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CO-OPERATION AT HOME AND ABROAD

CO-OPERATION AT HOME AND ABROAD

A DESCRIPTION AND ANALYSIS

VOLUME II. 1908-1938

BY

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PREFACE

I HAVE to thank the Leverhulme Foundation for grants which facilitated visits to Europe and the East; and the staff of the Horace Plunkett Foundation for the Supplement on Agricultural Co-operation in Europe and the Index.

There are great gaps in the narrative—South America, South Africa, Egypt, China, Japan—which are represented by no more than an allusion or a footnote; and to these, perhaps, I should add Russia, since I know it only at second hand. But the volume was formidably long already, and to have included yet more countries would have exhausted the reader not less than the writer.

It is necessary to add that the manuscript left the author's hands before the outbreak of the international crisis.

C. R. FAY

CAMBRIDGE

October, 1938.

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PART I

GENERAL

CHAPTER I

INTRODUCTION

1908 AND 1938

THE first volume of this work was published in 1908: it is now 1938. When the first volume was published, I had no thought of publishing a second, and for many years hoped that it would be possible to keep the study up to date by corrections and supplements, but in time it became clear that this was impossible. First of all, the ground covered in Volume I was very limited. It embraced only the United Kingdom and certain countries of western Europe. Secondly, since 1908 the world has experienced changes and shocks which have profoundly altered the position of co-operation and in particular its relation to the State. In 1908 Great Britain was on the crest of a great liberal revival and the recent triumph of free trade at the polls had strengthened the position of the consumer in the councils of the nation. At the same time agricultural prices were rising slowly, and this gave agricultural co-operation a chance to show its capacity. The new liberalism was constructive, and though some of its innovations, for example its social insurance, contracted the field for voluntary association, there was no incursion by the State into the field of the co-operative movement. The machinery for the settlement of differences between masters and men remained in principle voluntary; and labour co-partnership within the co-operative movement was matched without by the industrial co-partnership of generous employers. This last topic occupied my attention just before the war and resulted in a small book, *Co-partnership in Industry*, 1913.

In 1918 the Great War came to an end. For me, as for so many others, the years of it were an academic blank. But we came back to find two great changes in progress

in the co-operative scene. Plainly co-operation was coming to embrace a growing percentage of the middle class and was making headway in the south as well as in the north, in the rural as well as the industrial districts. The other great change it was hard to evaluate. It was the extent to which under the emergency of war the State had intervened in the marketing and prices of foodstuffs. For a short while it seemed that this was a passing phase, but later on, and especially in the countries of the New World, it became clear that the precedents set in the war were the basis of a new attitude towards agricultural marketing. But whether it would strengthen or curtail the scope for true agricultural co-operation was not, and indeed to this day is not, clear.

1928 saw the crest of a great industrial expansion and this was the point at which, if one could arrest the clock of history, it would have been satisfying to take stock of the co-operative movement at home and abroad. In 1908 the literature of co-operation was mainly industrial, at any rate in England. By 1928, owing to the fact that the world's agriculture had become to an increasing degree commercial, mechanical and industrial, agricultural co-operation had become a movement of the first importance on every continent and had almost everywhere the support of its government. Some countries, of course, were more successful than others, and England, the classic country of consumers' co-operation, was perhaps the most backward of all, but there was in the world as a whole the not unjustified belief that co-operation in its various phases of credit, supply, processing and marketing could render decisive services to the agricultural population. The Royal Commission on Agriculture in India expressed this by saying: "If co-operation fails, there will fail the best hope of rural India." [1]

In 1938 we are again in a time of economic and political uncertainty. Economic uncertainty set in with the unprecedented depression which gripped the world in 1929, and was followed by political disquiet in part attributable to this, by tension between the democratic and authoritarian

[1] Report, 1928, p. 450.

governments of Europe, the outbreak of serious war in more than one quarter of the world, the advent of rearmament and the recession of international trade before the policy of autarchy.

If co-operation were nothing more than a form of business, political events might be considered as outside its field, but historically in all countries it has been an expression of social democracy or at any rate of liberalism, and therefore on such issues as personal freedom and international peace co-operators have been drawn inevitably into political controversy. Certain countries of the world, in particular those of western and northern Europe, have nevertheless endeavoured strenuously to keep co-operation, as a movement, politically neutral. But this is ruled out in the programme of absolutism, which refuses any choice on the question and compels co-operators to accept the political system imposed upon them from above. Yet other countries, and most notably of all Great Britain, have abandoned the old tradition of political neutrality to the extent that they have associated the co-operative movement with politics by entering into formal or informal partnership with the political labour movement. One regrettable result of these changes is that it has become increasingly difficult for the co-operative movement to maintain an international organisation in which all countries can join without friction. The International Co-operative Alliance has encountered the same difficulties as the League of Nations. On any economic test co-operation is genuinely present in Germany and Italy to-day, but unhappily these countries are not members of the International Co-operative Alliance. There are, however, small institutions limiting themselves to information and study in which there is still a common meeting ground. One of these is the International Institute for the Study of Co-operation, which was established by Professor Gide shortly before his death. This body of co-operative teachers and writers meets in congress in different countries every two years, and publishes its deliberations in the *Revue des Études Coopératives*, edited by Professor Bernard Lavergne. A second is the Horace Plunkett Foundation for the pro-

motion of agricultural co-operation, of which since 1934 I have had the honour to be the Chairman. Plunkett died in March, 1932, within a few days of Gide, and the Foundation has endeavoured to fulfil the task which he designed for it by acting as a clearing house of co-operative information for the English-speaking world. It publishes a *Year Book of Agricultural Co-operation* [1] and endeavours to present a representative picture of the progress of agricultural co-operation in all lands without reference to politics.

The Arrangement of Volume II

The remaining chapters of Part I present a general view of co-operation from the standpoint of its evolution as an idea and its significance as an economic form. The purpose here is to show that the movement is a synthesis, which embraces industry as well as agriculture, consumer as well as producer. Part II is called "Industrial Co-operation," and in it are studied all those forms of co-operation which are outside the agricultural field—the consumers' movement in so far as its basis is urban, labour co-partnership, urban credit, and congeners of these. The countries examined are Great Britain and the industrial countries of Europe. It is mainly a study of consumers' co-operation. Part III is "Agricultural Co-operation," and it comprises not only agricultural co-operation in the strict sense but the wider problem of agricultural organisation among primary producers. The countries examined here are of the English-speaking world. Part IV is "Scandinavian Co-operation at Close Range." This I have singled out in order to focus attention on the intensity of its co-operation alike among industrial consumers and agricultural producers, and on the consequent effort which has been made in one of these countries, Sweden, to bring producers and consumers into measured agreement. The Supplement presents a bird's-eye view of agricultural co-operation to-day in the different countries of Europe.

Volume II has for sub-title "1908–1938," but as the approach throughout is historical it was necessary to include

[1] Referred to throughout this volume as *Plunkett Year Book*.

the pre-1908 experience of countries which were not examined in Volume I, or in which the movement was then too recent to display a historical background. And when, with the Old World and the New World jointly in view, I tried to visualise the significance of co-operation as a world idea, I was driven back section by section to the origin of things.

CHAPTER II

EVOLUTION OF THE CO-OPERATIVE IDEA

WHEN the State in England abandoned the control of wages and conditions of employment, a vacuum was created which was filled by the voluntary combinations of working men. Prosecuted at first as conspiracies in restraint of trade, they later won legal recognition and grew into the trade unionism of modern times. A similar vacuum was created when the State abandoned its age-long control over the price and quality of bread. In 1815 the Assize of Bread was abolished in London (and in the provinces a little later) and in the same year a corn law was passed, which abandoned the old tradition of equal regard for producer and consumer. In 1846 the Corn Laws were repealed. It was a triumph for the consumer but not a triumph due to the consumer; for it was the merchants and manufacturers of Lancashire who organised the Anti-Corn-Law League. Manchester, however, the headquarters of the League, became within a short time the headquarters of the consumers' co-operative movement. Two years before repeal the society of the Rochdale Pioneers was founded. By this time co-operation had a large body of ambitious theory behind it, and behind this early theory itself there was a long period of occasional and isolated experiment in self-supply.

In 1760, the first year of the decade from which it is customary to date the Industrial Revolution, we hear that a corn mill built by shipwrights belonging to His Majesty's Dockyard at Woolwich was burnt down and that the shipwright bakers of Chatham were on guard lest a similar disaster befall them.[1] There was another spate of co-operative corn mills in the scarcity years of the Napoleonic Wars;

[1] Information communicated by Mr. P. Redfern in a lecture delivered at Cambridge University, May, 1937.

and in 1816 the Sheerness Economical, the oldest living English society, was founded.[1] The origins of co-operation in Scotland can be traced back similarly to the 1760's. Here the weavers were prominent, and the still surviving society of Lennoxtown, founded in 1812, anticipated Rochdale in "rating" (i.e. apportioning) profits "by the consumpt." Of these early Scottish societies Mr. Redfern has observed: "The agent of the group bought for all; he would take sufficient money to cover the highest probable cost, and would return the over-plus to all." Here, it may be, is the germ of the dividend on purchase, which in Lennoxtown became a fact.

In that fertile decade of the 1820's, when society was in reaction from the long repression of war, the theory of co-operation was formulated. The early English socialists, who took Owen as their master, wrote around a single text —the Right of Labour to the Whole Produce of Labour, and in their critique of distribution under capitalism they raised the possibility of the workers becoming their own distributors in the lowly sense of shopkeeping. Robert Owen thought on larger lines than this, but happily there was another who in a quieter way showed the possibility and significance of small beginnings. This was Dr. William King, fellow of Peterhouse, Cambridge, the friend and adviser of Lady Byron, who thus became a patron of the movement. Through his magazine, *The Co-operator*, of 1828–30, issued from Brighton, he wrote into the mentality of English workers the principle of the "co-operative trading association," viz.

> that of accumulating a common capital and investing it in trade, and so making TEN per cent. on it, instead of investing it in the FUNDS at only four or four and a half, with the intention of ultimately purchasing land and living in COMMUNITY.[2]

As a guide to shopkeeping it was lordly advice, but like Owen by aiming high he gained the ear of those ardent spirits who filled the halls of the Mechanics Institutes, and he induced them to begin on something small in order to

[1] It began with the retailing of meat and drinking water!
[2] *The Co-operator*, No. 1, May 1, 1828.

reach something big. These early societies were partly productive and partly consumers' societies, and King saw very clearly the importance of the consumer. It is only, he argued, when you have ready money that you can make good use of the labour of your members, and it is only when you manufacture for your own members that your sale is sure. Equally important was the emphasis which he laid on its working-class nature. Co-operation "is a subject entirely for the *working classes*. The *rich* have nothing to do with it." But because they aimed so high and forgot the practical side of things, the several hundred co-operative societies of the early 1830's rose only to fall. Among them was the first Rochdale Society, which ten years later returned to the task and succeeded because it combined great aims with the key device of purchase dividend. "I've got it," cried James Smithie, the superintendent of the new Society, to his wife in the middle of the night.[1] And there is no reason to doubt that he arrived independently at the device which Lennoxtown reached thirty years earlier and which at least one English society, that of Meltham Mills (Yorks), had employed for some years.

Though not all the Pioneers were poor weavers, yet the weavers both at Rochdale and elsewhere were the backbone of the movement. They were a dying aristocracy of craftsmen who understood the virtues of self-help. In many an early society it was the weavers who in their spare time attended to the shop, which, perhaps, was in, or next door to, their own little workshop.

In the 1850's the progress of co-operative stores was slow. It was not until the foundation of the wholesale societies in the 1860's that the movement became national. In this decade the store movement spread almost like wild-fire through the mining districts. It was the second blow in the long fight against truck. The miners' unions had delivered the first blow, so that between them the unions and the stores converted the nominal earnings of the working man into a cash reality. Truck was a glaring case of

[1] W. Robertson, *Rochdale, the Birthplace of Modern Co-operation* (Handbook to the 24th Co-operative Congress held at Rochdale, 1892), p. 44.

the more widespread evil of petty debt, the instrument by which the truck-master kept hold of his victims. The co-operative store put the working class of England not only on a cash basis but on a cash plus saving basis at one and the same time. It cleverly converted the apparatus of debt into a social asset by replacing the tradesman's score, which registered debt, into the society's book and member's tally, which registered dividend.

Public opinion approved of the co-operative store less because it was a venture in shopkeeping than because it was a means of thrift; for the belief in the virtue of competition in all the circumstances of life died hard.[1] But this complacence was shaken by the revelations of the parliamentary inquiries into the Adulteration of Foods, Drinks and Drugs (1855–6), which revealed abuses as bad as those exposed in factories and mines in the 1840's. Milk was "sophisticated," food was "elaborated" and "coloured," and drink was "enlarged." And the worst feature of it was that the slow malignant growth of adulteration had caused the common people to lose the true flavour of many articles of food. Pure bread might be yellowish, but they preferred white; pure mustard and pickles were dark, but they preferred a "handsome-looking" article. In these days of efficient retailing, when standards are uniformly high, we are apt to think that the co-operative boast of quality is invidious and, perhaps, only used to cloak a higher price, but there can be little doubt that as a matter of sober history the consumers' co-operative movement first introduced the working class to goods of sound quality such as richer folk could buy at a private shop. However, mid-Victorian England was so pleased with the results of free trade and so preoccupied with the relations of capital and labour that it did not at first realise the theoretical significance of this breach in the armoury of the competitive system.

Robert Owen (1771–1858) did not invent the co-operative

[1] Tradition, deriving from Ludlow, says that "co-operation" was not mentioned in the first Industrial and Provident Societies Act, to avoid the hostility of trading and monied interests.

store, nor did he consciously organise a consumers' co-operative movement. He invented things fantastical like silent monitors and labour notes, and organised land communities and a new moral world. Nevertheless, Owenism was the leaven of co-operation, by which it rose; and the further programme of Dr. King himself was nothing more than the land community of Owenite socialism. The atmosphere of Owen was more important than his plans. In an individualistic age he radiated the spirit of association, which found in co-operation its most constructive outlet. For most of the associations of his day were anti- this or that: anti-slavery, -truck, -Corn-Laws, and the like, or else, like trade unionism and factory reform, by nature defensive. Charles Fourier, Owen's junior by one year, did for France what he had done for England. The two in their course climbed to pinnacles of dreamland, and from the eminence of Utopia the idea of co-operative association was wafted across the Atlantic to a people which has ever been ready to receive and try out new things.

Horace Greeley, the tramping printer, whose life was one long loyalty to "isms"—he is the William Lovett of American history—advertised association to the American people. His paper, *The Tribune*, 1841–54, "was the first and only great vehicle this country has known for the ideas and experiments of constructive democracy." [1] Owen lived for some years in America and in late life returned there to see how his ideas had fared. For an Owenite community had been established at New Harmony, Indiana, which his son, Robert Dale Owen, now (1844) a member of the Lower House of Congress and a prominent democrat, had helped to manage. But there was too much of Owen in Owenism to permit of the free trial of his ideas in another land, and in any case they mistrusted his attitude to religion. Fourier, however, never visited America, and therefore Fourierism gave to American idealists their chance. They formed associations with the Fourierite name of phalanxes, and unions of these; they ran newspapers—the *Phalanx*, the

[1] J. R. Commons, *Documentary History of American Industrial Society*, Vol. VII, Intro., p. 23.

Harbinger—and held conventions. The official spokesman of associationism was Greeley's friend Albert Brisbane, and to organise a phalanx signified to organise "an industrial association upon the principles advocated by the late Charles Fourier, as published in this country by A. Brisbane in his *Concise Exposition of the Doctrine of Association.*" The root idea was an association in which capital, labour and enterprise received their just reward—*the formula of division* being more precise than Gibbon Wakefield's "sufficient" price of land, but not less controversial; and in America's filling spaces there was ample chance for experiment on these lines. In 1844, when the Rochdale Pioneers were opening shop and some of the Tolpuddle Martyrs were emigrating to Canada, the friends of association were assembling in General Convention in the city of New York, and there were delegates from five States. It was pioneer community planning, exalted by the imagery of Fourier and the language of Holy Writ. They tried, of course, to grow too fast, and by 1850 were in dissension and decline. Brisbane confessed (and Owen often said the same thing) that his own idea of a large experiment carefully prepared was overwhelmed by the eagerness of converts who rushed in with their little ventures. The most famous of them was the Brook Farm Phalanx at West Roxbury (N.Y.), which was the headquarters of the association movement. The phalanxes at their worst were the industrial codes of the day—devised with alacrity and as quickly dropped. The most important general cause of failure was that the members withdrew their capital and invested it in more profitable undertakings.

