



Public Utility Building Guilds in Germany *

Various types of co-operative building societies existed in Germany before the war, but few of these had the necessary stability. Since the war, as a result of the housing shortage, building guilds have been set up in the form of limited liability companies. The principal shareholders are the Federal, State, and municipal governments, trade unions, and various types of public building associations. A General Association of Public Utility Building Enterprises has been established in order to foster the development of guilds and strengthen their financial position by raising capital, etc. The Christian trade union movement has founded similar building guilds. Despite some opposition from private enterprise there were in 1922 more than 250 building guilds or similar associations, 199 of which, employing about 20,000 workers, were affiliated to the General Association. In the first business year (1921-1920) the total value of the contracts undertaken was 470 million marks, and those undertaken in the first six months of 1922 are expected to amount to a milliard marks. The capital of the General Association increased from 5 million marks at its foundation to 100 million by 9 February 1923.

THE housing crisis, which is practically universal, has assumed the character of an economic and social problem deeply affecting the welfare of the population. In every country attempts are being made to cope with it. Such attempts may derive principally from state effort, or principally from the efforts of groups of persons acting on their own behalf or, for public motives, on behalf of the good of the community. A

(*) The authorities used in the compilation of this article are the following.

Dr. Martin WAGNER. *Die Sozialisierung der Baubetriebe*. Berlin, 1919. 56 pp.

A. ELLINGER. *Sozialisierungsströmungen im Baugewerbe*. Dresden, 1920 ; *Die Sozialisierung des Baugewerbes*, Hamburg, 1920 ; *Socialisation of the German Building Industry*, in the *International Labour Review*, Vol. I, No. 3, Mar. 1921, pp. 287-301.

Edmund FISCHER. *Die Sozialisierung des Wohnwesens und der Baustoffproduktion*. Dresden, 1921.

Soziale Bauwirtschaft, journal of the Verband sozialer Baubetriebe. Berlin.
Der Grundstein, weekly journal of the Deutsche Bauarbeiterverband. Hamburg.

Frankfurter Zeitung, 22 and 23 Dec. 1921 (Nos. 949 and 952), and 11 Feb. 1923 (No. 110). Frankfurt.

Zentralblatt der Christlichen Gewerkschaften Deutschlands.

Denkschrift des Verbandes sozialer Baubetriebe an den Reichstag, 1921.

Denkschrift des Reichsverbandes der deutschen Industrie, Fachgruppe Bauindustrie, an den Reichstag.

Denkschrift über die sozialisierten Baubetriebe vom Nachrichtendienst für die Westdeutsche Bauwirtschaft. Essen.

special and very solid combination of efforts is obtained when public authorities and those groups whose living it is to build houses (the producers) co-operate, partly for motives of public utility and partly, in the case of the latter, in order to maintain their trade, and combine with a view to the good housing of those who are in need of accommodation (the consumers).

In Germany such a combination has since the end of the war given rise to the formation of public utility building societies, mostly in the form of building guilds (1).

CO-OPERATIVE BUILDING SOCIETIES BEFORE THE WAR

The existing type of "public utility building society" was not perfected until after many experiments and attempts. Co-operative building societies (2) existed in Germany before the war. The purpose for which these societies were founded was to supply to their members, for their personal use, sound accommodation at a reasonable price; building for third parties, i.e. for persons not members of the society, was not undertaken. Their object, therefore, could not strictly be defined as that of applying co-operative principles to building work.

On the other hand, there were co-operative associations, known under the name of "building producers' associations" (3), formed at almost the same time, whose aims were of this nature. They were not, however, really a public utility type of society, for on obtaining any commercial success and making a profit they generally refused to enlarge their membership, thus putting private interest before public benefit. Want of discipline among the members mostly caused their failure.

