of mechanical appliances, and the application of electric power to agricultural purposes such as is being increasingly carried out by a growing number of electrical co-operative societies.

In one respect only is the peasant proprietor at a disadvantage as compared with the large-scale landowner: he easily falls a victim to the middleman. This is the evil which every agricultural co-operative society sets out to cure. Credit and savings co-operative societies make the agricultural society independent of the usurer and furnish it with the capital required for carrying on intensive cultivation; the supply societies furnish it with the commodities it needs at a low price, while the marketing societies allow it to place its produce on the market advantageously. Thanks to stock-breeding co-operatives, to co-operatives for the supply of machinery, etc., it can obtain the use of breeding stock and of machinery such as only the large-scale farmer and not the small proprietor can afford on his own account.

By means of such co-operative organisation peasant proprietorship becomes undoubtedly more economic as a system of exploitation than large-scale property. This is proved by the case of Denmark. Denmark is an agricultural country; its whole economic system hinges on exporting the larger part of what it produces agriculturally. Danish agriculture cannot seek shelter

behind a customs wall ; it must be inherently prepared to face world competition in the open market. Now statistical survey has established the fact that large-scale property, which fifty or sixty years ago was the preponderant form of ownership, has steadily receded before peasant proprietorship, while among the peasant farmers themselves the big farm is tending to give way to the medium-sized farm worked by a single family with a little outside help. Note again that the small peasant farm, which is compelled to maintain itself against the economic competition of all and sundry, is not exploited for purposes of profit, but for personal use, like the house which shelters a family, or the tools used by the jobbing carpenter, or the sewing-machine used by the dressmaker, or the retail business of the small craftsman.

A good many distributive societies and wholesale supply societies take over the farming of large-scale estates, partly in order to get more profit out of the waste products of their industrial undertakings, such as bakeries or mills, and partly with a view to producing some of the agricultural produce required by their members. The Union of Swiss Distributive Societies, which acts as a wholesale buying society, has bought several farms of various acreage. The management of such farms enables distributive societies to fall back on certain control standards for gauging what are fair prices for the agricultural produce which they have to buy on a large scale. So far experience has proved that co-operative farming is in no way cheaper than the farming of free peasant ownership. In any case, want of capital would make it quite impossible for distributive co-operative societies ever to acquire enough farms to make it feasible for them to supply even a majority of their members with the more important agricultural commodities like milk, butter, eggs, fats, grains, fruit, and vegetables.

Up till now agricultural produce has been bought by the middleman and by him distributed to the consumer. Now the middleman, in order to make a profit, is at all times inclined to exploit the difficulties of the economic situation. When crops are poor after a bad harvest, he forces prices up, but abstains from sharing any part of these raised prices with the farmer. When the market is flooded after a good harvest, he often compels the farmer to accept prices which do away with the whole of his profit, but refuses to allow the consumer any corresponding advantage. It is natural that under these circumstances agricultural producer and agricultural producers' co-operatives, and city consumer and consumers' co-operatives, should each extend to the other a helping hand. It has therefore long been the aim of the distributive societies and of the wholesale societies supplying them to get the agricultural produce they need for their members direct from growers and co-operatives of growers.

In countries where agriculture produces for export the separate agricultural co-operative societies show a strong tendency to coalesce into export federations. The natural customers of these

export federations in one country are the wholesale importing societies of another country. Thus the Danish central export federations have for many years past been the most regular suppliers known to the English Wholesale Co-operative Society, while the German wholesale societies before the war used to import butter from the export federations in Finland and Siberia. The systematic organisation of an international exchange of goods will perhaps be one of the duties of an international wholesale co-operative society.