In Great Britain out of Owenite heat there emerged via Rochdale an eminently practical, and, to ardent Chartists, pedestrian movement. But the higher and lower idealisms were conveniently close both in time and thought. The emphasis of Owen on education and community of land supplied the social ornament of the store movement, which it enlivened without distracting. For though Owen was a master and the Pioneers were men, yet the marrow of both was industrial and urban; they were "industrial and

provident," not "agricultural and provident," and there was nothing of landlord or peasant in either. But in America the stepping down from the higher to the lower idealism took the people for a time away from co-operation altogether. For the lower was free land. The American Homestead Act of 1862 was the biggest bribe ever offered to individualism in any age or country. Co-operation, therefore, had to begin again among a nation of freehold farmers when they had put slavery and land restriction behind them. It was resumed unsteadily in the farmers' Granges of the 1870's, and it was resumed finally in appropriate form towards the end of the century, when Denmark and California replaced the appeal of England and France. Associationism scorned the family: enemies even said that Owen violated it: but the *raison d'être* of co-operation is the preservation and strengthening of the family, and therefore Denmark, a tiny country of by no means tiny peasant farms, became rightly the co-operative model of a New World continent.

If we ask what Owen as an employer did for co-operation, the answer is "very little." He had a store for his workpeople, from which they drew necessaries at wholesale prices. It was what France calls an *économat*, and the Truck Commissioners of 1871 reported that the New Lanark of that day was breaking the law against truck. And when in the early 1830's the workers of England began to form co-operative trading associations, he thought little of them. He was in America from 1824 to 1829 during the germinal years of English co-operative thought; and, says Lovett:

> When Mr. Owen first came over from America he looked somewhat coolly on these "Trading Associations," and very candidly declared that their mere buying and selling formed no part of his grand "Co-operative Scheme"; but when he found that great numbers among them were disposed to entertain many of his views, he took them more in favour, and ultimately took an active part among them.[1]

Must we say the same of Fourier? On the contrary. This fragile bourgeois, the unsuccessful salesman of dry

[1] *Life and Struggles of William Lovett*, ed. Tawney, I, 44.

goods, reached the heart of the co-operative matter in his *comptoir communal* (communal counter). Himself a middleman, he saw that his system implied the elimination of the middleman: since association would exchange with association, in so far as each was not self-sufficient. But as a step to this complete form he imagines the communal counter, which will store and sell to the members of the association the necessaries of life that are brought to it by the peasants of the neighbourhood. Fourier thus had a clear grasp of the rôle of the organised consumer, who would provide the poor peasant with rich custom. He calls it "semi-association."

> It is collective without being individual and, at the same time, it does not group either the land itself or the households in a combined administration. It permits of separate family labour; but it establishes between families bonds or corporate assurances, which embrace everyone, so that no individual is excluded from the benefit of its guarantees.[1]

This is fundamental thought. The communal counter is a family counter, and half-way between individualism and communism: it associates the producer with an organised consumers' market: it is open to all. I doubt if there is anything in the writings of Owen which envisages so clearly the future relation of consumers' co-operation to the surrounding countryside; and I find it hard to accept the view that "Fourier was concerned mainly with the rights of producers" and Owen "ultimately with the needs of people as consumers."[2]

When we pass from England and France to Germany, we pass from prophets to organisers. There is no doubt that Schulze-Delitzsch and Raiffeisen are the fathers of the co-operation to which their name was given. For they spent their lives in instituting, explaining and directing it. With Schulze it was liberal, humanitarian co-operation, a middle way between reactionary conservatism and revolutionary socialism. Raiffeisen was more conservative and more fatherly, and closer to the parish church.

[1] Translated from Gide, *Charles Fourier, Pages choisies*, p. 126.
[2] *Report on Consumers' Co-operation in Great Britain*, 1938, 27.

Great ideas are missionary. In most countries of Europe the upward thrust of consumers' co-operation dates from the time when inquiring men in them discovered and imitated the method of Rochdale; and this form of co-operation is distinguished by the fact that the same model has suited all countries virtually without change. The co-operative credit of Germany was more relative to time and place. But India called for it at a later day, and nearer at home its missionary power took it by a process of silent colonisation around the circumference of Central Europe.

Schulze founded co-operation on the base of self-help, and incorporated the words into the Union which he founded in 1859, "General Union of Co-operative Societies resting on Self-Help." It was a policy which revealed strategical and psychological wisdom. It was strategically sound because it enriched with a positive purpose the middle way of liberalism. He had enemies on both sides: conservatives who mistrusted association from below or who, like Bismarck, desired to take it under their wing and discipline it; and socialists, to whom Lassalle was preaching revolution by State-aided co-operative production. From this line he never diverged. The citizen of a masterful State, he would have none of the State in co-operation.

It was psychologically sound, because from the outset the German people were capable of responding to it. The late Frederick Lavington of Cambridge, shortly before his death, wrote me a letter in which he said:

> The important thing for the economist to stress is the development of industrial morale, I mean that immaterial fabric, independent of race, which really constitutes economic civilisation. . . . The cartels of Germany, of which we talk so much, are trivial in importance compared with the tradition of sobriety, industry, thrift and good faith which would make any nation prosperous whatever, or almost whatever, its form of industrial organisation.

The German people by their qualities started with the main asset of co-operative banking. Schulze fitted his co-operation to his people. If we compare British with German co-operation in the formative years from 1844 to

1883, the year of Schulze's death, the highest common factor is the resolute attachment to self-help. It was this which, in Germany, made the unlimited liability of the credit bank a rock of strength and not a dangerous sham.

Raiffeisen's influence spread farther abroad than that of Schulze. For the rest of Europe more closely resembled the peasant area of south-west Germany, which was his stronghold. Schulze grouped townspeople and country people together, as was practicable with the substantial farmers of eastern Germany, but what the rest of Europe chiefly needed was a simple homogeneous association suited to small peasants. Schulze preserved a strict neutrality in religion as in politics; but Catholic Europe found more to admire in the pastor-like relation of Raiffeisen to his co-operative flock. Schulze to the end refused State aid, but this was too severe a gospel for Europe generally and finally for Germany itself.

The co-operative idea may be associated with co-operative reality in different ways. We have considered two. The co-operative store movement of England was generated in the white-heat of Owenite idealism and separated itself from speculative theory when the Owenite enthusiasm cooled. The co-operative credit movement of Germany was built upon the known capacities of a people in temporary distress and found its theory in the formation of rules and laws. Both were indigenous movements. But the co-partnership movement, as it developed in England, was modelled on the experience of France; and it was commended to England by J. M. Ludlow, the Christian Socialist lawyer, who had lived through 1848 in Paris, and by the economist, J. S. Mill, to whom France was a spiritual home. Ludlow communicated his message through the medium of the Christian Socialist movement, which he helped to found: Mill through a treatise, *Principles of Political Economy*, which was first published in 1848. Mill mentions the Rochdale Pioneers with approval, but to him the association for distribution, where the labour problem is small, was only of interest as pointing the way to the association for production, where it is all-important. Having no conception of the productive

possibilities of the organised consumer, he wrote the theory of that side of the co-operative movement which was least dynamic. Its dynamic element in France, the contact with the State, he glossed over, and turned for further illustrations of the co-operative idea to the profit-sharing of Leclaire, the house-painter of Paris, and of Messrs. Briggs, the Yorkshire colliery owners. His emphasis thus was exactly that of the Labour Co-partnership Association established in 1884, namely, on profit-sharing or the transformation of capitalism from above: on working men's association or the transformation of capitalism from below: and on the danger that the latter might generate into capitalism after the way of the working class "limiteds" of textile Lancashire.

The contribution of Christian Socialism outlived its experiments in association as the result of Ludlow's contact with Edward Vansittart Neale, to whom the debt of English co-operators is quite profound. "His generosity and patience, his simplicity of heart and faith amid failure, his bravery and selflessness have inspired others with enthusiasm and self-sacrifice," was the language in which Congress mourned his death in 1892.[1] Neale was a rich man and lost money in financing the wrong things, or the right things in the wrong way, but he was also Secretary of the Co-operative Union, 1875–91. He went from London to Manchester to serve co-operation and keep it single. It was a great thing for the English movement that in spite of doctrinal differences there was no schism and that the seat of the Co-operative Union was the seat of the Wholesale Society. Europe visited, proclaimed and imitated Rochdale plus Manchester.

The headquarters of the Co-operative Union is named Holyoake House after the veteran missionary of co-operation, but co-operative theory is not Holyoake theory. If the place were named after the maker of this, it would be Mitchell House. J. T. W. Mitchell was Chairman of the English Wholesale, 1874–95. He was no writer, but his life work brought the Rochdale idea to its theoretical con-

[1] *Memorial of Edward Vansittart Neale*, p. 4.

summation—in the face of scepticism from the economists and pained assent from the enthusiasts for profit sharing. When the Jubilee Story of the C.W.S. was compiled in 1913, it was possible to see his work in the large. It formed a pattern which was rough and rather quarrelsome at the edges, but very strong in the centre and altogether harmonious with itself. The pattern may be theorised thus. The organised demand of the co-operative store is the basis of a new economic order. Only if supply is consciously directed to the service of demand can industry function without waste. All people are consumers and, therefore, the consumers' movement is capable of indefinite extension. In the new order capital will be a hired servant, and labour should be a servant also, though remunerated on fair and honourable terms. Economic surplus arises in the main from payments by consumers in excess of the cost at which they can be served. Justice and expediency alike require that such surplus be returned to the consumer with whom it originates.

Mitchell had to fight down the alluring theory of a group of consumers' societies with a federal wholesale buying from a group of productive societies whose *raison d'être* was the transformation of the wage relation. The theory had the Owenite tradition behind it, it depicted a co-operation of co-operatives, it fitted in with the larger idea of organic relations with organised agriculture. But its acceptance would have surrendered the citadel of consumption before it was consolidated, and would have left the movement static and rigid. Mitchell's conception of the consumer's rôle supplied a logical programme of expansion step by step —own distribution eliminating middleman's profit, production for use replacing production for sale, mutual financing and mutual insurance in the large and secure frame of federalism. The programme has its limits, but the limits are where they should be on the unessential frontier.

When Charles Gide died in March, 1932, the academic and co-operative circles of France combined to do him honour. His place in French co-operation we study later. Here we are concerned with the claim that he founded the

doctrine of consumers' co-operation. For the suggestion that co-operative performance came from England and co-operative theory from France is challenging.

Gide's period, we may note, corresponds closely with that of Mr. and Mrs. Sidney Webb. In 1890 Sidney Webb published *Socialism in England*; in 1891 Beatrice Potter published *The Co-operative Movement in Great Britain*; in 1892 Beatrice Potter became Mrs. Sidney Webb. In 1921 Sidney and Beatrice Webb published *The Consumers' Co-operative Movement*. As a polemic Miss Potter's book ranks high, but it was cruel to the reformed co-partnership movement, calling them little capitalists when they less than any were infected with that spirit. However, it established clearly and finally the trend of the British movement, and the reasons for that trend. Gide's outlook was milder, and he was not torn between co-operation and socialism. The two to him were different and he elected for co-operation. Himself the intellectual child of Fourier, and living like Fourier in the sunny wine-growing South, he, nevertheless, found the co-operative hope in the consumers' co-operation of the industrial North. He began to lecture on the subject in 1885; his little book on Consumers' Co-operative Societies, which became a French classic, was published in 1904; and after the war, as Professor of Co-operation at the *Collège de France*, he traversed in a series of courses the whole field at home and abroad. A liberal in revolt against the liberalism of his day, he was equally averse to State Socialism. He saw in the Rochdale dividend the socialisation of profit without the constrictions of *étatisme*. He was a Mill who had surprisingly found a substitute for competition; and he saw that in an autonomous co-operative movement there was a middle way between *laissez faire* and Marx. But co-operation must have an anchor, and this he found in the sovereign consumer. For all are consumers, and, therefore, the class war is only partial and secondary. Whilst others of greater analytical powers—Cournot, Jevons, Marshall—worked out the new significance of demand, he gave to it a co-operative application. In that sense he was, in the words of Professor

Lavergne, his successor in co-operative philosophy, the "founder of the doctrine of consumers' co-operation." [1]

His first strength is on the non-economic side. "Co-operator because he was Protestant and idealist," says Lavergne; and that made him safe for democracy and idealism. In any hands dictatorship is repugnant to the co-operative mind, even though co-operation may be agreeable to the dictator. His idealism imbued him with the tolerance that fitted him to play a high rôle in international council. He was not the man to excommunicate either Russia or Italy. His last and most fitting service to co-operation was the creation of an International Institute for the Study of Co-operation—the study, not the promotion.

His second strength was his appreciation of the relation of consumers' co-operation to the new approach of economic thought. A specialist in the history of economic doctrine, he saw what a splendid confirmation consumers' co-operation was of the change in emphasis from supply and cost of production to demand and the satisfaction of wants. The French are a logical nation and Gide drove home the logic of co-operation. His best ally in France, strangely enough, was the war.

A defect, perhaps, in the philosophy of Charles Gide shows itself in his attitude to co-operation in agriculture, where the emphasis of necessity is on production. Gide was passionately fond of the land, but he could find no working solidarity in the *syndicat agricole*, the parent of the agricultural co-operation in France. "It may be," he wrote, with wistful modesty, in the Plunkett Year Book of 1930, "that because of her prosperity, '*la belle France*,' as she is called in England, has allowed herself to be out-distanced on the path of agricultural co-operation." [2] But is not the problem deeper than this? Must not we ask first, whether in certain forms of agriculture co-operation can succeed, however willing the farmer may be? Consumers certainly cannot solve the problem of agriculture by self-supply, because, as bitter experience has shown, they are—planta-

[1] *Co-operation and Charles Gide*, ed. K. Walter, p. 45.
[2] *op. cit.*, p. 403.

tion economy apart—as inept at agriculture as at coal mining. The persuasion that the consumer is dominant makes it difficult to reach a correct judgment on the scope of the agricultural movement and on the case for the amplification of voluntary co-operation by State aid.

A further defect (which is common to the whole consumer school) is the assumption that employment in the service of the consumers' movement will transform the employment relation in the opinion of the employee. But the plain truth is that of itself it does not. For the fact that the employee is a consumer is less intimate than the fact that he is a worker; and if the sense of membership is to be lively it must be supported by machinery which lays emphasis on this. William Maxwell, the Chairman of the Scottish Wholesale Society, 1881–1908, sensed the trouble ahead. The S.C.W.S. soon after its foundation decided to pay a bonus on wages, which was twice the dividend on purchases. Questioned by Marshall before the Labour Commission of 1892, Maxwell replied:

> I cannot conceive of true co-operation without the necessity of sharing part of the profits with the workers, if profit exists. . . . I have a very strong opinion personally that the scheme will never be complete till the worker has some voice in the works in which he is employed.[1]

Marshall and Maxwell agreed upon the difficulty of making profit-sharing a success in the case, where, as in distribution, the labour bill is very small in relation to the value of the stock; and in fact the wage bonus disappeared in the post-war wage adjustments. None the less, a real importance attaches to the provision which the S.C.W.S. makes for shareholding by employees. It recognises the fact that co-operation is imperfect until by some means it has co-operatised the employment relation.

