



Co-operation in Russia before the War⁽¹⁾

by

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The present article is a brief history of the rise and spread of the Russian co-operative movement before the war, intended to serve as an introduction to a future study of co-operation in Russia since the Revolution. Professor Totomiantz accounts for the spread of co-operation in Russia from 1900 onwards by the fact that at that time the Czarist Government slightly relaxed its usual persecution of all forms of popular organisation in favour of rural credit societies of a co-operative type, partly on account of the economic consequences of the disastrous famine of 1897, and partly because it hoped that the movement would encourage the formation of a middle class of small proprietors which would be the best defence against revolutionary attacks. In 1909 the movement spread to the country districts and began to show real life. Its strength lay in distributive, credit, and agricultural marketing societies. The author details the number and operations of such societies and the working of the People's Bank at Moscow.

Co-operation in Russia was principally characterised by its distinctive character of a rural movement, which resulted in a natural tendency towards societies of a composite type, undertaking simultaneously distribution, marketing, and credit operations; in addition, Russian co-operation may be specially noted for maintaining friendly relations between all branches of the movement, and, finally, for its educational activities.

CO-OPERATION in Russia has a very long history behind it. Long before the influence of the co-operative movement in western countries had penetrated into Russia certain associations were in existence not unlike the labour co-operative societies of Italy⁽²⁾. Stone masons, carpenters, fishermen or

⁽¹⁾ For further information on this subject see J. V. BUBNOFF: *The Co-operative Movement in Russia; its History, Significance, and Character*; Manchester Co-operative Printing Society; 1917; also Grégoire BEKKER: *Le mouvement coopératif en Russie et la renaissance de la Russie*, Institut Solvay, publications of the Institut de sociologie, Brussels, Lamertin, 1921; also V. TOTOMIANTZ: *La cooperazione in Russia*, Milan.

⁽²⁾ See Meuccio RUINI: *The Co-operative Movement in Italy* in the *International Labour Review*, Vol. V, No. 1, Jan. 1922, pp. 21 et seq.

other workers in some one trade formed a group for the purpose of carrying out some work either on their own account or else for an employer to whom they sold their collective labour power ; or again the *kustars*, or peasants, who were home workers, united in order to avoid being exploited by the middleman. Such associations, called *artels*, whose origins go back to the Middle Ages, were until the end of the nineteenth century the most widespread form which the co-operative principle took in Russia.

Other forms of co-operation had been known for some little time. The first consumers' society was formed at Riga in 1865 and almost simultaneously the first credit society at Dorovatov in the province of Kostroma in 1866. Other societies were then formed in imitation of these two, mostly on the initiative of members of the intellectual classes who had become converts to co-operative principles. As a whole, however, the movement lacked life, the ground having been insufficiently prepared ; the peasants had only just been released from a state of villeinage in 1861, and were still as ignorant as ever, while the class of industrial workers was still too small and, above all, of too recent a growth to be conscious of its own aspirations or needs. Finally, the mere fact that members of the intellectual classes were in favour of the movement was enough to make the Government afraid of it and put obstacles in the way of its development. Instead of looking on co-operation as an economic fact, the authorities interpreted it as a dangerous political experiment, capable under certain circumstances of threatening the stability of the empire ; the permission of the competent Minister had therefore to be obtained before any new co-operative society could be established.

The outlook for co-operation improved towards the end of the century. The widespread famine of 1897 was important, leading, as it did, to recognition of the fact that production could not be increased unless methods of cultivation were improved and the peasants enabled to acquire better machinery and tools. Prices of foodstuffs had risen and this brought home to the industrial worker, no less than to the peasant, the urgent necessity for shaking off the yoke of the middleman ; to both co-operation promised a remedy for accumulating miseries. The authorities, influenced by the distress arising out of the famine and realising that it was essential to withdraw their opposition to the co-operative movement, sought to turn that movement to political account. A middle class of small proprietors seemed to them the best defence against revolutionary attacks, and they turned their chief attention to the question of rural credits. In 1895 a Decree was issued laying down model regulations for credit societies and conferring on branches of the State Bank powers to authorise the formation of societies conforming to such regulations. Two years later a new Decree conferred on governors of provinces power to issue the necessary licences for the establishment of co-operative societies.