The idea that distributive societies should draw their supplies direct from agricultural co-operative societies has progressed under great difficulties. Political propaganda against the distributive co-operatives as 'Socialist' did not play, perhaps, a very important part; most agricultural growers are much too hard-headed to refuse to sell their stuff to a safe payer and a fair dealer because of a purely political consideration. The difficulties were rather of an economic nature. In industrial countries, where agricultural produce is mostly imported, the grower was unaccustomed to place his own produce on the market. The middleman arrived at his front door and bought his wheat as it stood in the field and his cattle as they stood in the stable. On the other hand, the manager of the distributive co-operative society was accustomed to receive tenders for goods while he sat in his own office; what he chiefly bought were manufactured goods, and it is the custom in industry that the seller shall seek out the buyer. The result was that grower and co-operative city manager never met. This went on until the separate agricultural co-operative societies began to federate themselves into central societies devoting themselves exclusively to the marketing of agricultural produce, while, on the other hand, the wholesale buying societies, with a view to freeing themselves from the shackles of the middleman, began to organise their purchases systematically so as to buy direct.

However, even before this a good deal of direct connection had been established in Germany wherever distributive societies had been founded in the middle or in the neighbourhood of an agricultural district. In the autumn of 1912, with a view to obtaining information for a report⁽⁶⁾ which I had engaged to deliver for the International Co-operative Alliance at the International Co-operative Congress held from 25 to 28 August 1913 at Glasgow, I began an enquiry into the subject of the direct exchange of goods between distributive co-operative societies, co-operative agricultural and other co-operative producers' societies, and between the wholesale buying societies in various countries. My enquiry was specially concerned with the direct supply of

(6) Printed in the Proceedings of the International Co-operative Congress held by the International Co-operative Alliance at Glasgow, published by the Alliance. Full information on the amount of goods bought by distributive societies from agricultural co-operatives will be found in the Year Book of the Central Federation of German Distributive Co-operative Societies (*Jahrbuch des Zentralverbands deutscher Konsumvereine*), 1914. Vol. I, pp. 1 et seq.

produce to the German distributive societies and the German wholesale societies from growers and growers' co-operatives. The results which I obtained are set forth in the following table, and give the turnover of these transactions in marks.

| <i>Commodities</i> | <i>Turnover</i> | |
|--------------------|-----------------|------------------|
| | <i>1904</i> | <i>1912</i> |
| | marks | marks |
| Butter | 4,921,559 | 8,900,364 |
| Milk | 121,107 | 2,144,070 |
| Cheese | 69,882 | 1,195,673 |
| Eggs | 68,613 | 1,615,361 |
| Fruit and jams | 9,483 | 260,658 |
| Wine | 311,638 | 628,314 |
| Potatoes | 394,872 | 2,400,003 |
| Grains | 598,782 | 1,951,706 |
| Meat | 728,641 | 3,988,862 |
| Miscellaneous | 274,121 | 242,071 |
| | <hr/> 7,498,698 | <hr/> 23,327,082 |

In 1904 the turnover of the German distributive societies was 132 millions of marks; in 1912 it was 423 millions of marks. Out of this turnover the actual proportion of agricultural produce directly supplied has risen from 5.1 per cent. to 5.5 per cent. The Wholesale Supply Society of German Distributive Co-operatives had not organised its direct buying of agricultural produce until about the year 1910. Naturally the amount bought remained very small, only 2,700,000 marks worth, or about 0.6 per cent. of its own turnover. Careful enquiry was made, and results began to be more favourable during the following years. In 1913 the Wholesale Society was already buying direct 2,944,435 marks' worth of agricultural produce, or 1.91 per cent. of its own turnover, and in 1914 it was buying 3,194,334 marks' worth, or 2.03 per cent. of its turnover.