We pass for a moment from the Old World to the New, taking ship with the young Irishman, Horace Plunkett, who went there to ranch in 1879 and returned in 1889 to found

[1] Royal Commission of Labour (sitting as a whole) Minutes of Evidence (1893), Qs. 560, 563.

the Irish co-operative movement. To the America of those years Rochdale and Raiffeisen made small appeal. The associationism of Brook Farm had worn itself out. The current phase was farmer co-operation, which had emerged as a by-product of agrarian agitation. The Grange movement of the 1870's occupied the gap between Brook Farm and California, but it was miscellaneous co-operation, and politics confused its economic purpose. Even in the 1880's the mass of American Agriculture was still too close to the stage of frontier self-sufficiency to furnish either for itself or Ireland a model of economic co-operation. It was not to advocate co-operation of an ephemeral and political type that Plunkett came home. As R. A. Anderson tells us,[1] he only knew that he wanted co-operation: co-operation in place of isolation, business in place of politics. He sought it at first in the co-operative store within the circle of the British movement. When this proved unsympathetic, he forged an instrument more suited to the needs of Ireland, the Irish Agricultural Organisation Society. It was voluntary and non-sectarian, in this resembling Rochdale, and it achieved the marvel of bringing Catholic and Protestant around a common table. Its approach was expressed in the motto of "The Three B's"—better business, better farming, better living—with better business first.

The I.A.O.S. was inaugurated in 1894. The year before the C.W.S. in all goodwill made the tactical mistake of setting up a co-operative creamery in Limerick. For this led at once to co-operative civil war, from which eventually it had to retire at a considerable cost to itself. Plunkett therefore looked elsewhere and his purpose directed him to Scandinavia, which was then rising to co-operative fame. What suited Denmark and Sweden should suit Ireland; for they were dairying countries. Anderson, on Plunkett's instruction, visited Sweden before the I.A.O.S. started; and the report of the "Recess" Committee of 1896, which resulted in the institution of the Department of Agriculture and Technical Instruction, with Plunkett as Vice-President, drew special attention to Denmark. For, like Ireland, it

[1] R. A. Anderson, *With Horace Plunkett in Ireland*, 1935.

was a small country, it had little industry, and it exported mainly to Great Britain.

When we talk Denmark, we talk commodities, but what of the Danes as consumers? Has Denmark shown that if the farmer gets on with co-operative marketing he can leave consumption to take care of itself? Rather deliberately both Ireland and America found in Denmark what, for the time, interested them most. But within very recent years the pendulum of American thought has swung to co-operative buying; and Americans are now hurrying to Sweden —to Sweden because it is a composite country with an urban as well as a rural movement—to study consumers' co-operation. This Denmark has had from the beginning. Indeed, it made its first co-operative effort here, at the instigation of a pastor, Christian Sonne, who had studied the English movement. But it was not until the late 1880's, after the co-operative creamery had won the farmers' confidence, that they gave their support to the co-operative store and made it a national force with (since 1896) a single strong Wholesale.

What strikes the outsider is the multiplicity of their co-operation. It is customary for the Dane to be a member of half a dozen societies, covering the entire range of his economic needs. Commodity marketing assumes specialisation, but the Dane applies it to supply also. He is a member of a federal store system for household supply, of regional feed associations, of national fertiliser and seed supply associations. The issue of the federal versus the centralised society, or of grouping versus separation of activities, cannot be decided by reference to co-operative principle. In India one may have to fear that shortage of competent personnel will preclude the formation of separate village societies. In England, where the C.W.S. is so strongly established, it has proved wasteful to attempt a rival agricultural wholesale society for trade supplies. In the strongholds of American agricultural co-operation supply can sometimes be conveniently conducted as a side-line to sale. But all these countries contrast with Denmark in respect of its binding system of co-operative finance and the

variety of liabilities which its farmers freely assume—both of them strong evidence of a homogeneous and highly educated people.

For some years the shadow of " compulsory co-operation " has lain over us. Is it true co-operation ?

Let us go back to fundamentals. Why do we argue that co-operation is in principle voluntary ? Owenite co-operation was voluntary because the socialism of which it was a part hoped nothing from the State. German co-operation was voluntary because it was deliberately based on self-help. In England State insurance has robbed the friendly society movement of much of its old drive, yet we do not desire to get rid of the State since in its voluntary form the movement fell short where it was most needed. The tradition of English labour is strongly against the compulsory arbitration of disputes but definitely favourable to the legal minimum wage ; and only a remnant of Mill-ites object to the special protection of women in the Factory Acts. More fundamentally, consumers' co-operation is voluntary, because only under a voluntary régime can consumer preference be freely satisfied. But if the State can render a particular service more efficiently, there is a *prima facie* case for its doing so ; and if the State is democratically organised, State service becomes liberty organised from above, which conceptually is the complement of voluntary co-operation.

If we consider the gospel of co-operation to have been revealed once for all at Rochdale, we must equally condemn the introduction of politics. Yet this intrusion is approved by the co-operators of Belgium and, perhaps, by a majority of British co-operators. We must seek, therefore, an ulterior criterion. We will premise that in a balanced society there are three sectors, a private, a co-operative and a State sector. We then say that the middle way of co-operation is preferable because, unlike the private sector, it rests on altruism and, unlike the State sector, on persuasion. Altruism being superior to self-interest and persuasion superior to compulsion, it is desirable to do by voluntary co-operation as much as is technically possible.

But whatever the detail of our argument, we must, I believe, abide finally by the evidence of co-operative spirit. There are certain features of co-operative thought and deed which have the stamp of genuineness on them. If co-operators who meet this test nevertheless call for compulsion, or if they insist on introducing party politics into their co-operation, they may be unwise, but they are not to be condemned as unco-operative. In the co-operative sector there may be activities which cannot remain there unless associated with a form of compulsion. And a point may come when it is better that the co-operative form should be abandoned rather than continued in a guise that is alien to it. Whether State compulsion is complementary or rival to agricultural co-operation is the big problem of post-war co-operation.

It is noteworthy that the pioneers of compulsory marketing were countries of the English-speaking world with democratic governments. We deal in detail later with the influence of the war on agricultural organisation. At this point we seek to follow the evolution of the co-operative idea towards that close incorporation with State marketing which to-day is seen most fully in Australia and New Zealand; and we take a country, or rather a region, which will serve as a stepping-stone to this, namely, the Prairie Provinces of Canada. For the Canadian West, taking a leaf out of the Danish book, made a great experiment in "voluntary compulsion," i.e. in the voluntary compulsion of the binding contract. But it was on so great a scale that it brought out more clearly than the Danish dairy compulsions the scope and limitations of a co-operative compulsion which stops short of statute law. The Canadian farmers had demanded legal compulsion, but failed to get it.

The ultimate, though indefinite, test of co-operation is the spirit behind it. I may appeal to two incidents. Lecturing to the farmers' conventions in the winter of 1925–6, I saw the pools at work. Men and women would drive for miles on a winter's night, when the thermometer was below zero, to assist at meetings by which they personally could benefit little. There was none of that spirit of

high-pressure salesmanship which at times makes one nervous of American co-operation. They rallied to the movement as to a social invention of their own creation, of which the pool elevator in each little town was the outward and visible sign. For without elevators the pools could have done nothing. I lectured, too, at the Co-operative Summer School in Edmonton Alta. in 1928, which was financed by a trust fund of unclaimed Wheat Board certificates (so little did the farmers believe at first in the possibility of subsequent payments that they plastered their shacks with them) ; and I heard boys and girls expound co-operative pooling. I was in an atmosphere of social consciousness which it would be hard to equal in one's own University. The women were even more enthusiastic than the men ; and the pool idea infected other forms of co-operation, though sometimes not more than by metaphor. There were cattle pools, egg pools, poultry pools. The spirit of a new religion was abroad, with its zeal as well as its exaggerations.

Such was the place of the Canadian pools in the extension of the co-operative idea.

India is the great mother of toleration. She receives all the religions and remains true to her own. If she likes a European novelty, she will accept it and organise the imitation of it. Only by air could one exceed the speed at which imitation spreads there, once it has rooted somewhere. Not that imitation is a reproach. For Defoe himself said of Englishmen that they are better to improve than to invent. Is India's version of co-operation improvement or distortion ? That depends in part on what we mean by India. For the history of British administration in India is a different thing from the history of India under British rule ; and the co-operative movement straddles the two.

The detail of Indian co-operation will reveal an intensive effort to acclimatise the co-operative village bank, carrying unlimited liability. The necessity was the scourge of money-lending, which is as widespread and endemic as malaria.

The deputies of Raiffeisen were the provincial registrars of co-operative societies, who specialised in co-operation as a contribution to good government. But it soon became clear that if co-operation was to endure, it must protect the peasant against himself, since he by his outlook on life and his uneconomic ways laid the foundation for the dominance of the money-lender. It might seem a factor favourable to co-operation that the Indian is by tradition familiar with the assumption of family responsibilities. But this becomes a handicap when the head of the family almost measures his status by the size of the debt which he can pile upon the shoulders of himself and his heirs. The nominal indebtedness of the Indian peasant is astronomical; and since India took over from Germany the rule of unlimited liability without the more fundamental attribute of deposits derived from the same social stratum as that to which credits are issued, co-operative credit tended to become a channel for the loan of money by substantial to indigent persons—a subdued form of money-lending. But at least the Government was sufficiently alive to the danger of dependence on itself to prevent rural credit from becoming, as it did in parts of the British Empire, a mere channel for the issue of easy money. It imposed and retained checks, even at the risk of refusing legitimate credit. It preached steadily the value of education as a means of bringing the movement to eventual autonomy; and while it was not too successful in this, it kept co-operation sufficiently true to its voluntary core to allow native capacity to declare its bent. This bent, both in India and China, would seem to lie in the direct provision of communal service without the intervention of money. The consolidation of holdings, economies in the marriage ceremony, the eradication of pests, the building of wells, the provision of meals for students, of books for school children, and in China even of medical services—all these purposes have been made the subject of co-operative association. India's case contrasts with that of a pioneer community, which is new to money and feels for its creditors neither respect nor fear. Co-operation has to take root in a country that has been monetised for centuries. The

money-dealing castes are among the most respected. To declare war on them would be mere bravado. It is only by their consent that the problem of indebtedness can be loosened; and it is therefore in activities where money is subordinate that co-operative autonomy is most within sight. That this is being realised is shown by the change of mind among co-operative officials in regard to village reconstruction. Formerly they believed that the credit bank should come first; now the feeling is that it should come afterwards. The three B's hold, but the order is reversed: better living, better farming, better business. And it may be that the successful reversal of the order is destined to be India's distinctive contribution to the co-operative idea.

The co-operative movement is world-wide, but not always of its own missionary power. It has been taken to Asia and the Tropics as an adjunct to good government and commended to a more or less submissive public, which has been disposed to regard it as a western device that is welcome in proportion as it leads to easy money. But this weakness is not altogether absent from the post-war co-operation of Europe and the New World. In Japan and Palestine special circumstances have helped to give it an indigenous vigour. The Japanese introduced it of their own volition as part of a much wider imitation of Europe and grafted it upon native institutions of thrift and mutual aid; and the Japan of to-day has in Toyohiko Kagawa a co-operative evangelist with a considerable reputation in America. Palestine is composed of two warring elements—the progressive Jewish minority, held together by communal idealism, and the unprogressive, poorly circumstanced majority of Arabs. The Jewish colonists, relying at first for finance, when outside help was needed, on contributions from Jewish communities overseas, have attained high success in the marketing of fruit and launched important experiments in co-operative labour of the Italian type and in communal farming. The bond of religion supplies the solidarity necessary to success in the latter fields. Under exceptional

difficulties the Government of Palestine is trying to develop the Arab side of the co-operative movement.[1]

The three great colonial empires of to-day are those of France, Holland and Great Britain. French colonial policy is based on assimilation rather than on guardianship, and the co-operation of French North Africa is an extension of the movement in France. Regional credit under a central State-supported bank, the agricultural syndicate, agricultural insurance and marketing societies for wine, fruit and tobacco are features of the co-operative pattern. In the Dutch East Indies a paternal government subordinates co-operative autonomy to efficiency and economy of operation and is strict with the light-hearted borrowers of a country in which nature is luxuriant and crop failures are very rare. There are large agricultural banks, village grain banks making loans in paddy and village money banks patronised largely by the women who do the petty traffic of Java; but the most popular source of credit both in town and country is the Government pawn shop.

Periodically civil servants arrive in London, entrusted with the duty of studying co-operation with a view to its introduction in Nigeria, the Gold Coast, British East Africa and elsewhere.[2] The Horace Plunkett Foundation, which endeavours to co-operate with the Colonial Office in the facilitation of such studies, pleads for the following principles: (1) that a broad view shall be taken of co-operation, so that it is not regarded merely as better business and still less as a synonym for efficient marketing; (2) that the countries visited shall have significance for the task in view—for this reason it may be more profitable to study the peasant economy of Central Europe than the more advanced economies of the north and west. But for all

[1] For a historical survey, 1922–37, see *Plunkett Year Book* (1938), "Fifteen Years of the Jewish Co-operative Movement in Palestine," by Harry Viteles. Mr. Viteles holds that Jews and Arabs can work harmoniously within the same co-operative organisation.

[2] At the close of the war, as the Preface to the Second Edition of Volume I acknowledges, I had the honour to have as pupil and collaborator an Egyptian student who, after an intensive study of English and Irish co-operation, returned to Egypt to direct its new co-operative movement. See the articles by Dr. I. Rashad in the *Plunkett Year Books* for 1932 and 1936.

its dispersion the methods and traditions of the British Colonial Empire have a considerable affinity, which postulates the spirit of trusteeship and the desirability of education in self-government ;. and therefore there is much to be said for the study of a senior British colony.

Shall the student go west or east ? In the West Indies he will find much experience in co-operative marketing, which has been influenced by American models. The Californian model in itself is very sound. But the fortunes of the leading co-operative organisation, the Jamaica Banana Producers, have been so closely conditioned by the power of a great capitalistic enterprise, the United Fruit Company of America, that this circumstance obscures the possibilities of co-operative marketing under more normal conditions. In the East Indies India itself is so vast that it is more profitable to select a colony such as Ceylon which exhibits Indian experience in miniature. In Ceylon co-operative credit has been cautiously developed and important experiments are in progress with the sale of peasant produce in Colombo market. Moreover, both in Ceylon and Malaya the less ambitious thrift society, whether among government servants or estate labourers, has achieved a steady success, which points the way to a consumers' movement of the future. The Estate Labourers' Co-operative Stores of Ceylon are deserving of the closest study here. The most thoughtful supporters of the League of Nations are looking for activities which will command general agreement. However remote the structure of Manchester may be from that of an African village, yet co-operative Manchester stands for plenty and for the quest after the sources of plenty in all parts of the world ; and if our prospective registrar of co-operation finds his way through Manchester to Geneva and thus to the new interest in nutrition and hygiene, it may be that by this approach he will learn most of all. For international co-operation might do worse than define itself as a rallying point for the nations in the fight against under-nourishment and disease. " La meilleure politique coloniale est la politique alimentaire "—there could be no finer text for a Co-operative Party engaged in framing a policy of imperial economy.

CHAPTER III

ANALYSIS OF THE CO-OPERATIVE FORM

REASON compels us to subscribe to the dictum of Adam Smith that consumption is the sole end and purpose of production. Production is the means, consumption the end; and the end should govern the means. But it does not follow that the end can inspire the means. In the effort of life production is active and consumption passive: the one creates, the other receives. Therefore on a larger view the two are complementary rather than rival: one is not superior to the other. Consumption is intake, production output; and only if we can energise the consumer can he intervene with effect in the realm of output. But everyone is a consumer and the necessities of life are needed by all, whereas not all men are producers, some being pensioners, some out of work, and some living on the income from property; and producers, being specialised, have no certain affinity of interest with other producers. Their psychology is combative; and they are most prone to combine when it is against someone else—against foreign competitors or the organised consumer himself. Provided, then, that productive energy and ingenuity are not thereby diminished, there is from the standpoint of harmony a presumption in favour of consumer control. For theirs is the economics of plenty, so that Adam Smith and Rochdale in this respect are one. Yet Adam Smith was not a co-operator in embryo; for he was blind to the dynamics of association.