With a view to obtaining bodies of workers for certain specific enterprises, e.g. for coal and potash mines and agricultural undertakings, co-operative associations of workers (4) sprang up during the period of demobilisation. The basis of these associations was a simple partnership contract as defined in Sections 705 and 740 of the German Civil Code. At first they worked for employers, public or private, but later began to seek contracts on their own responsibility, especially contracts for foundation and excavation work. Having bought the necessary plant they turned themselves into true "labour co-operatives" (5). The general aim of such labour co-operatives is to carry out constructional contracts and for this end to procure the necessary plant. They now undertake every type of building or excavation work, contract for road making, build canals and railways, carry out forestry and agricultural operations, public sanitary improvement work, surface work at lignite mines, and the building of houses for miners and in rural districts.

(1) *Bauhütten.*

(2) *Baugenossenschaften.*

(3) *Bauproduktivgenossenschaften.*

(4) *Arbeitergenossenschaften.*

(5) *Arbeitsgenossenschaften.*

Workers' productive co-operative associations are now placed on a much firmer basis than before the war ; yet even so they do not entirely, from the community point of view, fulfil the hopes which had been placed in them. Their form of organisation is not absolutely adapted for transformation into public utility bodies. Their capital equipment and supplies are not, for instance, held in public ownership, but by the members of the co-operative. Their success as a public organisation depends on the standard of public sentiment in the members ; where that sentiment is lacking they are neither more nor less than ordinary productive co-operative associations seeking to satisfy the interests of those who compose them. Moreover, members often consider themselves entitled to special rights of engagement because they have personally supplied capital, which they withdraw if objection is raised to their suggestions. The fact that each individual member is interested sometimes makes good administration and impartial management difficult ; the management may hesitate to oppose certain members at the general meetings for fear of losing their support. The power of withdrawing capital on notice can at any moment wreck the undertaking by depriving it of working funds, for, should several withdrawals happen for some reason to be made simultaneously, it would be difficult to find fresh capital.

To forestall the danger of the transference of shares to persons entirely without any sense of the public interest, which might result in ruining the true character of these "building societies of a co-operative type" as public-utility organisations, the device of limiting dividends was adopted. A section has been incorporated in the rules of some societies fixing the maximum interest on paid-up capital at 5 per cent. Surplus profits are not distributed among members but devoted to extending operations. In the event of a society being wound up the balance remaining after repayment of founders' shares is also not distributed, but devoted to public purposes.

By these devices these public utility building co-operatives succeeded in putting themselves on a firmer basis than that on which the simple producers' associations rested. Nevertheless, the defects mentioned — difficulty of procuring working capital and dependence on capital supplied by private individuals — prevented them from being model economic organisations pursuing public ends.

Accordingly it was suggested that the Federal or the State government authorities, acting on behalf of the public, should become owners of the means of production in the building trades and should undertake building operations. Little, however, has yet been done in this direction. The reason is partly the opposition of the vested interests involved, partly also the fear felt lest government departments, as they are constituted at present, should not allow sufficient play to artistic, technical, and economic progress, and might be unable to adapt their policy quickly enough to changing needs and requirements or to co-

operate freely with other commercial enterprises. Thus neither the form of co-operative society possible under the terms of the Act of 1 May 1889 nor state or municipal enterprise seemed likely to supply a satisfactory basis for organising public effort in the building industry. A more appropriate form of organisation was sought and was finally found in that of the limited liability society as defined under the Act of 20 April 1892 (6).

THE BUILDING GUILD AS A LIMITED LIABILITY COMPANY

The enterprises known as "public building enterprises" or "building guilds" (7) are at law limited liability companies. Their members are not single individuals, but public bodies or bodies pursuing public utility ends. The principal shareholders are, in fact, the Federal Government, the State Governments, municipalities, trade unions, home settlement associations (8), the housing trustee boards (9) in the coalmining districts, and public building associations. All capital is therefore held by corporations, and some of it is even supplied from the proceeds of taxes or other public levies. The lowest denomination for founders' shares is 1,000 marks.

The objects of such a building guild are, first, to carry out building work of all kinds and to accept contracts for such work, especially in connection with workers' housing, and, secondly, to administer or share in the administering of buildings when constructed. Little or no information is available on the latter point, which has therefore not been dealt with in this article.