The war, and the measures which were taken in consequence of the war to control the economic system, put a stop to the progress of this movement, at any rate in Germany. Bureaucratic administrators systematically ignored the Wholesale Society and most of the agricultural co-operatives in arranging their compulsory system of the seizure and distribution of agricultural produce. All our protests were in vain. It was not until the Revolution took place that any consideration was paid to the Wholesale Society. But even the assignment of a share in the rationing system did not mean direct supply. The compulsory rationing system has, however, by now been pretty well entirely abolished, chiefly in consequence of the persistent demands of the organised consumers of the country. The Wholesale Society was therefore able to resume its direct buyings from growers and from growers' co-operatives towards the end of 1921. The results are shown in the following table, which gives the amount and value of commodities purchased in 1921 from agriculturalists and agricultural co-operatives by the Wholesale Supply Society of German Distributive Co-operatives.

| <i>Commodities</i> | <i>Amount</i> | <i>Value in marks</i> |
|--------------------|---------------|-----------------------|
| Potatoes | 7,539,356 kg. | 8,935,695 |
| Fresh vegetables | 1,521,768 " | 1,506,933 |
| Fruit | 286,826 " | 707,713 |
| Pease, beans, etc. | 262,700 " | 1,883,440 |
| Grains | 136,152 " | 568,792 |
| Red wine | 5,000 ltr. | 57,000 |
| Fresh sausages | 32,200 kg. | 1,003,814 |
| Miscellaneous | 134,384 " | 345,094 |
| Dairy products | 352,206 " | 8,467,115 |
| | | <u>23,475,596</u> |

In spite of the fact that the figures only cover part of the year, and further that grains scarcely enter into question at all, the direct buyings of the Society already amounted to 0.98 per cent. of its total turnover.

Ten years ago the distributive societies were clamouring to buy direct from growers and growers' co-operatives, while part of the agricultural co-operative press were against this policy; fortunately, there has been a change. The German growers are being themselves compelled by the force of circumstances to urge the direct sale of their produce to urban co-operatives and their wholesale society. As the operations of the distributive societies tend to control prices, it is possible that delivery by growers of large quantities of agricultural produce like potatoes direct to distributive societies will set a general price level and reduce middlemen's profits to a reasonable level. Neither distributive societies nor agricultural marketing societies have any intention of abolishing the middleman entirely. The distributive societies only buy to supply their needs, and have no temptation to acquire beyond what is required to supply their members.

With a view to encouraging systematic direct purchases by urban consumers of growers' produce, a conference was held on 12 January of this year at Hamburg, attended by representatives of federations of German agricultural co-operative societies and distributive societies. A resolution was taken to set up a standing committee formed of equal numbers of representatives of the producers' societies and of the distributive societies, whose function shall be to encourage direct buying by consumers' societies from growers' societies. This Committee held its first meeting on 18 January, and has taken the title of "The Economic Committee of German Producers and Consumers Co-operatives" (7). This new step, it is to be hoped, will give rise to interesting developments, and a co-operative ideal, advocated by the writer of this article in speech and in writing for the last twenty years, has begun to be realised.

Another means which distributive co-operative societies can adopt for supplying themselves direct from agricultural co-operatives is to negotiate "delivery contracts". Since the war this type of contract has been very much in use; distributive co-operatives, or wholesale societies, on the one hand, and agricultural

(7) *Wirtschaftsausschuss der deutschen Erzeuger- und Verbrauchergenossenschaften.*

co-operatives, on the other, have signed delivery contracts for milk, butter, pork, potatoes, vegetables, and fruit. The Economic Committee of German Producers' and Consumers' Co-operatives will probably make increased use of these contracts in the autumn of the present year, especially for ensuring the potato supply.

It is astonishing to see how easily agriculture adapts itself to the successive phases of the economic system. At first agriculture was a self-sufficing, self-enclosed system; later it played an essential part in the combined urban-rural economic scheme. Even now it covers no small part of the needs of the grower, but it has also borrowed some of the features of capitalistic production for the market. By establishing relations between agricultural supply co-operatives and distributive co-operatives agriculture becomes incorporated in the co-operative economic system, the purpose of which is the satisfaction of requirements.