The number of co-operative societies increased rapidly from that time onwards. In 1905 there were, taking all types of society, 5,700 organisations in existence, a very small number when viewed in relation to the size of the country. Co-operation did not take on the dimensions of a huge popular movement until after 1905. The revolutionary upheaval which shook the Russian empire had awakened the social consciousness of the masses; meanwhile the intellectual classes also, whose faith in revolution had suffered eclipse as the result of the failure of their attempts, turned towards economic effort and gave themselves up almost entirely to furthering the co-operative movement. This time the seed was sown on favourable ground; success followed in full measure, and a close net-work of co-operative bodies began rapidly to cover the country. The number of societies, which had been 5,700 in 1905, rose to 33,000 in 1914, including 12,000 distributive and 13,000 credit societies.

This astounding development caused the authorities considerable anxiety. Unable to restrain it they thought it wiser to look on it as an accomplished fact and to accept it. More opposition came from the retail traders in the towns and those hangers on of the villages, the hucksters and usurers; at first such persons had looked on co-operation with a sceptical eye, but they now began to fear it as a formidable menace and one to be ousted by every means in their power. Not that there was any great threat to co-operation from this quarter; Russian trade could boast no organisations specially formed to fight co-operation. Only in 1913 was there a real mobilisation of private capital when the traders of the town of Kourgan in Western Siberia appealed to the Committee of the Produce Exchange for help in their struggle against the threatening rivalry of the co-operative creameries. Such efforts, however, did not seriously impede the growth of the movement, which was irresistible and which responded to the popular economic and spiritual needs; success was its own best propaganda.

DISTRIBUTIVE SOCIETIES

Immediately before the outbreak of the war the co-operative movement could quote, as earnest of its success, the existence of twelve thousand societies serving two million families and with an annual turnover of a quarter of a milliard of roubles — a most remarkable achievement considering how young the movement was. It is true that the establishment of the earliest distributive society goes back to 1865, but the distributive societies which were formed during the next thirty years in the towns or in the neighbourhood of industrial establishment had sometimes nothing of co-operation about them but the name. They were run either by the well-to-do classes of the neighbouring towns or else by the managements of the factories for whose workers they catered,

and the co-operative business was never put into the hands of the customers. They aroused but little enthusiasm, and no one regretted their disappearance.

In 1909, when it began to spread in the country districts, the co-operative movement began to show real life. From that time on co-operation, growing with the spiritual growth of the peasant classes after the 1905 Revolution, became definitely agricultural in type, and this tendency became more and more accentuated in the years before the war. Of the 12,000 distributive societies which were in existence at the beginning of 1914 no less than 80 per cent. were situated in the villages, while 60 per cent. of the total membership was recruited from among the peasant classes. The dividends of the rural distributive societies were also, as a rule, higher than those of the societies serving factories or mines.

From the outset distributive co-operative societies in Russia had felt the need for federation, but the hindrances put in the way of federation by the authorities of the Czarist system were even greater than those which they had opposed to the initial foundation of co-operative organisations. Permission had to be obtained from the Czar and until 1898 not a single licence was granted ; in that year the Federation of Distributive Co-operative Societies of Moscow was established. This Federation made extraordinary progress, especially from 1905 onwards. In 1905 the turnover was still only 260,000 roubles ; in 1914 it had reached 10,343,000 roubles, while the number of affiliated societies, which had been 18 when the Federation had been founded, rose to 549 in 1912 and to 761 in 1913, distributed as follows : 172 urban and occupational societies, 369 rural societies, 117 workers' societies, 39 independent workers' societies, 21 societies serving army and navy officers, 21 railway societies, 21 societies working in connection with credit societies, and 1 district federation. The predominance of the rural type of society is to be noticed.

As in western Europe, many distributive societies had organised productive departments for the manufacture of articles of daily use for sale to their members. The most common productive departments were bakeries, boot and shoe factories, brick-kilns, flour-mills and similar establishments.