But what is the unit of the consumption that we desire to energise? Outstandingly the family, which is still the great functional unit of consumption, though less simply so than formerly owing to the increase of urbanism, with its boarding-houses and service flats, its restaurants, clubs and hotels. But urbanism throws out suburbanism, shifting the

family rather than eliminating it. A tour of greater London exhibits this in bricks and palings; the figures of building societies exhibit it in millions of sterling. And while the flat, the maisonnette, the apartment indicate a constriction of family life, when they replace the house with a garden of its own, they indicate an increase of it when they replace the common boarding-house. In endeavouring to organise it we are not expending our energy on a collapsing unit. This is true of all classes and most true of the working class.

But in framing our picture of consumption we must not forget that hundreds of thousands take their midday meal away from the home in the public-house, the restaurant, the snack counter, the works' canteen. And on this mass of consumption the co-operative movement has made, as yet, next to no impression. We can make the landladies members of a co-operative store, but not Messrs. Lyons or the A.B.C.! The service demands a technique which is different from the service of the home. The well-to-do have, in effect, a consumers' society in their club. The expeditionary force canteen of the war years was a superb example of the economies and services possible to a voluntary organisation of consumers. Some co-operative societies on the Continent—the *Maison du Peuple* in Brussels, for example—have a great restaurant, which is a truly communal centre, but, in part because of the strength of the home, we in England are backward here. It should cause us to think. Co-operators have of recent years entered the business of industrial assurance, with its costly house-to-house canvassing. But is that the last word? If men and women go in thousands to a place of work, may not the place of work or premises adjacent to the place of work be the point at which co-operative contact should for this purpose be made?

When we pass from consumption to production, we leave the family behind, with the single but enormous exception of agriculture. There was a time when the home was the functional unit of industry also. We call it in its latter days the stage of domestic industry. It emerged from the guild system, in which it was hidden, as that system weak-

ened; and its invasion of the countryside and slow surrender to the factory system constitute the central chapter of our industrial evolution. When it broke down, the condition was set up in which consumption stayed where it had always been in the small social unit of the family, while production passed into a large unit which was outside the family and in no functional contact with it. Thus a gap yawned between the two sides of social life, which could be closed in one of two ways. Either the worker could transport to the factory the atmosphere of the domestic workshop, with its separateness, neighbourliness and self-determination, and co-operate there for industrial production: which is the logic behind the co-operative society of working-men producers. Or he could take hold of that part of his home life which remained to him, namely the consumption of the family, and use it as a lever for obtaining control over the goods and services of consumption. And this is the logic behind the co-operative society of working-men consumers. Hand-loom weavers created the store: shorn of their old productive status, they found compensation in serving out butter and sugar and tea. But they glanced hungrily after their disappearing craft. Ought they not rather to follow after this by the new strength of co-operation? The surge of idealism now to the one solution, now to the other, is a fascinating chapter of social thought, in which the humbler idea of shopkeeping eventually proved immeasurably the more potent. Thus it was with industry.

It is one of the surprises of economics that the agriculture of the New World as well as of the Old rests on a family basis for production. Every country indeed has some hired labour both seasonal and permanent, but the farmer and his family provide the bulk of it themselves. This is most true of grain, dairy produce and fruit, and less so of cattle-raising and sheep-farming. It is the unexpected accompaniment of an advanced technique. For the family farm has not only survived, but drawn new strength from forces which might have been expected to lame it, namely, the mechanisation of agriculture in respect of operations on

and about the farm, and the commercialisation of agriculture in respect of marketing and finance. The family farm has been stretched to become the mechanical family farm, so that one family can cultivate a greatly enlarged area under something like optimum conditions; and devices, of which co-operation has been hitherto the most important, have strengthened it on the business side.

The reasons for the general absence [1] of the corporate farm are threefold. (1) Land is a piece of nature, on which there is growth and increase, and humanity craves to possess it. It is divisible in a way that no mine or factory can be. Companies acquire land and begin to develop it, and you may see large properties in the New World which are being thus developed. But the profit usually comes from sub-division and sale to those to whom it will be a home and a place of work. (2) As an enterprise the corporate farm is difficult to supervise and costly to work, as compared with the family farm. You cannot collect the soil into a central factory and put it under the iron supervision of automatic machinery. The family farmer is on the spot and always on the watch. The company farm cannot save expense by getting unpaid work: whereas in bad times the farmer and his family work for nothing. Thus it breaks down on the labour bill. (3) It is offensive to public sentiment for social, practical and military reasons, which we can separate from economic reasons only on a very narrow interpretation of the word "economic." The new World desires to people its vacant spaces with many settlers—"homesteaders" as the phrase is. The Old World sees in its peasantry a human asset which it is prepared to conserve at almost any price. Only in England and Russia, the two countries of the world which in quite different ways are dominated by industrialism, might this valuation be challenged. For in the little area of England so much of the land is prospective building land that we can with difficulty

[1] Under special climatic conditions the corporate grain farm possesses an advantage over the family farm: for example in the sub-arid plains of the United States and U.S.S.R., where land can be profitably cultivated on a system of extensive mechanised agriculture by a corporation, to which a crop failure is merely an item in the long period cost of production.

envisage a rural framework that is strong enough to resist urban trends; and in the vast area of Russia there is space for an urban minority to impose its will on the countryside without a sense of *felo de se*. Yet even in Russia there is a concession to the producing family; for the collectivity of grain-farming is compensated by personal property in the garden and its produce, which the individual family is allowed to consume or sell as it pleases. One is reminded of the enclosed pasture which compensated the open fields of mediæval agriculture. Thus we arrive at the logic of agricultural co-operation. For co-operation is an instrument for the equipment of the family farm on its business side. Created to serve this unit and not to suppress it, it leaves its productive basis intact. It is not collective farming but individual farming associated for the better supply of its requirements or the better disposal of its produce. It may seem that by resting the logic of co-operation, both of consumers and of farmers, on the small unit, we are condemning it to a petty rôle. On the contrary, it is the ubiquity of these units which makes co-operation a living movement in every country of the world. Great rivers can flow from small springs: small taps can exhaust great reservoirs. It is a characteristic of co-operation that in its federal form it can carry enterprises of massive proportions.

Let us now come closer to the word co-operation. Language would be meaningless if there was not some fundamental connection between the nature of a movement and its name. The "co-" in co-operation opposes it to isolation. It is a "self and co" under the leadership of "co." But "operation" is not less important; "co" must do something. Therefore co-operation is not protest but action: not consumers' leagues but shop-keeping, with emphasis on the keeping. And who should know as well as the housewife what the positive function of keeping is? One might almost say that co-operation would have been still-born, if it had thought of itself as a consumers' movement at the outset. The German word for co-operation is fruitful here. *Genossenschaft* connotes partnership in enterprise and common enjoyment

both in one—an enjoyment venture, so to say. And mutuality, which we get from the French word *mutualité*, emphasises a similar idea. Originating in insurance, it connotes there an engagement on the part of all to indemnify by common subscription the loss suffered by one. Extended to co-operation, it connotes mutual trading—not the reciprocal trade of barter, though this notion underlay the Owenite village of unity and mutual co-operation, but the provision of individual service out of common resources. However, mutuality has for co-operation its dangerous side, for it suggests an association whose trade is on principle confined to its members, and this obstructs the policy of expansion through the open door.

This is as far as we can go with the word itself. But if we are to identify co-operation as a social manifestation, we must relate it to its dynamic opposite, capitalism. For co-operation historically was a protest against the capitalism of the Industrial Revolution; and in Great Britain, the mother country of that revolution, co-operation was nurtured in the doctrinal cradle of a more general protest, which took the name of socialism after Owen, its "social father." Co-operative Socialism and Owenite Socialism were interchangeable terms in the 1820's and 1830's; and the concept of co-operation was not less precious to the Christian Socialism of 1848.

But co-operation is not confined to the peoples of industrialism. It is world-wide in a world which still is mainly rural. If the world consisted of two compartments, an advanced industrial and a primitive rural, we might be content to think of co-operation as two separate movements, which are parallel but unrelated. This, however, makes nonsense of economic history. For it is beyond doubt that the co-operative movement of countries or regions with a developed agriculture is a response to changes imposed by a senior industrialism elsewhere. We see, for example, from the 1870's onward, first Denmark, then Ireland, then Canada and other lands specialising themselves to the service of the great metropolitan market of Britain. The specialisation led to co-operative marketing, and within a generation co-

operative producers and co-operative consumers were in manifold commercial contact, the children of a common parent who bore them in great travail. This is what makes co-operation a unique social form. Genetically it is one, but in function two or more than two. No such quality is present in the trade union or friendly society. The trade union is a defensive organisation which assumes wage- or salary-earning, and its place in agriculture is secondary because of the family basis of agriculture. The friendly society has a rural as well as an urban membership, but its location does not determine its function. It is unilateral and not engaged in trade.

From this duality of co-operation there is, certainly, a possible escape. One of the two may refuse the credentials of the other; and language implying this is sometimes used by partisans. The English consumer may see in the Canadian Wheat Pool a "hold-up"; the Canadian farmer, sore at under-payment, may retort with "the bloated capitalism of the C.W.S." Each would learn a vast deal if he put himself in the other's shoes. Let us, as devotees of Rochdale and Manchester, transport ourselves to Denmark or the Canadian West and with the familiar stock-in-trade of "production for use and not for profit" attempt to preach consumer co-operation only. We shall be asked almost at once if we stand for a fair wage to the worker; and when we grant this our Dane or Canadian will reply:

"Your fair wage is our fair price. As farmers we of necessity have a large surplus for sale to others above what we consume ourselves, and so in final analysis have you working-men co-operators of England. For the great mass of you work for the market under a private employer: and it is the wages earned at this work which supply the funds for your co-operative consumption. Man for man we make a greater contribution to the totality of co-operation than you either do or can. For like you, we purchase our supplies co-operatively, except when we raise them on the farm, and in addition we process and sell co-operatively what we ourselves grow, which is not possible for you. It is futile to suppose that we can combine against ourselves to secure

a living wage; and so we co-operate as producers in order that we may have the wherewithal to co-operate as consumers."

This retort is so unanswerable that we may pass at once to the more fruitful task of finding the synthesis of the co-operative form, and this brings us back to history. Co-operation was a reply to new pressures from the capitalist order. The merchant capitalist, after he had evolved by specialisation into the great employer and the great merchant, in private or company form, reduced the wage-earner and agricultural producer to a new subordination, and the two found an answer which at bottom was the same. They took a function which was close to them but not necessarily a part of them, and discharged it for themselves. For wage-earners can earn wages and farmers can grow crops without engaging in trade. Indeed, mediæval notions of propriety and modern claims of specialisation commend in the abstract the policy of one man, one job and thus of trade for the trader. But both these parties felt that under the new capitalism the traders exploited them. Therefore they associated to provide this trading service for themselves; and they eliminated the middleman in the sense that they incorporated him into their consumer or producer structure as the case might be. Thus co-operation in essence is vertical integration, and it is no occasion for surprise that being reached under the aforesaid historical conditions, it took the form of a personal union. For the lack of capital and of the power which goes with capital was responsible for the exploitation which co-operation set out to displace. But if it was of necessity a union of persons, it was not indeed necessary but very comformable to sound sense that the benefits of union should be distributed on a personal basis also. And what measure of benefit can be more personal than the amount of trade which a person does with his society? And so, just as the co-operative store distributes surplus in proportion to purchases, the wheat pool or co-operative dairy distributes receipts, in preliminary and further payments, in proportion to deliveries. Capital, however, does not go unrewarded. It is essential and must

be paid for. But it is no longer the residual claimant. The interest on it becomes a prior charge, like rent, wages and taxes. The residual claimant is the user in proportion to his use. Industrial producers, however, may combine to supply themselves with trading facilities, and combine in fully co-operative form, as we have defined co-operation. But these do not therefore become a part of the co-operative movement, seeing that in themselves they are an aggregation of capital. Where, as so often happens in the new world, large and small farmers are members of the same co-operative organisation, the presence of the large farmer does not imperil its co-operative status. For relatively to the corporation he is a very small entity. But in plantation agriculture, when tea or rubber companies co-operate for the provision of medical services, research or propaganda, and pay for these on an acreage or user basis, we do not regard this co-operation as the co-operation of the co-operative movement, nor do the companies concerned so regard it.

The small trader is more difficult to place. To exclude him because he makes a profit " out of others " is jejune. For every seller makes " out of others " either a profit or a loss: it is implicit in the act of sale. The small trader was the backbone of the people's bank. His relation to the bank was truly co-operative. But trade, unlike agriculture, is tending slowly to pass into the corporate form. And co-operation, except for credit, may bring the small trader to an end. Wholesale houses in America have tried to organise the buying of their retailers, bidding them take a leaf out of the farmer's book, but this means tying them to certain wholesale houses. And if small traders set out to do this for themselves, they may end up as a company. (This trend, however, may be arrested by legislation penalising the multiple concern.) When the individual family basis is lost, the scope for the co-operation of the co-operative movement is lost also. If the co-operative store were not rooted in the consuming family, it would be in a co-operative view less worth preserving than the small trader.

Personal union, evoked by necessity and rationalised by

the rule of benefit according to use, is thus the hall-mark of co-operation, and as such it has a profound social significance. For it associates economic enterprise with moral values of a distinctive order. It is business motivated by a desire for social betterment with all the risks of failure and fullness of reward which such a combination presents. It comes midway between movements of pure philanthropy in which business plays no part, and movements in which commercial advantage is the declared purpose; and by appealing to the altruism in man, it commands from its members, servants and friends effort which exceeds their personal reward. But co-operation is not dividend plus philanthropy. Whatever be its relation to politics, it is within itself a democracy. In no other way can it give reality to the personal nature of its union. Hence the co-operative rule of one man one vote, but this is of small account unless it is accompanied by the existence and use of machinery through which consumers express their wants and producers their intentions. When these things are present, personality is valorised. And this introduces a further element, if not of conflict, at any rate of contrast, with the capitalist order. For the trend of modern industry is towards autocracy, an enlightened autocracy, perhaps, with generosity and just dealing behind it, but emphatically not a manifestation of control from below. Co-operators believe, and their case assumes, that such democracy is a good thing in itself.

Suppose that the working-man consumer serves himself in his co-operative society no better and no worse in quality and price than he would be served in an outside shop, it is nevertheless a social gain that he is in successful shopkeeping for himself. Considered as a means, it is a school of self-government; and who will deny the contribution which the co-operative movement has made to the efficiency of municipal government? Considered as an end, it produces a more equal distribution of wealth. Employee representation can be no substitute for final responsibility, and there is nothing in the democratisation of capital—as manifested in the wide holding of shares in a giant concern—to compare with the countless rills of consumers' dividend which flow

so regularly into the keeping of the housewife. The former is accidental and incidental; the latter inheres in the co-operative form and endures by reason of it.

Suppose that the co-operating farmer sells his wheat through a pool and after disturbing the established machinery of the trade obtains results which are no better and no worse than the grain merchant would have secured for him, nevertheless the result is desirable because it puts the farmer in greater control of his economic destiny. It goes out to him in his isolation on the farm and brings to him a measure of stability amid the bewilderments of commercial agriculture. The pioneer farmer has tangible reward in the farm which he makes out of bald prairie or poplar scrub, but when he or his children send the produce of the farm to the world market, the contact between labour and the fruits of labour is broken. By co-operation he strives to regain it and thus to recover something of the stability which he enjoyed as a subsistence farmer. Thus both for the industrial consumer and agricultural producer co-operation is a way of guarding against economic dispossession. But the safeguard is fragile unless it proceeds by growth from the local unit upwards and outwards. Size is no deterrent to true co-operation, but it must grow out of lively local units within which the membership can express its wants and take the first steps in co-operative performance.

The Nature of Co-operative Economies

I. The Economies of Consumers' Co-operation

Co-operation is organised liberty. Doubtless the best co-operators are those who get from their society all that the society can efficiently supply: these are the loyal members whom managers delight to serve. But the loyalty, like the capital of the movement,[1] is withdrawable; it is optional loyalty, and the option is an economic aid to the correct satisfaction of wants. State rationing, though structurally identical with consumers' co-operation, works

[1] The analysis in this section has the British movement in mind, especially in regard to the emphasis on dividend.

out to the exact opposite through this lack of choice. The workers were once in bondage to the truck shop, the publican and the credit trader: by co-operation they severed the bonds: and they will not welcome a return to bondage whether in friendly or unfriendly hands.