Besides establishing marketing societies, agriculturalists have, as has already been noted, established supply societies of all kinds. In addition to the so-called agricultural raw materials societies, agricultural supply and sale societies, societies for the purchase of agricultural machinery, there are the Raiffeisen savings and loan societies, which encourage co-operative methods. Agricultural supply societies of all types have formed central federations for joint supplies, and it is clear that by this means agriculture will be in a position to produce the commodities of which it stands in need. Thus co-operative societies for the purchase of machinery, or seeds, or fertilisers, might have their own machinery factories, their own seed farms, or their own potash mines. The Danish societies have already reached this stage, for the central society which supplies the co-operative dairies owns a machinery factory, while other co-operative federations cultivate their own seed.

Such societies confine their functions to the purchase of commodities needed for cultivation; there cannot, therefore, be any direct relations established between them and distributive co-operatives. It is true that even supposing the agricultural societies had established no central supply federations of their own, they could purchase from the wholesale societies which supply the distributive co-operatives; on the other hand, these wholesale societies have not yet developed their productive capacity to the point of being able to supply the whole number of commodities required in agriculture.

Agricultural co-operative societies and distributive co-operative societies might well develop still further the principle of collaboration in their efforts to satisfy the needs of the consumer. In Germany, for instance, a scheme has been suggested for co-operative flour mills; these would get their grain from the agricultural co-operatives and let them take the bran, while delivering the flour to the distributive societies.

One problem which still remains unsolved in almost all countries is the question of a co-operative milk supply. In some

towns, Basle, for instance, distribution is handled by the distributive society ; in others, e.g. Stockholm, the agricultural co-operatives have established large retail dairies and set up a complete distribution service for supplying the needs of the inhabitants. During the summer of 1912 I visited Helsingfors for the purpose of studying the co-operative movement and found there a peculiar sort of rivalry ; the very important and powerful distributive society "Elanto", which had set up a co-operative dairy to supply the wants of its members, was buying its milk direct from the dairy farms. But the dairy farms, wishing to be independent of the distributive society, also set up a co-operative dairy and established a direct service of milk to the inhabitants. An uneconomic competition, injurious to both sides, followed. In my opinion, the problem of the milk supply of cities is one which should be solved by the joint action of distributive societies and agricultural co-operative dairies, perhaps under the supervision of the municipal authorities.

At Fribourg-in-Breisgau in Baden the distributive co-operative societies and the agriculturalists have established jointly a market whence town consumers can supply themselves with fruit and vegetables. The idea of collaboration between different co-operative societies promises very good results and it is to be hoped that in course of time it will be realised in practice.

DISTRIBUTIVE SOCIETIES AND CRAFTSMEN'S OR RETAIL TRADERS' SOCIETIES

Co-operative societies formed by craftsmen or by retail traders are neither very far advanced nor very specialised. They are chiefly societies for joint purchase or joint supply (also called raw material societies) formed by independent craftsmen or workers, such as bakers, grocers, millers, tailors, boot makers, cabinet makers, locksmiths, painters and decorators, harness makers, upholsterers, hair dressers, butchers, glaziers, weavers, embroidery workers, thatchers, masons, pottery makers, furriers, rope makers, basket makers, book binders, brush makers, and dyers.

Co-operative societies for purposes of sale or marketing formed by handicrafts workers are very few in number. Mention may be made of production and sale co-operatives formed by boot makers, co-operative dépôts and shops opened by cabinet and pottery makers, and co-operative associations formed by butchers in order to handle hides and fats.

Co-operative associations formed by retail traders for purposes of joint purchase have recently developed much more markedly in Germany. Some small traders and bakers have established their own joint bread-making co-operative association ; some hotel keepers in the same way their own brewery ; butchers, a slaughter house ; harness makers, their own plant for dressing and working hides ; house painters, a co-operative association for the joint supply of scaffolding, and so on. In comparison, however, with

the total output of all retail trade and commerce, these societies are only of secondary importance.