CREDIT SOCIETIES

The only type of society which could be compared with the distributive society in importance in 1914 was the credit society. In that year there were 14,000 such societies in existence, serving eight million members. The total amount of loans had risen to 107,700,000 roubles in 1913, while the profits amounted to 31,000,000 roubles.

Three-quarters of the credit co-operative societies existing in 1914 were formed on the Raiffeisen model. The earliest credit societies, established between 1865 and 1895, had mostly followed

the Schulze-Delitzsch model, but they had only been moderately successful and had not increased in number; in the latter type of society the capital has to be found by the members themselves, and this principle was ill-adapted to suit the poverty of the Russian peasant. An entirely different type of society was established as a result of the 1895 Decree, which laid down model regulations for credit societies and facilitated the establishment of societies following the lines indicated. No capital contribution was required of the peasants, the initial funds being advanced by the State Bank. Such credit societies of the Raiffeisen type were thus open to all, even to the poorest. They naturally grew in number, outstripping the Schulze-Delitzsch societies. In 1905 there were 537 Raiffeisen societies as against 924 of the Schulze-Delitzsch type; in 1913 the proportions were reversed to 7,963 of the first and 3,053 of the second type, and in 1914 to 10,401 and 3,728 respectively. The Schulze-Delitzsch societies only quadrupled in number, while the Raiffeisen societies were eighteen times as numerous as before. The first type of society, recruiting its membership from the classes which were relatively well off, could not develop as rapidly in a country like Russia as the latter, which was particularly suited to rural requirements. Moreover, the Raiffeisen Society could count on support from the government. The sums advanced by the state to credit societies continually increased. On 1 January 1913 they totalled 65 million roubles and on 1 January 1914 98 million roubles. These state loans had some drawbacks; the Government was inclined to supervise the operations of societies drawing such loans, but the success registered by these societies generally made it possible for them to repay the loan and thus become independent of government supervision.

The rapid growth of the Raiffeisen societies in rural districts had the effect of stamping credit co-operation in Russia with a predominantly rural character. Moreover, by dint of trying to adapt themselves to the requirements of their peasant members such societies began to acquire a variety of different functions. To their banking operations came to be added wholesale buying and selling of cereal crops or of other agricultural produce; or, again, they started productive manufacture and established brick-kilns, repairing shops for agricultural machinery and tools, tomato-canning factories, etc. The number of these mixed societies rose to 2,042 in 1912, while their turnover for the purchase and sale of agricultural produce amounted to 24,000,000 roubles.

Like the distributive societies, the credit societies attempted federation at an early date. But, in spite of the fact that they enjoyed government favour even more markedly than did the distributive co-operatives, it was not until 1901 that the first federation of credit societies was formed at Berdiansk, and even in 1914 there were still only eleven such federations in existence and these eleven federations covered only 558 societies out of a total of 14,000. However, in 1911 the Government laid down model regulations for credit co-operative federations and

permitted them to accept deposits, a right they had not until then enjoyed. From that date the movement towards federation grew apace. The Berdiansk Federation, for instance, multiplied its turnover thirteen times over, and the united balance-sheets of the eleven federations in 1914 reached the figure of 2,300,000 roubles.

AGRICULTURAL SOCIETIES

Agricultural associations were fairly numerous in Russia before the war; but they played no important part in the economic world, as their resources were too limited; they were chiefly educational agencies. On the other hand, the co-operative creameries of the governments of Vologda and especially of Western Siberia were important sellers on home and foreign markets.

The first creameries were established in Siberia in 1894, but their growth and development really date from the day when some of them united, in 1908, to found in common the Federation of Creameries in Western Siberia. At the date of its foundation this Federation included twelve societies with a capital of 21,000 roubles; in 1914 the number of affiliated societies had risen to 864 and 678,793 poods of butter were being sold; in addition, the Federation had sold to its members 6,630,000 roubles' worth of foodstuffs and 9,000,000 roubles' worth of other goods.

These figures prove how important and also how varied were the Federation's activities. The Federation did not confine itself to marketing the butter produced by its members; in selling them foodstuffs it was fulfilling the functions of a distributive society simultaneously with those of a joint sale and purchase society. It operated on the basis of unlimited liability for each member and of their recognised obligation to conduct their whole business through the Federation both for the purchase of commodities and for the sale of their butter. Distribution of goods purchased was effected through shops, of which there were 600 in 1911. The creamery, on which a form of distributive society was grafted, was the original type of co-operative as known in Russia.