Co-operation is a compromise with the world, though at this the faithful may be inclined to protest. But by it I mean that there is in economic life a sector which is proper to co-operation, and that if the movement aims at totality, it will hurt itself and go astray. To his own and the general advantage the co-operator has one foot in capitalism and the other in co-operation, and the foot outside balances the foot within. Co-operative consumers accept the wage system, most of them work under it and they apply it to their own employees. They protect themselves by their trade union and sometimes they improve their position further by sharing in profits under an accredited scheme. When they spend their wages at their co-operative store, their object is not to employ as many workers as possible, but to get the best value for their money. Therefore the co-operative movement possesses only the premises and factories which its consumption demands. It is not cluttered up with workshops that have been started to provide employment; and it does not limit itself in its purchase or investments to co-operative enterprise. But just because it has this freedom it has a greater aggregate of trade, production and finance than it would have if it tied itself to the formula of total co-operation. New services are undertaken as and when it is clear that there is a demand for them and the ability to supply them. Non-co-operative enterprise, some part of which is State enterprise and the remainder of which is private enterprise, supplies the workers with a fund of free spending power, which the co-operative movement is able to direct to itself in proportion to its distributive and productive ability.

The same principle governs trade with non-members. Though the co-operative societies may sell to the general public, in fact nearly all the trade is with members for the simple reason that membership is open and inexpensive and

brings pecuniary advantage. If societies were debarred by law or rule from trading with non-members, the co-operative membership would be smaller than it is; for freedom to enter the co-operative shop is an avenue to membership in the society. Thus in this respect also the vision of total co-operation is false and futile. Partial co-operation, on the contrary, grows from strength to strength.

Though the movement has a known membership, it has not a guaranteed market, and the art of consumers' co-operation consists in making membership as good as a guarantee. Loyalty which makes efficiency possible must be matched with efficiency which does not penalise loyalty. When this is the case the possession of purchasing power becomes a trading asset. Just as Schulze-Delitzsch and Raiffeisen found a way of mobilising credit-worthiness, so the Rochdale Pioneers found a way of mobilising purchasing power. But only of mobilising, not of commandeering. Independent shopkeepers, when criticising " the co-operative menace," refer to it as though it were a national organisation with a central authority which can command allegiance from all its units. But there is no such central authority with such power. The annual Co-operative Congress tries to gain a measure of agreement from the constituent societies on matters of policy, but it has no disciplinary powers and it cannot enforce even an agreed policy. Much less can the Wholesale Society command a retail society to buy C.W.S. products.

The consumers' co-operative movement is grounded on neighbourhood. Local patriotism ties the members to it. It is " our " society at which " we " deal. The local shopkeeper is equally wrapped up in his neighbourhood; and especially in the small town or village is he a nucleus of social life and a valuable citizen. But expansion affects him differently. When local societies federate into a wholesale, they remain tied to their locality. But with the shopkeeper expansion culminates in centralisation. He grows into or is bought out by a large establishment. The departmental store with a mail-order business and subsidiaries in the provinces is metropolitan. The multiple

shop is ubiquitous. Neither has a primary and enduring interest in a particular locality. It is only a chance if the profits which they earn go to shareholders domiciled in their selling radius. The co-operative society, just because it is part of the place, is the *bête noire* of the shopkeepers in that place; but it is not really the major cause of their elimination. The major cause is the capitalist trading corporation of various types. Either they or the co-operatives will dominate eventually the distributive scene.

Like the bazaar stores, the co-operative societies sell for cash to a working-cum-middle-class public. Like them they spend relatively little on advertisement, making their appeal in other ways. But the bazaar stores have taken their place as shops from which you fetch your purchases personally. The bazaar stores work by "cash and carry." The goods sell themselves: almost one might say the consumers help themselves from stalls supervised by a cash register and an automatic girl.

Like the department stores, the co-operative societies set out to offer a wide range of service, embracing goods of final consumption in general demand. The department stores have no price limits and try to make their premises a social centre. Their social appeal, of course, is very different from that of the co-operative store. It consists of restaurants, rest rooms, concerts, demonstrations, athletic instruction and the other attractions of a fashionable shopping centre. The co-operative society, on the other hand, is distinguished by its auxiliary social activities. It has its notice-board of meetings, its assembly hall, whist drives, concerts and classes, in which the employees of the society share.

Like the specialty chains, dealing in meat, groceries, clothing, drugs, dairy produce, boots and shoes, the co-operative societies supply the standard wants of family consumption. This is the field of their special strength, and this is why they can no longer keep to the old custom of "cash and carry." For their purpose is to serve the home. Streets are more crowded than formerly, and the central premises, which are necessary if variety is to be offered,

will be some distance away from the majority of homes. Therefore in the environment of to-day remissness in house-to-house delivery would weaken the domestic contact which co-operation sets out to strengthen and stabilise.

Like certain speciality chains, i.e. those dealing in clothing, boots and shoes, and drugs, the co-operative societies manufacture much of what they sell—some of it locally, but most of it in their federal factories. This activity satisfies the desire of working men for contact with productive work. Co-operatively made bread, biscuits, jam, boots, clothing, are things which long ago were home-made ; now they are made in the communal home of the co-operative movement. In this new home working men set out to do justice to their employees. They accept trade union conditions in their shops and factories, and in the matters of hours, wages, pension rights and stability of employment they lead the way. But sometimes, it must be admitted, the trade unions take an unwise advantage of this.

Two circumstances, one external and the other internal, have stimulated the desire for " own production." The co-operators of most countries have from time to time been faced with a boycott by the outside trade. To defeat it they have entered into production for themselves. Or perhaps they have refused to enter a price cartel and have fought it with their own products. Thus " own production " was self-protection. The other stimulus came from within, and is the distinguishing feature of the British movement. The cumulative result of the purchase dividend has been to leave the local societies with a mass of unspent dividend seeking further use within the movement. In addition, as a result of prudent finance, they have large reserves to which they are always adding. For when trade is good, instead of raising the customary rate of purchase dividend, they put the surplus to reserve or use it to reduce drastically the disclosed value of stocks and buildings. And the two things go together. The members leave dividend readily with their societies because they know they can have it when they want ; for the whole of the share and loan capital is virtually withdrawable on notice. But this exposes the

society to drains which might be fatal, if it had not large reserves. Therefore to-day many societies are in the position of being able to pay out the whole of their members' share capital and still have sufficient reserves to cover the capital value of their undertakings.

But what are the societies to do with this investible surplus? They can only use a minority of it in their own local activities, and the majority they lodge with their Wholesale Society for use by the latter. Thus the Wholesale Society has always abundant funds for productive enterprise. It puzzles British co-operators that their movement should have nearly £100 million invested in gilt-edged securities. Why is the Wholesale Society so pusillanimous? But the Wholesale at one remove is in the same position as the local societies. It is not employing capital pledged beyond recall, but capital which it might have to treat as savings withdrawable at notice. Though not an investment trust in the common meaning of that word, it is the trustee of members' savings. Therefore it must content itself with uses of its funds which will not injure its position as trustee. In fine, it has an abundance of cheap capital on condition that it makes no serious mistakes in the employment of it.

It does not follow, of course, that it is advantageous both to produce and to distribute, as co-operators do, a wide range of domestic goods. The new weapon of the great retailers is mass buying. They buy small things in such mass that they can offer a wide and constantly varied range of colours, shapes and styles. Instead of fearing a change of fashion they welcome and provoke it. I have heard co-operative buyers say, in their enthusiasm for the buying power of the movement, "If only we had no productive departments, we could put the multiple shops out of business." For buying power, when thus concentrated, gives the buyers a peculiar power of dictation. The multiple shops call for an article which they can retail at a predetermined price; and show the manufacturers how they can afford to supply it on this basis, if the order is sufficiently large. They themselves steer clear of production and refrain of purpose from taking the whole of a given line

indefinitely from one manufacturer, in order to keep manufacturers in competition with one another. Demand thus dictates to supply in a new and unprecedented way. But co-operation is a movement with a distinctive appeal and distinctive resources; and these make proper to it all extensions in which it can apply its distinctive structure. The co-operative buyers only have this buying power behind themselves because of the drive, moral and financial, which is behind their movement.

Conversely, I have seen in print the suggestion that the movement might increase its productive power and thereby its general influence by producing in part for the open market. The objection to this is that the movement is organised to control a programme of consumption to which production, banking, insurance and the like are incidental. It sets out to satisfy the expressed needs of its members through associations of consumers organised on a democratic basis. In the course of years it has perfected this control and made it sensitive not only between the individual and his society, but between the society and its wholesale. Production for the market would throw away this control or at least render it less sensitive and for this and other broader reasons would wound the co-operative conscience. Where, however, reciprocal relations are being established with other countries, it is not in principle offensive that the co-operative movement of Great Britain, through its Wholesale Societies, should sell some part of its produce on the open market of other countries in pursuance of its policy of reciprocity. It is assumed, however, that they will deal by preference with the co-operative consumers of other countries, where a co-operative consumers' movement exists. How this is working out in New Zealand and South India we show in detail later. Here the point to be emphasised is that the opportunity of reciprocal trading originated with the presence of the Co-operative Wholesale Society in other lands as producers and buyers for the service of the consumers' movement at home. What sort of reciprocal trade can be fitted on to this? If from a co-operative standpoint the reciprocity is imperfect, is imperfect recipro-

city better than none? It is a problem of business rather than of principle. The co-operative movement must take the structure of international trade as it finds it.

II. The Economies of Agricultural Co-operation

The economies of agricultural co-operation are of two sorts, according as the co-operation is for supply or for processing and sale. When it is for supply, its economies resemble those of consumers' co-operation. Where the supplies consist of household requirements, they are simply those of consumers' co-operation in rural parts; and such co-operation is the modern commercial counterpart of the informal co-operation by which pioneer farmers help one another by barn raisings, thrashing bees, beef rings and the like. In the beef rings of the Canadian West the members took turns to supply a whole animal, which was divided up so that each family might have a regular supply of fresh meat throughout the year. Where the supplies are trade requirements, the method of operation is governed by the fact that in design it is an aid to production and not to final consumption. Dividend becomes of secondary importance; and it is consistent with the voluntary basis of co-operation that the members should pledge themselves to buy a particular trade requirement through their society. It may be desirable that supply should be organised as a side-line to processing and sale. Farmers who co-operate for credit or for processing and sale may find in these co-operative activities the social values which the townsman must secure from consumers' co-operation or forgo altogether. Co-operation for trade requirements is just one item of agricultural co-operation, which has as its wider task the adjustment of the family farm to modern conditions of finance and marketing. Handling, processing and sale are stages in co-operative marketing. Where processing is required, co-operative sale of the co-operatively processed commodity follows as a natural consequence. Yet there is one interesting exception to this. For the *fruitières* (cheese-making societies) of the Alps have co-operative processing only. The cheeses, made on the society's premises, are

divided among the members for their own use or for private sale. Dr. Fauquet [1] sees in this a survival from a time when the herd was communal. The large cheese of the Gruyère type, which the *fruitières* made, required more milk than one small peasant could supply; and therefore the processing function had to remain communal, even when the communal village had dissolved into the individual farm. But this survival is not the pattern of new enterprise, e.g. of the co-operative dairies in other parts of Switzerland and France. The *fruitière* is not modern co-operation gone wrong, but old individualism fortifying itself by a still older communal service.

Between sale after processing and sale only we can draw no hard and fast line. For processing is only preparation for sale, which involves a change of form. Butter and bacon have been processed: walnuts and eggs have been sorted only. Dried fruit is a processed, fresh fruit a sorted commodity. But under modern conditions of sale on a distant market, the work of gathering, sorting and packing fresh fruit involves a sequence of operations which are important, delicate and closely related. The packing-house which does this work is much more than a warehouse. Fruit-packing requires one type of plant, meat-packing another. The word "pack" belongs by etymology to the warehouse, but the meat-packer and the fruit-packer are operators of plants with specialised machinery in them. Similarly, cold storage involves specialised equipment. We must, therefore, think of co-operative processing and co-operative sale as part and parcel of the same thing; and it is customary, in America at any rate, to call the whole of it by the generic title of co-operative marketing.

It should not be assumed that co-operative marketing is in all cases possible or advantageous to the producer. It depends not only on the character of the producer, but on the nature of the commodity and its market. It may be more desirable that the farmer should make his co-operative effort around some other activity, such as credit or supply. It may be that collective bargaining is as far as he can go

[1] G. Fauquet, *Le Secteur coopératif*, pp. 37–8.

towards co-operative marketing. Co-operative credit and co-operative supply are less dependent on commodity and market. If they can be operated successfully in one part of a country,. there is reason for believing that by proper organisation and teaching they can be extended to other parts of the same country. But many disappointments and losses have been incurred from hasty excursions into the marketing field on the strength of successes obtained with a different commodity. The problem is at bottom the same as that which confronts the consumers' movement when they are deciding what lines of production they can successfully undertake. We must therefore frame our list of economies by references to proven successes in particular commodities. We might take either fruit or milk. We took milk in Volume I, thinking of Ireland and Denmark; and we take fruit now in order to introduce the experience of California.[1] We divide the economies into two groups: those which are present in the co-operative function, and those which are induced in the operations of farming. And this means that we study better business and better farming in that order, when our approach is by the way of co-operation.

The economies of the co-operative function rest on regional specialisation and are the outcome of what it is customary to call commodity marketing. Co-operative marketing, commodity marketing and efficient marketing of agricultural products are almost interchangeable terms in the literature of American co-operation. We begin with the economies which are present in the co-operative function.

(*a*) *Standardisation and Improvement of Grade and Pack*

The central organisation of each group of fruit co-operatives will have over-riding brands, which guarantee to buyers a standard of quality. Examples are Sunkist Oranges, Sunmaid Raisins, Diamond Brand Walnuts, There may be more than one grade, but the effort of co-operators will always be to reduce the quantity of the lower grade. For poor fruit, except where it is peddled locally, is hard to

[1] For the place of California in American co-operation, see Chapter XV.

market, and the growers are in business to make not a middleman's difference, but a better living from fruit-growing.

The local association does the packing of the fruit, and the Central (the Exchange) secures that there shall be a uniform pack. Local varieties of pack, which have no significance in distinguishing the product, are uneconomical. If the pack varies, the retailer will make liberal allowance for short measure. This is a waste of the same order as growing an unnecessary variety of apples. The individual grower does the growing, the local association the packing. When there is organic contact between the two, faults can be located, deliveries regularised and a regular supply of reliable produce assured.

(*b*) *"Tie-in" of Services*

Regions with strong co-operative organisations are regions of high specialisation. There is a sufficiency of volume to permit of local processing under optimum conditions. The co-operative problem is to hold this volume over a period of years. The productive efficiency of the local association is strengthened by the existence of a Central, which operates plants for the utilisation of bye-products, drawing its supplies from all the local associations. The Central will have also a box-making plant, perhaps even a timber limit for the supply of its box material; and it will operate a supply department for individual growers in trade requirements, such as sprays and fertilisers. If special finance is required for growers, the Central will be the body to organise it. When it thus combines sale with supply, the organisation secures the economy of dove-tailing. The marketing organisation undertakes supply as a side-line to its larger selling business. If, however, supply were to include domestic requirements, it might be found better to separate the supply side of the business locally as well as centrally.

But the large-scale marketing of a single commodity or narrow range of commodities is confronted with a technical difficulty in regard to the use of plant. There is a rush

period at harvest time, and a long slack season after that. The commercial packers, who are the business rivals of the co-operators, meet this difficulty by handling a wide variety of fruits, so that their period of operation is longer. The prune- and apricot-growers of California found this to be a serious difficulty in competing with the California Packing Corporation, with its large range of Del Monte brands. The handicap may be in part overcome by arrangements under which two co-operatives share in the supply and sales service of a single central. Similarly, co-operative egg-marketing associations in California and elsewhere have found it hard to meet the competition of meat-packers, who in order to maintain closer contact with their suppliers buy their eggs and poultry as well as their livestock. Where the balance of advantage will lie will depend on the extent to which this technical handicap can be offset in other ways. It is worthy of note that the citrus fruit-growers of California, the most successful of the fruit-marketing organisations, have as their main product the orange, and that its oranges are of two classes, the winter (Navel) orange and the summer (Valencia) orange, so that in respect of continuity of supply they are not far removed from the co-operative dairy.