The guild must aim at relieving the housing shortage, improving housing, and encouraging technical progress in the building industry. It should attempt to accomplish its aims by means of improvements in building processes, and the systematic encouragement of professional skill and of the loyalty of workers and employees; its principal aim must remain at all times the construction of buildings to serve the community of as good a quality as possible at the lowest practicable cost.

The organisation of a building guild consists of the manager, the board of directors (10), the board of control (11), and the shareholders' meeting. The directors and other agents of the company are responsible to the board of control, which appoints and dismisses. Their initial appointment or re-appointment must be approved by the district association of building guilds (12) with which the building guild in question is associated. The law

(6) For principles of adaptation to the Act, see WAGNER, *op. cit.*

(7) *Bauhütten*.

(8) *Gemeinnützige Siedlungs- und Wohnungsfürsorgegesellschaften*.

(9) *Treuhandstellen*.

(10) *Betriebsvorstand*.

(11) *Aufsichtsrat*.

(12) *Bauhüttenbetriebsverband*. See below, pp. 248 and 249.

enjoins that the conduct of the enterprise be determined by the board of directors, the board of control, and the district association.

The board of directors includes, besides the directors or agents of the company, one salaried employees' representative elected by the technical and commercial employees engaged, three workers' representatives elected by the manual workers, and two delegates or members of the executive committees of various trade unions. The board of directors is appointed annually after accounts have been audited and a balance sheet accepted. Members leaving the company lose their seat as directors; similarly, if one of the trade union delegates ceases to hold office in his trade union he also ceases to be a director in the building guild. The board of directors elects one of its members as chairman; voting is by simple majority.

The powers of the board of directors for conducting the undertaking derive from the shareholders' meeting. Its members must be called together regularly, it must control the offer of tenders, and must take definite action (*a*) in engaging and dismissing employees and workers (except directors or agents), (*b*) in fixing salaries and wages on the basis of collective agreements (except those of directors and agents), (*c*) in drawing up workshop regulations, (*d*) in accepting contracts, signing engagements, and arranging for credit above and beyond the maximum amounts mentioned in the company's rules, and (*e*) in exercising all other powers conferred on it by the shareholders' meeting and the board of control.

The board of control, consisting of from eight to twelve persons, are chosen as to one half of their number by the shareholders' meeting and as to the other half by the board of directors in agreement with the district association of building guilds. Individual directors can neither elect to nor sit on the board of control. The board of control is appointed annually. Its principal function is to supervise the work of the board of directors, and for this purpose it can examine books, accounts, etc. It passes the annual profit and loss accounts and balance sheets and determines the distribution of profits. Its consent must be obtained to engagements involving more than 300,000 marks, e.g. for finding credit, offering guarantees, or starting subsidiary enterprises. Members of the control board are entitled to their out-of-pocket expenses only.

The shareholders' meeting (*a*) passes the balance sheet and the annual profit and loss account, (*b*) accepts the statements of the board of directors and the board of control, (*c*) appoints the board of control, (*d*) amends the company's rules, and (*e*) votes to wind up the company.

Profits are distributed according to the principles laid down by the General Association of Public Utility Building Enterprises⁽¹³⁾. In the event of winding up assets would be taken over by the district association of building guilds.

(13) *Verband sozialer Baubetriebe*. See next section.

THE GENERAL ASSOCIATION OF PUBLIC UTILITY BUILDING
ENTERPRISES

While all new building guilds are now established as limited liability companies of the kind described above, associations of a slightly different character are also in existence. Thus building societies of the type of a producers' co-operative society⁽¹⁴⁾ often form themselves into a public utility type of co-operative⁽¹⁵⁾, or even, where possible, into regular building guilds. All such organisations are classed together as "public utility building enterprises"⁽¹⁶⁾ and organised in large associations. From their first inception the idea of a single federation to unite them all was in the air. Two special reasons contributed. In the first place, the "building societies of a co-operative type", which were the earliest public utility bodies formed to encourage building, found great difficulties, which have already been noted, in obtaining capital. The means at their disposal were not large enough to allow them to build, as they wished, at a very low cost, at the same time competing with private contractors. Moreover, such isolated undertakings found great difficulty in obtaining building material in consequence of the opposition from such contractors and from building materials supply agents.