From the outset the Siberian creameries found useful customers for their produce through the intermediary of foreign agents. Denmark was the first country to import Siberian butter, followed a little later by Germany and England; the latter country became the principal purchaser of Russian butter in 1909. Export began to be a monopoly exclusively in the hands of foreign agents. With a view to eliminating such private middlemen the Federation signed a contract with English buyers, who agreed to buy Siberian butter at prices ruling on the local markets. The contract was subsequently altered, but the results did not correspond to expectations. Eventually the Federation set up a limited company in London in 1912 under the name of "The Union of the Siberian Co-operative Associations" with a capital

of a million roubles. Two denominations of shares were issued : 100,000 6 per cent. paid up preference shares and 100,000 non-paid-up nominal 50-rouble other shares. The paid up capital was divided equally between two Russian and two English directors.

The butter was sent direct to the Union in London, which on receipt forwarded to the Federation in Russia 90 per cent. of its selling price on the foreign market ; the remaining 10 per cent. was forwarded on sale, after the necessary deductions had been made for interest on capital, agents' expenses abroad, transport, customs and insurance charges. In 1912 the Federation exported butter to the amount of 449,329 poods and to the value of seven and a half million roubles, clearing a profit of 33,800 roubles ; the capital controlled by the Federation amounted to 86,000 roubles. In December 1913 there were 120,000 members in the Federation and the number of cows owned was 300,000 ; butter to the value of six millions of roubles had been exported, an increase of 300,000 roubles on the price which could have been realised for sale on the home Siberian market.

In 1911 an independent Federation of Creameries of the Ural was formed. The new Federation did not confine itself to selling the butter produced by its members ; it acted as selling agent on the market for their cereal crops, and also attempted, like the Siberian Federation, to act as supply agent. Thus towards the end of July 1911 it acquired 9,000 poods of seed-corn and 20,000 poods of flour which it subsequently sold to its members at 1.25 roubles the pood, when the price on the open market was 1.30 roubles per pood.

In addition to the excellent results attained in the economic sphere the Federations also did educational work which deserves to be noted. Libraries were established, and during the ten years preceding the war were growing in number with each addition to the membership of the Federations.

THE CENTRAL CO-OPERATIVE BANK

The growth of the co-operative movement reached its highest point when a central co-operative bank was established under the name of the People's Bank of Moscow. The Imperial Government gave its approval to the bank regulations on 16 March 1911, the object for which the bank was founded being to give financial help to co-operative societies by supplying them with credit. Although using a title similar to that of the ' people's ' banks in Italy, it presented some special features which served to distinguish it from those institutions. It carried on relations with all types of co-operative institutions, both town and country, and, in addition, admitted to membership not only these but *zemstvos* and even individuals interested in the co-operative movement, though, in order to acquire voting rights, such persons were required to hold ten shares of 250 roubles instead of the single share which sufficed to confer such rights in the case of a co-

operative association, nor could they engage in any banking operations over and above the opening of an account ; co-operative societies, or semi-co-operative institutions like the *zemstvos*, could alone obtain credit or discount. In spite of this, however, deposits and small savings accumulated to large amounts ; the working and lower middle classes as well as the peasants began to feel confidence in the bank.

A third characteristic feature of the People's Bank of Moscow was the excellent way in which it used its influence in the direction of encouraging federation among co-operative associations. Credit was often refused to isolated societies in districts where a federation had been established ; such societies were urged to apply to the federation in the first instance and to forward their application through this channel.

Finally, there was the educational department organised by the Bank, another characteristic feature. The staff of this department travelled all over the vast expanse of Russia, made first-hand enquiries into local co-operative movements, advised as to the formation of societies or federations, took an active part in provincial co-operative meetings, and urged the *zemstvos* to refuse credit to peasants unless members of a co-operative society.