(*c*) *Integration and Expansion of the Market*

Even as co-operative enterprise, in ways that we presently describe, works backward to induce better farming, so it works forward to the integration and extension of its market. Being the property of the region, it has the drive of the region behind it. When in the 1880's the citrus fruit-growers of California began intensive production, they very soon created a glut which it was beyond the inclination or power of the fruit dealers to disperse. Instead, the latter protected themselves by a policy of "pick and choose"; and sometimes by arrangement they divided the fruit territory among themselves. It was then that the growers were stimulated to co-operate, in order to break the circle which imprisoned them. It would not have paid any single dealer to embark on the campaign of advertisement with which the growers' central covered the Continent, State by

State; and this would have been equally beyond the power of a number of small societies. It is a great error to imagine that greatness is inimical to co-operation. One is confusing then the machinery of assistance with the small unit (the individual grower) which it is desired to assist.

Nor does integration mean top-heaviness. This, too, is excellently illustrated by the citrus fruit-growers. The local associations do the packing, the regional associations the marketing, and the central association supplies the framework and the policy. Controlling 75 per cent. of the output of the State, it is able to organise distribution between markets and to avoid local or seasonal gluts. Having a sales service which is represented personally on every important wholesale market in the United States and Canada, it is able to offer prompt delivery of standard quality at a definite price, inclusive of freight; and since it ships in bulk, it secures the economy of car-load shipments. Beyond the wholesale market it does not try to go, and the wholesaler is therefore its friend. By their elaborate organisation, which has been perfected over a long period of years, the citrus fruit-growers have been able to bring about a remarkable increase in the consumption of their products both in North America and latterly in Europe also, for which service the Central operates a special export pool.

The second group of economies consists of those which are induced in the operations of farming. Better business stimulates better farming. For obviously little progress can be made in the improvement and standardisation of the pack if it is not accompanied by parallel improvements on the farm. The advantage of co-operation is most demonstrable where change in cultural practice is reflected clearly and quickly in the quality of the product to be processed or packed; and this condition is present both in milk and fruit. The co-operative organisation exists to get for the growers the best possible price; and that best will be better if the product itself is good. Agricultural departments, agricultural colleges, professional farm associations teach and encourage better farming. Co-operation brings home

the results of better farming by associating in a visible way effort with result. Conceivably the public authority might compel better farming by penalties and fines. But it is reasonable to assume, and it is the assumption of co-operation, that the best way of securing positive all-round improvement is through the self-imposed discipline of the functional group. Through contact with the productive and selling process growers are able to understand the value of a superior product, and the terms of association assure them that better production will meet with better price. More important still, is the infection of example. Each man strives to be as efficient as his neighbour—" If he can do it, so can I." Most important of all is the deliberate appeal to the team spirit. Fellow-members will be ashamed to spoil the society's average. How far discipline can go, when self-imposed, is shown in the picking of citrus fruits. This is done by the picking-crews of the association and not by the grower himself. For investigation had shown that inexpert handling in the groves damaged the keeping qualities of the fruit.

But it would be absurd to suggest that quality production can be secured only by co-operation. A jam manufacturer, for example, if he wants a better or a special type of fruit, is in a position to encourage the growing of such fruit in a variety of ways. He may himself operate a number of farms located in different fruit regions under central technical supervision : or he may have a demonstration orchard or a nursery. And this for him is a step in vertical integration comparable to the acquisition of a coal-mine by a steel company. Thereby he will secure what we may term proprietary quality and proprietary standardisation. The integration may strengthen rural life, and it is especially likely to do so if the jam factory is in the country and the personnel of the factory is largely derived from the families of the fruit-growers Although the integration eliminates the possibility of co-operative processing, it does not eliminate co-operation of other sorts : co-operation for supply, a collective contract for fruit delivered, as well as co-operation for household requirements, in which the

factory workers will participate also. We must emphasise the fact that in some countries farmers are unlikely to possess either the ability or the finance to undertake co-operative processing except in certain special fields, and furthermore that, apart from this, there is scope for other forms of co-operative activity.

Just as we carried consumers' co-operation into the world of reality and found it to be a sector of economic life, facing strong competition and definite limitations, so and even more so is it with agricultural co-operation. And from this some have argued that agricultural co-operation must disappear in favour of State-controlled marketing. This is the central topic of Part III. Here let us state in the most general form the reasons which compel the farmer to co-operate if he can, and to press for something stronger, if co-operation is not enough. Agricultural co-operation is the reply of the country to the industrialism of the town; and as Adam Smith shows in the great Third Book of the *Wealth of Nations*, the towns set the economic pace. The countryman has great powers of resistance, but is it to be the resistance of a drudge or an equal? It can only be the resistance of an equal if agriculture can meet industry on equal terms by confronting organisation with organisation. The farmer by co-operation is trying to recover power which industrialism is taking from him. Before the farm was commercialised it was largely self-contained. It made its own manure, raised its own seed, fed its stock from its own produce, did its own killing, made its own butter and hauled its surplus to the market on locally made wagons drawn by animals fed from the produce of the farm. As these activities have one by one been transferred to other hands, the farmer has tried to go after them and recover control of some of them at least. When commercial agriculture was thrust upon him, he replied with co-operation. It should not be a matter of surprise if failures have been manifold. For he goes into the marketing business, not for its own sake, but as a means of strengthening himself as a producer. Efficient farm production in these days of mechanisation makes an ever-increasing call on the capacity

of the farm family. There are strict limits to the activities which one man can effectively undertake. The wage-earner who co-operates for consumption only is spared by the fact of his wage-earning status from this double call on his capacity for management.

The Purchase Dividend in Consumers' Co-operation and its Application to Agriculture

Without the purchase dividend the consumers' movement would possess little economic power and negligible social possibilities.[1] The dividend, a homely and material fact, is the arch of the whole movement. Without it the structure would be crooked and quickly collapse. Because the Rochdale Pioneers were the first to demonstrate its value, the movement is known the world over as Rochdale Co-operation. The provision society (*Lebensmittelverein*) with which Swiss co-operation started, the *économat* against which French co-operation still has to struggle, lead to nothing beyond local and ephemeral economies. They are still-born mutualities. And their social consequence ceases, like that of the factory canteen, at the counter from which the goods are supplied. We must, therefore, examine in detail the significance of this critical device.

First of all, the purchase dividend displaces profit on capital, as the criterion of success, and substitutes one which is in harmony with the co-operative purpose. Thereby it eliminates at the outset the possibility of injustice. For if any part of the surplus thus distributed arises from charging a price which is higher than the current market price, those who have paid the higher price receive shortly afterwards a higher dividend. But it does not secure justice at the price of loose budgeting. It prevents something that is worse than profit-making, and that is loss-making. It keeps the movement on an even financial keel and compels that strict accounting which is the good side of the profit-and-loss accounting of capitalism.

Secondly, it bulks into an appreciable sum the surplus

[1] It is not, however, necessary that it should be as high as in England and Scotland, as the experience of Europe shows.

accruing to an individual from a stream of petty trade. If it were returned with each purchase it would be barely noticeable. But paid each half-year, it is sufficient to impress the member with the advantage of steady trading at his store. Steady trading becomes a habit which does not stale, because it is sweetened at regular intervals by the sight of worth-while dividend. The net divisible surplus of all retail societies in Great Britain in 1932 was in the neighbourhood of £20 million.[1]

Thirdly, it is not in principle the return of an optional overcharge. The members, it is true, might choose to sell close to cost. But if they did, their costs would be higher than they are. They would operate under straitened circumstances and be unable to weather a storm. The dividend is the return that comes from shop-keeping with adequate resources.

Fourthly, the dividend is not in fact an illusory surplus caused by charging more than market price. Investigation supports what general reasoning would suggest, that the prices at co-operative shops cannot vary greatly from those of their leading competitors. In districts where the co-operative store dominates the retail trade, competitors tend to sell at slightly under the co-operative level. Much under they will not go, either because with their higher costs they cannot, or because they know that beyond a point the co-operative societies will come down to meet them.

The members of certain high-price societies—and they are mostly old-established societies in Scotland and the north of England—refrain from lowering their prices because they desire to maintain a high dividend, which they earmark for desirable purposes; and thus the dividend in part is self-imposed thrift. But societies of this type are in the minority. In the Midlands and South of England, where the growth of co-operation has been most rapid since the war, the co-operative societies could not have gained their footing and subsequent expansion if they had consistently exceeded the

[1] Cf. J. A. Hough, *Dividend on Co-operative Purchases*, p. 71. It is believed that about six members out of every seven withdraw their dividend at the end of each quarter (Report on Consumers' Co-operation in Great Britain, 1938, p. 509).

market price. In general, the prevailing margin between wholesale and retail prices enables co-operative societies to earn a dividend of 1*s.* 6*d.* to 2*s.* in the pound without pursuing a high-price policy. In 1935 65 per cent. of co-operative trade was done by societies paying 2*s.* or less ; [1] and some societies which pay as much as 2*s.* 6*d.* have such a strong financial position or so heavy a turn-over, that they are able to pay this high rate without keeping their prices above those of their leading competitors. But this must not be construed as denying that the co-operative movement could secure a larger part of the trade of its poorer members by a lower price policy at the expense of some reduction in dividend.

Fifthly, the expectation of dividend at the standard rate of the district conditions the society's selling policy. All the members draw it and they measure the standing of their society by its stability. The co-operative store, therefore, is not well equipped for price cutting. In undertaking new business, the society must consider whether receipts will sufficiently exceed costs to yield the standard rate of dividend. If they do not, it must come out of the surplus earned by the rest of the business. A non-co-operative business is not under this limitation. If it is able to do an increased business on the same capital, it does not find itself automatically liable to pay an increased dividend. The " price-cutting co-operatives " of abusive journalism are the " dividend-limited " co-operatives of sober fact.

Sixthly, it endows the movement with a remarkable instrument of business expansion, so that it never has to borrow and indeed has an embarrassment rather than a shortage of funds. This is a major economy of consumers' co-operation, as developed in Great Britain. It is as though the shareholders of a company returned a portion of their dividend cheques, unasked. Only a co-operative society is structurally capable of incorporating new capital into its business in this way. This divided but unspent dividend constitutes savings which are left in the movement for use

[1] Report on Consumers' Co-operation in Great Britain, 1938, p. 115.

by it. There is thus no barrier between saving and investment resulting from the saving process itself.

Seventhly, it creates for the family a reserve of purchasing power, which, when not saved, is spent in a particular way. This is the result of the way in which it accrues. It is by tradition the perquisite of the wage-spender, that is to say of the housewife, and however spent it is rarely dissipated. Some part re-enters the movement visibly in the form of special purchases of durable goods, such as furniture. Another part helps to pay the rent or the instalment due on the purchase of a house; and this has given rise to the saying that co-operators have eaten themselves into the ownership of their houses. Another part helps to provide insurance money, school fees, holiday money or emergency payments in sickness. Many municipalities time their final demand for rates to follow the co-operative dividend: outside shopkeepers announce special sales at a similar time.

Eighthly, it permits of technical departures from the rule of cash payments without violation to the principle which lies behind this rule, namely, the keeping of expenditure in line with means. Weekly accounts, mutuality clubs for instalment purchases, emergency loans can all be safely practised, when the recipients (or their parents) have a good purchasing record and in all probability possess in share capital, loan capital or savings resources which more than cover such temporary credits.

Ninthly and finally, it provides the possibility, which a planned economy might reduce to a scheme, of balancing expenditure and investment in such a way as to cause maximum satisfaction. The dividend might then be used at one time to promote greater investment by devoting it to reserve, and at another time to promote greater consumption by issuing it in the form of vouchers exchangeable against goods. But even under a free economy it makes for a better equilibrium. For the danger of the free economy in which we live is that expenditure on consumable goods will fail to keep pace with capital investment; and that danger is least when the river of saving is fed from the well

of previous spending and flows out into a sea of productive enterprise. This is what the purchase dividend enables consumers' co-operation to do; and there is in it a great reproductive mutuality of immense social significance to an age which by its productive technique may make millions idle and unable to consume.

The consumers' dividend has a part to play in agriculture, in so far as the farmers co-operate either for consumption or for the supply of trade requirements. But it does not play the same part in their life, because their first need is to secure spending power, in whatever way it may be used. However, in nearly every country of the world farmers have endeavoured to co-operate for the supply of trade requirements at least, and the new world in particular offers many examples of the danger of selling too close to cost price. They pull down prices for a little while and advertise the fact proudly: then they lose money in the price-cutting game, are driven out of business and gloomily watch prices returning to their old level. For their effort is local, and very often they are fighting a combine, which is strong enough to conduct a price war in one corner of its territory. Therefore in such co-operative supply the first need is to build up a sound financial position. It is not necessary that there should be a trade dividend. It may be more expedient to build up reserves, or to develop the business in other ways, so that lower prices can be permanently sustained. It is generally possible for co-operative supply to begin on a modest scale, perhaps in agency form, so that the preliminary outlay on fixed capital is small. And there are ways of securing a harmony between capital provision and capital use other than the way familiarised by the consumers' movement of a fixed return on capital, followed by a purchase dividend.

The financing of processing works—grain elevators, dairies, fruit-packing plants—is a more critical operation. A large expenditure is required before operations can take place at all. The society begins by collecting capital from intending members in proportion to their acreage or some

other measure of ability to supply, and it borrows a further sum from the banks. At this initial stage the providers of the capital and the users of the service are roughly identical. But one generation follows another and there is a prospect amounting to certainty that shareholding will be divorced one day from use of the service, in the absence of a corrective. The problem is to create arrangements which will keep the property in the hands of the current users. A variety of arrangements exist, and they commonly involve the principle of a revolving fund, by which old members are paid out, one by one, and new members, who are users, take their place. These new members pay by deductions from the receipts accruing to them on account of their deliveries of milk, fruit, grain, etc. Thus ownership and use are kept in the same hands, and no conflict of interest arises between a group which is interested in dividend on capital and a group which is interested in payments on deliveries.

But this does not exhaust the possibilities of the co-operative form in the field of marketing. For the grain-growers of the Canadian West evolved in their pool organisation a system of finance which dispensed with capital ownership. It was built on an earlier structure in which capital ownership played its part, and eventually took the form of building up elevator and commercial reserves by means of deductions from members' receipts in respect of their deliveries of grain. These reserves were individualised and bore interest. It was the ingenious counterpart of the consumers' dividend. In the pre-pool era an attempt was made to apply the Rochdale principle by giving to members a rebate on the selling commission, but this was pronounced illegal. The pool method got round this difficulty.

Furthermore, the pool method necessitated periodic payments—preliminary, interim and final; and it stabilised the farmers' spending power in exactly the same way as the consumers' dividend stabilises the housewife's spending power. Similarly, the creditors of the farmer, the loan companies, implement companies, etc., timed their instalments to follow the pool payments. And there was some danger that the pool method would lose favour with its

supporters because it lent itself so conveniently to the operations of debt collecting.

As we shall see, the wheat pools did not meet with the success which their supporters hoped for in the early days. But assuredly it was due to no lack of the co-operative form or the co-operative spirit. The plain fact was that the price of wheat was so disastrously low for a period of years that it would have brought to the ground any organisation which identified itself with the producers' interest. The growers were in the plight in which wage-earners would be if they had neither employment nor unemployment pay. This experience was not peculiar to Canada, and it is the explanation of the widespread demand for something stronger than voluntary co-operation. Farmers draw no wage, they only receive a producers' price ; and in terms of that price they have to struggle for their standard of life, which the urban wage-earner defends by collective bargaining and, when he can secure it, by a legal minimum wage. This last plus unemployment insurance are the wage-earner's equivalent of the guarantee which the farmers have sought by " compulsory co-operation " or other State-imposed means.