The slight extent to which this type of co-operation has developed is partly explained by the inevitable competition arising in the ranks of the small craftsmen and retail traders. Each individual looks on his source of supply as part of his trade secrets ; want of capital makes him dependent on the wholesale trader, stockman, or brewer, while his strongly individualist point of view prevents him from appreciating sufficiently the value of collaboration.

The fact that a large number of such co-operative societies for purposes of purchase have been established by retail traders can perhaps be indirectly attributed to the work done by distributive co-operatives ; the overpowering competition of the bakeries and shops set up by these co-operatives has forced the retail trader to establish supply co-operatives. We members of distributive societies are only too pleased to see the efforts made by our rivals to extend a helping hand to each other. It is a principle which promises good results, whereas their never-ending cry for repressive legislation to obstruct the growth of the distributive co-operative movement can only result in awaking doubts as to their commercial capacity in the minds of their customers. In any case, it is a remarkable thing that the distributive co-operative movement profits even its adversaries, obliges them to conduct their business in a rational way, and teaches them progressive methods.

Other co-operative societies formed by craftsmen and retail traders, such as the co-operative breweries established by the restaurants, the factories for handling fats established by the butchers, can enter into direct relations with distributive co-operative societies as customers, and have sometimes made use of this market. But most of them have no relations at all with these societies, nor, indeed, with co-operative societies of any kind, except with savings and credit societies. On the other hand, there is a tendency among supply societies to establish central federations.

Co-operative societies formed by craftsmen and retail traders fulfil economic functions which will either never be undertaken by the distributive societies or at least not for a very long time ; in this way they not only offer advantages to their members, and give them an exact idea of what co-operation is (indeed, they often are the means of inducing them to become members of distributive societies), but they also fill a gap in the general structure of co-operation, apart from any service they do in checking individualism and selfishness.

SAVINGS AND CREDIT AND MISCELLANEOUS CO-OPERATIVE SOCIETIES

My analysis would be incomplete without some mention of the good work done by savings and credit co-operative societies,

whether they engage solely in financial operations, or like the Raiffeisen societies, undertake, in addition, joint supply and joint marketing. More especially have the rural savings and credit co-operative societies contributed powerfully to secure freedom of action for the small farmer and rounded off all aspects of the agricultural co-operative movement. They constantly advance the capital required for setting up and getting into working order agricultural marketing societies or co-operative dairies; their central funds are the natural bankers for backing all transactions of every type of agricultural co-operative; they extend their liberal aid to agricultural co-operation in its efforts to deal with the social problems which it encounters in the course of its growth, and they reserve no small part of their annual profits for this purpose. As distributive co-operative societies also act as savings societies, credit co-operative societies are coming to have fewer and fewer occasions for collaboration with these, though cases are known to me in which credit societies have agreed to grant mortgages to distributive societies for the purpose of enabling them to acquire a site.

The urban credit co-operative societies and their central federations, whose principal function is to extend aid to craftsmen and co-operatives of craftsmen, have also done good work in their own sphere. Nevertheless, apart from the difficulties, already mentioned, which hamper the co-operative movement generally among craftsmen and retail traders, they find great difficulty in holding their own against the competition of the big banks. A certain rivalry which formerly existed in Germany between some of the urban credit societies and the distributive societies has now disappeared. This rivalry was not born of the essential nature of the two types of societies, but arose because some members of the credit co-operatives were hit in their private capacity as traders or craftsmen by competition with the distributive societies. Possibly the fact that the distributive societies also act as savings societies may have had something to do with this antagonism. However, some distributive societies have maintained financial relations and worked in harmony with the urban credit societies. It is to be regretted not only from the point of view of co-operation, but also from that of the general economic interest, that the enormous growth of the big capitalistic bank should so powerfully restrain the activities of the savings and credit co-operative societies. My hope is that the struggle for existence which these societies have to face will confirm and develop their latent co-operative forces. In course of time, as the inhabitants of town and country become good co-operators, they will want to ensure their economic independence on the basis of a banking organisation which is free from the influence of big capital.