The bank started its operations at Moscow on 9 May 1912. Its share capital at that time consisted of 4,000 shares of 250 roubles each held as follows : 1,339 shares by 701 credit co-operative societies, 678 shares by 290 savings banks, 605 shares by 160 individual holders, 491 shares by 227 distributive societies, 200 shares by the Federation of Moscow Distributive Co-operative Societies, 81 by 42 creameries, 80 by two *zemstvo* funds, and so on. The turnover, which was 53,000,000 roubles in 1912, had risen to 110,000,000 in 1914 ; the totals on the balance-sheet reached 4,000,000 roubles in 1912 and 8,000,000 roubles in 1914. The bank was thus fairly launched on a successful career at the moment of the outbreak of the war.

GENERAL FEATURES OF THE CO-OPERATIVE MOVEMENT

A general view of the Russian co-operative movement before the war reveals its predominantly rural character. Co-operation was most popular among the peasant classes, and neither the distributive nor the credit societies began to show much life until they took root in the country districts. The villagers' poverty and their urgent need of escaping the clutches of the middleman was a favourable condition, while the authorities, hoping to establish a contented class of small rural proprietors on which they would be able to rely, put far fewer hindrances in the way of the spread of co-operation in rural districts than they had done in the case of the town societies, and even ended by giving the movement a certain encouragement.

The Russian co-operative movement was further characterised by its composite character. Each society tended to protect the

interests of its members simultaneously as producers and as consumers. This tendency has already been noted in the case of the creameries ; they aimed at acting as supply agents in addition to placing members' products on the market. It was also very marked in the case of the credit societies, which often turned themselves into associations fulfilling a great many co-operative functions.

Again, while the separate societies tended to expand their operations over more than one field, all branches of the movement as such were in close and friendly relations. There was no jealousy between urban and rural societies, distributive associations had no quarrel with credit associations, and co-operative meetings almost always formed a link between different types of organisations. These harmonious tendencies showed up clearly at the two great All-Russian Co-operative Congresses held at Moscow in 1908 and at Kieff in 1913 ; even if at the first of these congresses four separate sections were formed to deal with credit, distributive, agricultural, and productive co-operation, all questions of real principle were discussed at the plenary meetings.

Finally, the part played by the intellectual classes must be noted. To their initiative in the first place had been due the creation, almost simultaneously about 1865, of the first distributive and the first credit co-operative associations. Later when co-operation had become a great popular movement, many of the university classes continued to interest themselves in co-operation. Among the leaders of the movement were J. Oseroff, A. Tchouproff, A. Isaëff, A. Anziferoff, A. Fortounatoff, M. Tougan-Baranovsky, V. Kossinsky. Several of these published works on the movement, while all the more important foreign publications on co-operation, such as those of Charles Gide, Daudé Bancel, Louis Bertrand, Henry Wolff, Beatrice Potter (Webb), Catherine Webb, Hans Müller, Professor Wilbrandt, Heinrich Kaufmann, Luigi Luzzatti, and others were translated into Russian.

Instruction in co-operative principles was soon incorporated in the curricula of higher educational institutions. The first course on co-operation was given by the writer of this article at the Higher Commercial School of Petrograd, and in 1911 several members of the staff arranged a course on co-operation at the popular university established by General Schaniavsky at Moscow ; this course covered various branches of the movement and offered a study programme not inferior to that provided by the higher state institutions. Other courses were opened during the 1912-1913 session at three of the higher educational institutions at Moscow, the Imperial University, the Higher Commercial School, and the Agricultural Institute. A lively propaganda was carried on in the provinces by the central co-operative institutions of Moscow and Petrograd by means of postcards, calendars, etc., with a view to spreading the co-operative idea among the masses : co-operative journals were started and lectures and discussions were arranged ; several co-operative societies even devoted part

of their profits to the up-keep of schools where the children of members could receive instruction in co-operative principles ; even before the war the Federation of Moscow Distributive Co-operative Societies published and sold literature on a large scale.

Thus the educational side of the Russian co-operative movement was in full course of development before the outbreak of the war ; material success had not stifled its spiritual side. The leaders of the movement were concerned to encourage the co-operative ideal among the masses, believing that ideal to be more important than mere turnover figures, if co-operation is to be a live and growing thing.