PART II

INDUSTRIAL CO-OPERATION (GREAT BRITAIN AND EUROPE)

CHAPTER IV

A PICTURE OF THE ENGLISH RETAIL MOVEMENT

A JUDICIOUS use of local history is one of the most important as well as one of the most difficult tasks of the historian of co-operation. By contrast with the "locals" of a wheat pool or even with the dairies of Denmark, the retail store has individuality. Consumers' co-operation is not a chain of people's stores. It is full of individual yet typical experience; and the region has not yet been in England the unit of conscious patriotism. The loyalties are to the local society or the national wholesale. But as there are societies everywhere, it is necessary to make a selection, and I have made mine with reference to personal experience.

I was born in Liverpool. I live in Cambridge. The Horace Plunkett Foundation takes me to London. My summer home is in the Lakes; and I was twice in Blackpool recently—at the British Association Meeting in September, 1936, when co-operation was a leading topic in the papers of Section F, and again at the Blackpool Co-operative Education Convention in Easter, 1937. Born of a railway family, I add the junction gateways to the North, Crewe and Preston; and, as everyone should have a Mecca and Rochdale is far away, I have found mine in Kettering, which is a stronghold of copartnership as well as of consumers' co-operation.

LIVERPOOL

A youth reared at the close of last century in a business suburb of Liverpool might well have failed to see even the outside of a co-operative store. From uncles in Manchester who were trying to sell to it, he might hear of the C.W.S.; and if the said uncles lived in Stockport or Marple, the servants would talk to him of the "co-op," which would

be associated in his mind with the morning tramp of clogs. In Volume I it was perhaps pardonable to say: "The heart of London to-day (1908) is untouched by the co-operative movement. Liverpool is new to it" (p. 273). But this does not apply to the history of early experiment nor is it the emphasis of 1937. Liverpool has now a strong society, with central premises in the civic centre—Unity House, near St. George's Hall and the exit of the new Mersey Tunnel. The cotton famine (1861–4) brought one Victorian experiment to an end, the Liverpool Equitable Society of 1860; and lamed a second, the Liverpool Co-operative Provident Society, which, after some years of almost national *éclat*, had to rent its ambitious hall to a theatre proprietor and was itself finally liquidated in 1899.

Unity House commemorates the fusion in 1915 of two successful societies, the City of Liverpool Co-operative Equitable Society of 1886, and the Toxteth Co-operative Provident Society of 1891. As in modern London, the progress has been from the industrial suburbs inwards. The City of Liverpool Society was on the north side and railway employees were the nucleus of its strength. The Toxteth Society was on the south side and advice at the time of formation came from the railway centre of Crewe; Oliver Lodge at Liverpool University gave it his support and a Rathbone, as we might expect, was ready to help in priming the co-operative pump. In the 1890's several small societies which were doing badly took shelter under the wing of Toxteth. But Liverpool was not a factory town, and the decision of Toxteth (1913), that all employees subsequently engaged must join a trade union, was only carried after a majority of the committee of management had resigned. Birkenhead has its own strong society and the dividing water of the Mersey precludes the possibility of a further fusion into a "Manchester and Salford" for Merseyside. But if Blackpool is the holiday home of Manchester, from Liverpool one sails to the Isle of Man. In 1924, when the Manx Co-operative Society was in a poor way, Liverpool stepped in, and the Manx society is now officially "under the management of the Liverpool Co-

operative Society, Ltd." As the island is self-governing, there are legal obstacles to amalgamation, but Liverpool co-operators and other co-operators are allowed dividend on their purchases from the Manx Society.

The Unity fusion of 1915 was reached during the war, but the ground had been intensively prepared by the educational propaganda of the Men's and Women's Co-operative Guilds: and the new society commemorated its faith in education by erecting Holyoake House, with its assembly room, over the co-operative departmental store in Smithdown Road. Since fusion, trade and membership have increased by leaps and bounds:

	Membership.	*Sales in £000s.*
1916	33,000	638
1926	75,000	1,935
1935	125,000	2,650

A distinctive feature of the Liverpool Society is the " 5 per cent. bonus " on prepayment; and it is additional to the purchase dividend, which is 1*s.* 2½*d.*

Just as the London Co-operative Society is recognised as the originator of the Mutuality Club, the Liverpool Co-operative Society has established its position as the pioneer of a plan that should prove an incentive to prudent shopping. . . . The " No-Wuree " Bonus Scheme introduced this year [1929] by the Liverpool Co-operative Society is a " Save before you spend " ideal. . . . Those who pay up five £1 shares in the stipulated period can obtain goods to the value of £5 5*s.*[1]

Alternatively, the full amount of the shares taken up may be paid in one sum, but bonus is only allowed after that sum has remained standing in the bank for a period of not less than ten weeks.

It is significant that Lewis's Ltd., the leading commercial departmental store of Liverpool, inaugurated for its customers in 1928 " Lewis's Bank, Ltd."

The convenient little bank of 1928 has grown into a powerful business with an authorised capital of £1,000,000, 55,000 customers and assets of £5,500,000. . . . It is only natural for the public to wish to place their savings FREE FROM WORRY.[2]

[1] W. H. Brown, *Story of the Liverpool Co-operative Society, Ltd.*, p. 129.
[2] Explanatory Leaflet of 1937.

Imitation, they say, is the sincerest form of flattery; and Liverpudlians must settle the title to priority here.

A metropolitan centre thinks in terms of wholesaling; and there have been three metropolitan candidates for the wholesale centre of the English movement—London, Liverpool and Manchester. John Finch, later the governor of Owen's Harmony Community in Hampshire, established the First Liverpool Co-operative Society in 1829, and went on to make the Liverpool Society the wholesale agent of the co-operative societies which were then coming into rapid birth in the North. In 1831, with the blessing of Owen, who was more attracted by wholesaling than by petty retailing, the North-West of England United Co-operative Company was established at Liverpool, but it faded out with the decline of Owenite co-operation. However, the first registered office of the present C.W.S. was at 15 Camden Street, Liverpool, 1863–5; and the *History of the Liverpool Society* (p. 35) contains a wood-cut of those premises—a high-windowed, three-storey building set in a terrace, with the Liver bird in the scroll. But Manchester rightly was the final home, not only because of the intimacy between Rochdale and Manchester, but also because of its more central position, which was consolidated by the opening of the Manchester Ship Canal in 1894. Mitchell was a stalwart champion of the Canal, and the investments of the co-operative movement (wholesale and retail societies) in it, though for many years they brought no return in shareholders' profit, yet brought indirectly a large dividend of increased wholesale trade.

Woolwich

The Royal Arsenal Society is where Woolwich is and not where the Arsenal plays its football. In Woolwich, as in Chatham and Sheerness, we are in a cradle of pre-Owenite co-operation. Why did those skilled shipwrights and dockyard workers build their own corn-mills in the late eighteenth century? Is it that naval men were familiar with the mess contractor and shore workers similarly decided to become their own contractors? Did the ships carry news of these

experiments from port to port, as the historian of the Liverpool Society suggests ? [1] Was the sight of wholesale produce an incentive to dispensing with the retailer ?

The modern story of Woolwich begins in 1869 and its progress was as follows :

Year.	*Members.*	*Sales in round £000s.*
1870	55	(879)
1880	1,757	34,000
1890	7,510	132,000
1900	17,146	350,000
1910	26,713	527,000
1920	85,062	3,569,000
1935	318,960	8,617,000

(N.B. 1935: London Society 574,921 members; trade £12 million.)

It is, therefore, not too surprising that an officer of a small Essex society, with whom I travelled once from London to Bishop Stortford, remarked, " The C.W.S. should open depots in the country. It is no use our going to Leman Street. London and Woolwich buy the lot."

The distinctive features of the Woolwich Society are :

1. It has had a continuous existence of nearly sixty years. Of some thirteen societies in the London area in 1880, only three exist to-day with an unbroken record—Woolwich, Stratford (the nucleus of the London Society), and Enfield Highway, the last a medium-sized society on the north of London with a trade (1935) of £1 million. The fourth of the important London societies is the South Suburban, an amalgamation of societies in Penge, Bromley and Croydon, i.e. in outer residential London, with a trade (1935) of £3½ million. Central London and the West End are almost the only co-operative deserts left in England. The war made London co-operation-conscious. It brought in the munition workers and concurrently that considerable army of white-collar workers who were alarmed at the rise of prices. The impetus then gained was retained.

2. Woolwich has experimented both with structure and activities. Like the Barnsley British Co-operative Society it has a full-time directorate, the salary being fixed at £400,

[1] W. H. Brown, *op. cit.*, p. 15.

which till lately was the salary of an M.P. And it has not refrained from possibly rival productive undertakings. Thus it has a tea-blending warehouse and a large fruit and jam factory. Being on the edge of a famous fruit country it reasoned that it could, with advantage, draw on local supplies.

> The reasons for building a Preserve Factory were that a large amount of space in the warehouse would be freed, that something like £2,000 per year would be saved in the return of empties, that the fruit gardens of Kent were within easy reach, and the various London docks for sugar and other foreign produce were also very near. The project received much criticism on the ground that such matters of production should be under the control of the C.W.S. However, the success of the enterprise has overcome the critics, and it proves conclusively that if a society can manage a business more economically than the C.W.S., it benefits not only the local Society but the whole Movement in general, by keeping the cost of production and distribution as low as possible, and thus relieving money for the furtherance of other Co-operative schemes.[1]

But on the other hand such independent action aggravates the problem of co-ordination which confronts the movement to-day.

The most impressive installation is the dairy, which had a turnover of £1 million (1936). A milk-tank train arrives daily from the West of England (Wilts.), supplemented by a fleet of motor milk tanks. Its laundry, funeral furnishing (including the making of coffins), bacon curing and lorry park—the list is intriguing—are familiar features in the great societies of to-day.

3. The Royal Arsenal Society dominates the distribution of the district, especially around its central premises. After the war it bought from the Government its great dockyard estate, which more than houses its various activities. The estate, it is said, was refused by the town because it could not afford it! It is rarely that one can say of a co-operative society that it is *visibly* first. But it is with Woolwich as with Basel: the co-operative first and, at an interval, the rest.

[1] W. T. Davis, *History of the Royal Arsenal Co-operative Society*, p. 137.

CAMBRIDGE

A century hence, when origins are being sought, it may be suggested that the presence of a collegiate University brought Cambridge to consumers' co-operation. For such a university is a group of groups, each college living in common and having no concern with the making of profit. But co-operation did not come to the town in this way; and the chief lesson to be learnt from the University is the high cost of living, and in particular of service, when young men live together under the management of their teachers for some twenty-four weeks in the year. In the Cambridge of Marshall and Henry Sidgwick, when Marshall was saying, "What have to be tried are associations among men as highly educated as are manufacturers now," [1] and when Sidgwick was actively interested in copartnership,[2] certain intelligent artisans—joiners, builders' labourers, railwaymen—were studying a publication brought from London by a local cobbler: Pitman's *Co-operator*; and this led to the establishment of the Cambridge Provident Industrial Society in 1868, the first chairman being T. H. Prime. Of the early committees in this, as in dozens of societies, we read: "They sampled the goods, fixed prices, weighed quantities, made parcels and disposed of the same to their fellow members with the zeal of Social Crusaders." [3] In other words, shop-keeping was the "op" in their "Co-op." The society of 1936 had a membership of 26,000; capital in shares, loan capital and penny bank, £828,000; sales £710,000, of which the dairy was responsible for nearly £70,000.

Its present style is Cambridge and District Co-operative Society Limited, and it is a sample of the recent trend of co-operation in the East of England, with its country towns and *industries agricoles*—fruit-canning, agricultural machinery and the like. York, Lincoln, Peterborough, Cambridge, Norwich, Ipswich, are each the seat of an important society, which has no near rival. If East Anglia

[1] *Memorials of Alfred Marshall*, p. 114.
[2] *Henry Sidgwick: A Memoir*, p. 205, n.
[3] *Jubilee Chronicle*, p. 26.

had been in Flanders, the war might have speeded up regional fusion and made it part of a planned policy. As it was, this was haphazard—opportune extension into areas without a society, absorption of a smaller society in difficulties. The war years saw at Cambridge the abolition of the old restricted radius rule, and this permitted extension to the fruit-growing districts of Cottenham and neighbourhood, as well as to more distant points, such as Royston and the considerable town of Bishops Stortford, which is thirty miles south of Cambridge and which was taken in, because its society got into difficulties. Cambridge has for principal neighbours on the north Peterborough (which serves Huntingdon and St. Ives); on the east, Ely and Newmarket; on the west, Bedford and St. Neots. On the south, beyond Dunmow, it hands over to Chelmsford, beyond Royston to Letchworth, beyond Bishops Stortford to Enfield Highway, the northernmost London society.

Would the framework be strengthened by the formation of an Eastern Section of the Co-operative Union? For the east is now split between North-Eastern, Central and South. Would the grouping encourage societies to break new ground in regional co-operation? The following considerations are pertinent:

1. From Lincoln to Bishops Stortford inclusive, the country is flat and mainly rural, though several of the towns are growing rapidly as engineering centres. It is a district in which delivery by automobile is easy. There are no difficult hills to negotiate and there is no area, like the northern moors, which does not carry population.

2. It is desirable that amalgamation should not be delayed till a society is in trouble. Consider a little society, to the south of Cambridge, like that of Sawston, which is a large village with a paper-mill. Nearly every family in the village is a member. The trade per head is £30, against Cambridge's £25. Amalgamation would offend local patriotism, but less if it was part of a policy in which Cambridge, too, yielded something in its turn, and if there was deliberate provision for the representation of Sawston after amalgamation. Though it may seem a small thing,

it is to be wished that a society with a good record like this should bring into amalgamation (if it ever comes about) a well-documented history of its separate life for incorporation in the tradition of the larger unit.

3. In the Eastern Counties there is a rough balance between urban and rural population. Here, therefore, is a suitable region for developing co-operative relations between urban consumer and agricultural producer. Before the war Lincoln was prominent in this respect. Cambridge has for years bought a large amount of its perishables locally.

> Periodically [says the *Jubilee Memoir*] the officials of the society send the motor-lorry out into the villages loaded with stocks for the stores. It then drives round to the various small cultivators, receives their produce and conveys it into Cambridge with an economy and celerity that gives the townsman an opportunity of freshly ripened fruit and produce at the lowest rates.

The business has grown greatly since the war. Histon and Cottenham farmers sell to the co-operative vegetables and pigs ; Willingham farmers tomatoes and flowers. When a society has a dairy, it draws its supplies from registered producers in the district, and the terms of the contract fall now within the ambit of the Milk Marketing Scheme.

Crewe and Preston

The building of railways in the 1830's and '40's had a beneficial influence on the rural labour market. When the building navvy gave place to the operating servant, railway employees became in the main town dwellers ; and in one instance at least they were the cause of a new town. Dugdale's *Gazetteer* of 1840 gives a population of fifty-one for Crewe. In 1931 its population was 46,000, and in early 1937 the personnel employed by the London, Midland and Scottish Railway at Crewe was 11,700. The railway navvies often were the victims of truck, and their condition was a subject of inquiry by Parliament in 1846. But the railway servant drawing regular wages from a large corporation was an ideal candidate for co-operation.