Co-operation on some central body was essential in order to overcome these difficulties. Such a central body had to stand for the interests of public utility building enterprises, to be prepared to give them help and assistance, to aid in starting new undertakings, and, if necessary, to come to the financial assistance of isolated undertakings which had proved themselves to be properly managed and to promise well. Further, it would be the function of such a central body to set up plant for manufacturing building material and distribute the material manufactured to its affiliated associations.

At a congress held at Karlsruhe on 8 May 1920 the German Building Workers' Union⁽¹⁷⁾ voted to lend 5 million marks at moderate interest to such a central association. Other unions of building workers and the union of technical workers adhered to the movement, and the General Association of Public Utility Building Enterprises, with offices at Hamburg, was established on 16 September 1920.

The form of the Association is that of a limited liability society. Article 2 of its rules states its objects to be "to found and encourage public utility building enterprises, organised as co-operative societies or as other societies, not working on private capitalistic lines, and to represent such enterprises in negotiations with the elected authorities of the Federal Government, the State Governments, and the municipalities".

⁽¹⁴⁾ *Bauproduktivgenossenschaften.*

⁽¹⁵⁾ *Gemeinnützige Baugenossenschaften.*

⁽¹⁶⁾ *Soziale Baubetriebe.*

⁽¹⁷⁾ *Deutscher Bauarbeiterverband.*

The organisation of the Association consists in a board of directors, a board of control, a consultative council, and a shareholders' meeting. The functions of the board of directors are those defined under the general law on the subject, or are attributed by the board of control. The board of control, consisting of from eight to twelve persons, accepts or rejects applications for loans which exceed a fixed maximum and engages and dismisses staff. Its other rights and duties are those defined under the general terms of the law.

The shareholders' meeting elects one-third of the members of the board of control each year. Representatives of trade and affiliated organisations cannot continue to sit on the board of control on ceasing to belong to their special organisation. The board of control meets according to the requirements of business, and not later than two days after a meeting has been requested by at least three members or by the board of directors. Members of the board of control are entitled to their out-of-pocket expenses only.

The consultative council⁽¹⁸⁾, whose powers derive from the shareholders' meeting, includes the directors and from six to twelve members elected annually by the shareholders' meeting from among those representing the public utility building enterprises affiliated to the Association. The consultative council determines whether building enterprises shall be accepted for affiliation and whether they shall be excluded from the Association and, if so, on what principle; it approves or rejects applications for loans and for participation in building operations, lays down guiding principles on technical and economic policy for the benefit of affiliated societies, fixes the amount of the subscriptions payable by them, and, in general, settles all questions submitted to it by the shareholders' meeting. Representatives who cease to be members of their special societies cannot continue to sit on the consultative council. A member of the board of directors is appointed chairman of the council. Members of the council are entitled to their out-of-pocket expenses only.

The shareholders' meeting is attended by all shareholders, each holding of 1,000 marks entitling to one vote. The shareholders' meeting accepts the annual report and the statements of the boards of directors and of control, elects the board of control and the consultative council, and amends the rules of the Association.

No transference of shares or of moieties of shares can be effected to third parties or corporations except on authorisation of the board of control, but such authorisation is, nevertheless, not required if the price obtained for such sale of shares is above their nominal value or the paid up total on them.

After provision has been made for a sinking fund and payments to reserve fund, not less than 10 per cent. of the remaining profits shall also be placed to the reserve fund until it shall

(18) *Beirat*.

amount to 20 per cent. of the initial capital ; a further 5 per cent. at most may then be paid as dividend. Any further surplus profits shall be distributed as to 10 per cent. on behalf of the employees, and as to the remainder to form a special reserve to be applied to extending the sphere of operations. Moneys paid into this special reserve may be withdrawn only on unanimous votes of the board of control and the board of directors, ratified by the shareholders' meeting.