THE CO-OPERATIVE ECONOMIC SYSTEM

The account which we have given of the relations between various forms of co-operative societies brings out the extra-

ordinary many-sidedness of the co-operative movement. There is hardly a sphere of economic activity into which the co-operative movement has not penetrated. Many important departments of economic effort, such as agriculture, consumption, thrift, and credit, are already so strongly 'impregnated' with the co-operative principle that any sudden breakdown, such as a forcible suppression of co-operative societies, would have the most disastrous effects on the economic system.

My account shows that the many branches of the co-operative movement are at the very beginning of their growth, while others have already attained great importance. Atrophy or decline there is none; all is strong and lusty life. Only the other day, in a great country, free, independent, and democratic co-operation was put an end to after a revolution; but the miracle of its resurrection is already in sight.

Like all economic systems the co-operative movement is an organic growth. It is part of the economic system of the world, and contains within itself a new economic principle⁽⁸⁾. I have called it the child of the capitalistic system. Now children are heirs. The capitalistic system itself has not existed from time immemorial; other systems preceded it. The progress of time has made capitalism the reigning system, but even so capitalism has not entirely stamped out all signs of earlier systems. Linger- ing traces of all may be found, from the earliest self-sufficient agricultural system down to the dressmaker in the big city who goes out to ladies' "private houses".

The co-operative principle will triumph just as the capitalistic principle has triumphed, and within the framework of the co-operative system there will be room for all previous economic systems in so far as they embody a rational principle, even for capitalism. Agriculture, while safeguarding its own existence, will fit itself on to the co-operative economic system on certain conditions: for instance, by means of those supply and market- ing societies of which mention was made above formed into central federations, or by means of delivering its produce straight to such central federations or straight to the distributive societies or their wholesale buying societies on the system of contracts signed by these distributive societies, later perhaps also on a system of co-operative undertakings managed jointly by distributive co-operatives and agricultural co-operatives with a view to supplying the needs of urban and rural populations.

The International Co-operative Alliance in the course of its congress held at Basle in August 1921 inserted the following clauses in the first paragraph of its constitution:

The International Co-operative Alliance, in continuance of the work of the Rochdale Pioneers, seeks, in complete independence and by its own methods, to substitute for the present competitive régime

(8) See the author's recently published pamphlet, which has had an edition of a million copies in Germany: *Ein konsumgenossenschaftlicher Blick in die Zukunft*.

of private enterprise a co-operative system organised in the interests of the whole community and based upon mutual aid and self-help.

Co-operators throughout the world are fully conscious of their historic task. Our demand is that there shall be no artificial obstacles placed in the path of the co-operative movement by the legislators of any country and that taxation should have regard to the character of the co-operative idea. We want to fight a fair fight with our capitalist and individualist fellow men in the economic field, granted that they are prepared for free, open, and honest rivalry ; but we shall appeal to the protection of the law against any combine or association of industrial capitalist enterprises, whether open or secret, which aims at exploiting the consumer or shutting out consumers' co-operatives from the distribution of goods, except in so far as we are already protected by the results of our own co-operative production. It would suffice to pass a simple Bill empowering a government to expropriate one or more working factories out of the hands of a trust, and to place them under the management of an organised body of consumers. The mere coming into force of such a measure would work miracles in the hands of a determined government. On the other hand, just as we refuse to submit to any discrimination against our co-operative societies, so also do we refuse to ask for any special privileges or favours.

All the high and lofty dreams and ideals of the co-operative movement would fade away like delusive nothings were not co-operation an economic system more rational than the one we have. The greater economic efficiency of the co-operative principle is one of the deepest causes of their triumphant and astonishing growth in the face of every obstacle. It is the result of a system which produces for consumption only, which federates societies of a similar type into an organic body, which then associates the different kinds of co-operative federations in joint enterprises, and which is continually at work improving the economic relations existing between different kinds of co-operative societies,