Amendments to the constitution require the consent of three-fourths of those voting. In the event of the Association being wound up the shareholders are entitled to repayment of their capital only or at most to the nominal value of their holdings. Any surplus assets can only be devoted to community building purposes and must be paid over to the competent Federal authorities.

THE DISTRICT BUILDING ASSOCIATIONS

Within the General Association public utility building enterprises are grouped by economic district⁽¹⁹⁾ with a view to mutual assistance and help in carrying out their economic functions. Such groups of building enterprises⁽²⁰⁾ are again constituted as limited liability companies, just as is the General Association. Within their respective districts they carry out the same functions as are in a general way assigned to the Association; they establish and finance public utility enterprises, lay down general principles to guide their constituent societies on technical, economic, and artistic policy, obtain supplies of building material and scaffolding, and organise special undertakings for executing specific contracts.

Their constitution is analogous to that of the General Association already described. Their constituent members may be (1) the General Association of Public Utility Building Enterprises, (2) federations of trade building associations⁽²¹⁾, (3) public utility building enterprises whose constitutions and objects conform to the principles laid down by the General Association, and (4) manual workers and salaried employees in the building trades.

The lowest denomination for founders' shares is 500 marks, and all shares of a higher denomination must be multiples of this amount. The capital held by manual workers and salaried employees (the fourth class cited above) must not exceed 30 per cent. of the total initial capital ; such workers and employees, as also public utility building enterprises (the third and fourth classes cited above) are also required, on a vote of the shareholders' meeting, to transfer the whole or a portion of their holdings to other shareholders. The object of these regulations is to ensure that an amount of capital sufficient to carry a majority of votes shall at all times remain in the hands of those share-

⁽¹⁹⁾ *Wirtschaftsbezirke.*

⁽²⁰⁾ *Bauhüttenbetriebsverbände.*

⁽²¹⁾ *Verein. Zahlstellen der baugewerblichen Verbände.*

holders who may be considered to be trustworthy champions of the principles at stake. Article 18 of the constitution of the General Association of Public Utility Building Enterprises is analogous and lays down that the German Building Workers' Union can be required to transfer a portion of its original holding, up to a total of 500,000 marks, to public utility building enterprises which are already in existence or which may hereafter be in existence and which shall be the final holders.

In the event of winding up a district association of public utility building enterprises surplus assets are handed over to the General Association.

OTHER PUBLIC UTILITY BUILDING ENTERPRISES

The Christian trade union movement has also given birth to building societies of the type of a co-operative producers' society. In 1921 these were federated in a National Association of German Building Producers' Co-operatives⁽²²⁾. The National Association is not a limited liability company, but merely a registered company under Section 21 of the Civil Code; it cannot act as a commercial enterprise. Its objects are to secure uniformity of principle among Christian building co-operatives and to encourage and stimulate the co-operative spirit and the work of its members.

The need for some organisation of a more strictly business nature being felt, there was established in December 1921, side by side with this National Association, a Central Bureau⁽²³⁾ in the form of a limited liability company. The bodies admitted to membership are the Christian Building Workers' Union, the Christian Union of Painters and Decorators, and other Christian trade unions, as well as "building societies of a co-operative type".

GROWTH OF THE MOVEMENT

From the earliest days of its existence the movement for public utility building enterprises or building guilds had to face the lively opposition of vested interests⁽²⁴⁾, and in any case these new undertakings had to encounter all sorts of difficulties. Capable managers were hard to get, discipline was lacking, orders were few and far between, and, above all, capital was short; shortage of capital has at all times been the outstanding difficulty of such building associations. Yet most of these associations have not only survived, but can show a solid success, thanks to the financial backing of trade associations, even if

⁽²²⁾ *Reichsverband deutscher Bauproduktivgenossenschaften.*

⁽²³⁾ *Zentralwirtschaftsstelle.*

⁽²⁴⁾ See the Memorandum addressed to the Reichstag in 1921 by the trade associations affiliated to the General Association of German Industry (*Reichsverband der deutschen Industrie*); also the Memorandum on public utility building enterprises (*Denkschrift über die sozialisierten Baubetriebe*) drafted by the Essen information service of the building industry of Western Germany.

they have not yet succeeded in raising the amount of capital which would enable them to carry out the whole of their aims.

In order to be able to do so, the societies have applied to the Federal Government, the States, and the municipalities for the grant of larger credits than have hitherto been given⁽²⁵⁾ with a view to increasing the number of societies. They have adduced in support of their application the plea that the housing shortage and building requirements make it imperative for the public authorities to encourage public utility building societies in order to bring down building costs⁽²⁶⁾.

At the same time the societies have made frequent efforts to obtain the capital they require from the building workers themselves. Regular repeated or special single subscriptions have been collected by the trade associations and the proceeds assigned to the public utility building associations as their initial capital. The Building Workers' Union and the Slaters' Union at their last congress resolved that 5 per cent. of the amount received in union subscriptions should be put at the disposal of these associations, and the executive committee of the Building Workers' Union voted to assign the money to the General Association of Public Utility Building Societies, which should distribute it among the district associations. The amount thus to be assigned in 1922 was estimated at 20 million marks.

The strong desire thus entertained to raise the necessary capital from among the building workers is the principal explanation of the fact that the General Association was formed not by the building associations themselves, but by trade associations. The building associations also attempted to attract the savings accumulated by workers in the building trades. The General Association issued bonds of 100 to 500 marks, carrying interest at from 3½ to 5 per cent. according to the date at which they were repayable. For savings of smaller amounts a system of deposit books was started; savings were accumulated in the form of stamps, and when 100 marks worth of stamps had been placed in the book, it could be exchanged for a bond.

The first public utility building societies were established in 1919. Two years and a half later they numbered over 250, 199 of which were affiliated to the General Association. In October 1922 out of the 199 affiliated societies 128 were co-operative societies and 71 were building guilds. Some of the building guilds had previously been co-operative societies; they had transformed themselves into building guilds in view of the

(25) Section 8 of the Memorandum addressed to the Reichstag by the General Association of Public Utility Building Enterprises gives a summary of the financial aid supplied by public authorities to public utility building associations up to October 1921.

(26) The Sub-Committee of the Reichstag Housing Committee in 1921, in reply to these applications, passed a resolution recommending (1) that the Reichstag urge the Federal Government, with a view to bringing down building costs, to grant subsidies on a larger scale than hitherto to building undertakings of a co-operative type; (2) that a credit of 10 million marks be opened to finance new building societies of this type.

inadequacy of their working funds, the restrictions on their economic action, and the risks of a possible withdrawal of capital by shareholders at any moment. The building guild is thus more and more tending to become the typical form of the building society. Since April 1922 the number of new building guilds established has been 17, and between that month and October 1922 the total capital of all guilds increased from about 16½ million marks to about 31 million marks.

Enterprises affiliated to the General Association employ about 20,000 workers. The Berlin guilds employ over 650 workers, the Dortmund guilds over 550, the Nuremberg guilds 440, the Frankfort-on-Main guilds 300, and the Altenburg guild over 400, and so on.

During the first business year, reckoned from 16 September 1920 to 31 December 1921, the total value of the contracts undertaken was 470 million marks. During the next six months from 1 January 1922 to 30 June 1922, the value of contracts was estimated to amount to a milliard marks. The initial capital of the General Association was increased from 5 million to 25 million marks by 17 October 1922, and to 100 million by 9 February 1923. During 1922 the district associations numbered 19 and held a joint capital of 19,151,500 marks.

Definite results have been achieved by the public utility building enterprises. No very precise figures can be quoted, but it is possible to state that, by maintaining competition and by reducing profits, the societies have contributed to the reduction of building costs and of the prices of building materials. They have sometimes submitted tenders 50 per cent. lower than those sent in from other quarters. Their character as enterprises directed to the social good is also to be noted, their very form of organisation affording a sufficient guarantee that proper working conditions will be maintained.