Public policy debarred railway servants from trade unionism for many years, but there was no objection to membership of a co-operative store. Railwaymen move about the country, and more than one society owes its origin to the promptings of railway workers who had seen co-operation elsewhere. The Toxteth (Liverpool) Society, as noted above, grew on the advice of a former committeeman of the Crewe Society. For Crewe is one of the old societies of England, and it opened in 1845 in a cottage owned by the London and North-Western Railway, taking then its present title, Crewe Co-operative Friendly Society. But for eight years it distributed surplus on the basis of capital, 3*s.* per £1 share in 1853; and it was fortunate that it changed over to the Rochdale system, for it was only after appeal to Somerset House in 1860 that it was spared the attentions of the income-tax collector. The incidents of its early career are standard: 1845 a grocery, 1857 a bakery, followed by the coal business and a butchery, 1861 a struggle with an upstart which it defeated by paying a higher dividend than the upstart could stand (not, it is to be noted, by price-cutting), 1873 membership of the C.W.S., with which business was already being done, 1880 an agency for the Co-operative Insurance Society, 1890 the opening of a branch in a neighbouring village by request, 1896 amalgamation with Nantwich five miles away, 1906 trouble over the payment of dividend on proprietary goods (phonographs and gramophones), 1910 under similar provocation a change from proprietary to C.W.S. soaps. In 1917, when the scheme of compulsory registration for sugar supplies came into full operation, the remarkable total of 27,780 (or 64 per cent. of the population of the borough) as well as 7,035 outside it, registered with the Society. In 1918 credit trading was abolished. In 1929 a branch was opened at Whitchurch (and Crewe having refused to take over Whitchurch, the Whitchurch Society had to liquidate). Finally the Society entered into funeral furnishing, and in 1937 had almost 90 per cent. of this business. With membership at 19,797 and sales at £595,150 in 1935, trade per member works out at just over £30. A Sidney

Smith could draw from Crewe a graphic picture of a co-operator's progress from birth to death.

Preston is the last factory town in Lancashire and thus just within the old stronghold of English co-operation. (For in 1931 the co-operators of Lancashire passed the million mark, 1 million members, 5 million total population.) It is a town and district society, extending north to include Garstang. On the laundry map it is in the Manchester United Laundries district, which has laundries at Macclesfield, Liverpool and Burslem, and the washing of Preston is done at Liverpool. Since Preston, like Crewe, is inside a belt of intensive agriculture, relations with producers have developed in various and on the whole informal ways. Crewe is affected by the fact that the C.W.S. has a dairy at Basford, near Crewe, from which, therefore, it takes 98 per cent. of its milk. Preston is a member of the N.E. Lancs. Dairies Association, to which eight societies belong, and gets its milk from Oswaldtwistle, which lies east of Blackburn. But it is in the centre of the remarkable poultry development of post-war Lancashire. Small producers sell eggs to the co-operative store either in person or through dealers. Co-operative lorries delivering goods bring back eggs in return. In the summer the suburban branches receive numerous small parcels of summer surplus: in the winter they fall back upon the dealers. The poultry-farmers are organised in a federation which sells eggs and sets the market price at Garstang and Preston. Eggs, therefore, are a highly competitive article, and the Preston Society, to compete, may be selling eggs at 1*s.* 2*d.* a dozen for which it has paid 1*s.* 1½*d.*

At Crewe we entered the country of higher dividends—Crewe 2*s.* 2*d.*, Preston 2*s.*, and Preston, owing to its exceptional capital strength, could pay more. For it has over £1 million invested outside the society, earning 3 per cent. to 6 per cent., and derives in interest £17,000 a year more than the interest due on its own shares. Its list of investments reads like the portfolio of a gilt-edged investment trust. For some twenty years it has used its capital

strength to maintain a low-price policy. It will sell best Danish butter (so it claims) at 1*s.* 2*d.* a pound, when Manchester societies are charging 2*d.* more: it has scouts out to make test purchases against the multiple shops. In coal it is a member of the Preston Coal Merchants' Association, which fixes the retail price. This contact is the result of the war period allocation of supplies; if it had remained outside, it would have been left high and dry. 1935 membership, 61,000; total assets, £1·5 million; sales, £1·3 million. In most societies sales exceed assets, but not so in Preston; and in Crewe the asset position is even stronger: assets, £891,000; sales, £595,000.

On the cushion of a great collective property the workers of this, as of many cotton towns, were protected from the worst impacts of the textile depression. With forty mills closed down (1937) it is doubtful whether the cotton industry is the premier in the town. Among new industries it has electric lamps and the Dick Kerr constructional engineering, which made Blackpool's celebrated tram bodies, the chassis coming from Leyland. The latter town through its motor industry has boomed of late, and this creates for Preston a membership problem. Some 15,000 workers go daily from Preston to Leyland. Leyland and Farington have a small society, and Preston serves some members in Leyland. Possibilities of undesigned poaching by the senior society are apparent, and one would not be surprised if the difficulty were met ultimately by amalgamation.

Blackpool and the Lakes

North of Preston we pass from work to holiday, to holiday in the mass, if we turn off to Blackpool, to holiday in the silence of incomparable beauty, if we go on to the English Lakes. But daily in summer, be it said in all despair, fleets of motors pour into Windermere from Blackpool—a grim prelude of the day when they will rain down from the air.

When, at an Easter Convention in Blackpool or Scarborough, the militants of co-operation denounce capitalism in a co-operative hall, their hosts are as likely as not to

include men who, having retired from active business as builders, shopkeepers and the like, are now the loyal members of a co-operative store. The ex-builder on the committee of management can understand the architect and the architect can understand him; and the ex-shopkeeper, though in his day he will have denounced the "co-op," knows well enough that the dividend is not a delusion. The militants, having declared for 100 per cent. co-operation, will return to a modest hotel on the promenade run by a landlady (and her daughter) who makes a profit "out of" them by the active use of savings left by her dear departed capitalist. She buys all she can from the co-operative store, and her little hotel, as likely as not, is furnished from Balloon Street. This half-and-half co-operation would have disgusted Robert Owen; but Owen, as we have seen, was not the founder of the co-operative store.

In 1935 the Blackpool Co-operative Society celebrated its silver jubilee. It started with one shop and now (1936) has forty; with a staff of three, including the office boy, and now has close on 1,000; with thirty members and £30 in capital, and now has 38,000 members and a share capital of approximately £1 million. 75 per cent. of the householders in the Blackpool Society's area are co-operators. And why not, seeing that most of them supply board and lodging, and the dividend is 2*s.* in the £? The pace of recent improvement is indicated by the fact that the new central premises of 1929 required duplication within six years, and the extensions were sufficiently advanced to house the Educational Convention in Easter, 1937. Its trade, of course, is greater in the summer half (1935–6: winter, £581,000; summer, £723,000), but by contrast with the holiday resorts of Canada, which perhaps for eight months in the year are shut down, Blackpool has a twelve-month season, with a peak of summer consumption rather like the productive peak of a New Zealand milk farm.

The president of the pioneer committee was John Leach, "who became the Mayor of Blackpool and whose genius for finance helped to make the County and Parliamentary Borough of Blackpool the tower of strength that it is,"

and its secretary was John Barrow, who " became a well-known Corporation Official in the Gas Department." [1] Thus consumers' co-operation and civic amenities grew *pari passu*. And the contact is illustrated to-day by the monthly gatherings in the Tower Ballroom, where an audience of some 4,000 assembles monthly to hear a concert and a co-operative address. But the Corporation of Blackpool is Conservative, and will not allow the surplus steam of the Municipal Dust Destructor to be used by the Co-operative Laundry across the way. And lest co-operative dividend should bring too many to the store, proprietary firms have plastered the town with advertisements of " dividend " tea.

Here surely co-operative cafés must pay. In Preston they do not, to the discomfiture of progressive committee-men, because the people of Preston who drink coffee of a morning are business men and leisured shoppers, and no one has ever accused the co-operative movement (or the railway refreshment-rooms) of making a Kardomah coffee. In Blackpool, it is explained, the visitors expect such great helpings of food that no profit remains; which perhaps is why on bank holidays it is impossible to get near the room. But those who do may, if they please, drop their dividend slip in the hospital box, which is at the side of the pay wicket.

Kendal is the gateway to the Lakes; and the society of which we dream will be called " Kendal and Lakeland." Kendal green, which was blended from blue woad and the yellow broom grown locally, is no more. The industries of to-day are K boots and paper. Whether there is some subtle connection between cafés and Conservatism I do not know, but the café is excellent and pays. There is a bakery, but we are now in the country where people make their own bread. Of forty twenty stone sacks of flour sold weekly, approximately thirty to thirty-three will go into bread, I was told in 1937.

The present society was founded in 1862; but in pre-Rochdale days, when the town had a prosperous woollen industry, Kendal headed the list of societies which the

[1] *Jubilee Memoir*, p. 4.

Liverpool Society supplied wholesale (1830).[1] There are only some 16,000 inhabitants in Kendal, and since some 5,000 of the membership of 6,500 live in Kendal itself, nearly every household must belong to the Society. It is not politically active for the good reason that many of its stoutest members are Conservatives. The atmosphere is well set by its drapery club, which takes £120 to £130 a week. The club collector calls to enrol you, you pay in what you like and may spend up to that amount. It is a means of holding for the store what might be distributed among several shops. No credit is involved. You save before you spend. It is, so to speak, a stocking of spending. Thus in Kendal, too, even without a bribe of interest, there is "no need to worry"!

The Pennines separate the West of England from the East. Up the Lune, within the boundary of Yorkshire, is Sedbergh. A few years ago the Sedbergh Society encountered hard times, so that shares were not withdrawable, as there were no funds to meet them, and the dividend was nil. Kendal took it over and now shares are withdrawable and dividend is 2*s*. The railway serving Sedbergh runs inconveniently from north-west to south-east, but motors have restored the direct route of supply through Kendal. The society has an outpost at distant Hawes, and the Sedbergh branch gets butter from the Lunesdale Farmers' Dairy at Barbon. The closing of two small factories, Sedbergh's only industry other than its school, was fatal to a separate society. The co-operative is not the largest grocery in Sedbergh, and as the town is so greatly dependent on the school, one could not wish that the school authorities should be suddenly converted to co-operation.

Impertinently, when the railway opened, Applethwaite took the name of Windermere (Windermere Parish Church is at Bowness on Windermere). And similarly with the co-operative store Windermere is the central and Bowness the branch. The railway came in 1845; the store in 1865. But for over fifty years it led a fitful existence, and in 1920 it was in low water. Since then it has recovered. But

[1] W. H. Brown, *op. cit.*, p. 22.

this is one of its difficulties. Just above the Windermere shop by the railway station there is on the roadside a greater passenger station, where the bus services from Keswick and Barrow via Bowness interchange; and too often, from the manager's point of view, Windermere co-operators shop in Kendal.

At Ambleside we are in the real Lake District; and climbing Fairfield we may brood over the co-operative map. Ambleside serves Grasmere, where a branch has been newly opened, also Wray with its fake castle and freshwater biological laboratory. The gashes on the hillside reveal the staple industry of Langdale, where the long low shop of the Great and Little Langdale Society guards the entrance to its sacred valley. Over Dunmail Raise lies the road to Keswick, which is hidden by the frowning hump of Helvellyn. To the east is Ullswater with its lead-mine at Glenridding, which is served by a branch from Penrith. The Keswick and Penrith Societies are in the Northern Section of the Co-operative Union, the others in the North-Western. Perhaps, therefore, the folk "ower t'fell," in the co-operation of our dream, will form a separate unit among themselves.

Before railways a principal road led from Kendal via the Ferry over Sawrey to Hawkshead and Coniston. (The Ferry Hotel of our day is on or near the site of that "d——d alehouse, the resort of walking gentlemen of all descriptions," which lodged Julia Mannering's lover in Scott's *Guy Mannering*.) A generation ago Sawrey had a co-operative society now defunct; and the present societies at Hawkshead and Coniston were once branches of it. These are all small societies.

FIGURES.

1935.	*Membership.*	*Dividend.* s. d.	*Trade.* £
Windermere . .	830	1 11½	18,900
Ambleside . .	673	2 0	21,100
Langdale . .	436	2 6	12,300
Coniston . .	428	2 4	14,700
Hawkshead . .	360	1 6	8,800
Keswick . .	1,183	2 8	36,400

And one of them, Hawkshead, has its area so clipped by motor deliveries from elsewhere (not, however, by the Coniston Society, which having a railway at its door distributes its goods in a heavy farm cart at a calculated cost of 2¼*d.* per £ of sales !), that amalgamation seems most desirable.

But they are not rural societies. Only rarely does one hear of active support from the farmers. The cradle of most was the slate-quarry. Langdale, founded in 1884, still had in 1937 as No. 1 of its membership the shoemaker who founded it ; No. 5 is an old quarryman. For their size they are not poor societies, though several of them after the war went through a bad time, from which they have signally recovered. The capital structure of the Keswick Society (figures for 1936) recalls Preston. It has assets of £60,000, of which only £15,000 is in stock and trading property. The remainder (£41,000) other than cash and accounts outstanding, is in investments and house mortgage. It lends to its members up to 85 per cent. of the value of the house, whereas the building society's limit is 60 per cent. Mortgages amount to £15,000. The committee is composed as one would hope—a painter, a railwayman, an ex-policeman, a boatman, a gas-fitter, a leadworker, a granite quarryman being on the present committee or the previous. Is it any wonder that in the local government of the country the record of Labour is a strong one ?

These societies have two problems in common :

1. Their expenses of distribution are high. Langdale must maintain two travelling shops and a heavy lorry. Consider also Ambleside's coal and how the price (1937) mounts up :

	Per Ton.
	s. *d.*
Pit-head price	22 10
Rail	9 8
Coal wagon on hire	2 0
Cartage to Ambleside	4 0
	38 6
Bagging, delivery and retail margin	6 6
Selling price	45

Should there not be a joint service for Windermere, Ambleside, Langdale and Hawkshead? Coniston, being just outside the 100-mile limit, has a higher rail rate, and therefore Hawkshead should join with Ambleside.

2. The holiday season, which is a shortish season, swells their trade, but the societies do not get the help they might expect from the Co-operative Holiday Fellowships in their midst, though many of these must have co-operators among them, perhaps actual servants or officers of the co-operative movement. Langdale Society does good business with the Holiday Fellowship of London, but there are others whose record is blank. For the holiday fellows may have one view about co-operation, and the manager or manageress another. The less formal contacts are more frequent. Lancashire Societies and Women's Guilds write ahead for lunches and teas, which Keswick—or whichever society it may be—will handle by dividing the parties among its members or sending them to a friendly café.

Perhaps it is only the visitor who sees the Lake District as a unity. But is it not to be desired that local co-operators should combine to develop their asset of visitors? Managers will tell you that they have only touched the surface of the camp and hotel trade, but can they hope without some regional organisation to overcome the kind of difficulties mentioned?

As one looks down from the hilltops on the valleys below, there should be three beauties to fill the mind. Two are always there—the beauty of nature, which only vandalism can destroy, and the beauty of thought, as Wordsworth enshrined it for all time. But there is also the beauty of life. One would like to consort with those yeomen of old, the "statesmen." But the course of history cannot be reversed; and so one is left with the membership of a peculiar kind of grocery. "I put in a pound and want to see just how much I can save." That is its peculiarity, and a sound one, too. But it ought to be possible to lift the ties for which it stands to a higher plane; and those who come from without should help in this. There is something essentially parasitical in the multitude which

comes and leaves only a litter behind. Let us think of Lakeland co-operation as an essay in the conservation of human resources and as visitors help it forward. For natural beauty will chill and Wordsworth will turn in his grave, if his people are not happy and strong.

CHAPTER V

KETTERING AND COPARTNERSHIP

A CENTURY ago the early co-operators tried to express the comprehensiveness of co-operation by founding communities comprising producers and consumers, factory workers and house dwellers, industrialists and agriculturists, men, women and children living side by side. They all failed, but even if one or two had survived they could not have become the pattern of general expansion, because they did not accept and adapt themselves to the actualities of economic life. They were exclusive and Utopian. When, however, to take hold of reality co-operators accepted the system that was and worked within its field, the opposite danger arose that co-operation would work on too narrow a base and leave imagination and experiment to distant federal organs. Kettering (a Midland manufacturing town lying between Bedford and Leicester) is a remarkable example of the way in which this danger has been avoided. Its co-operation is many sided and one side helps the other. Furthermore, Kettering's co-operation helps that of the towns and villages around Kettering, and this regional solidarity is not at the expense of loyalty to the federal organs.

The Kettering Industrial Co-operative Society is a town and district society representing the consumers ; it is strong both in the town and in the suburbs and villages which surround the town. It thus binds townsmen, rural industrialists and farm-workers in a common enterprise. It gives social cement to the new contacts which mechanical transportation is creating with tearing speed. The circumference does not steal trade from the centre, nor does the centre exploit the circumference ; for being one the relation is complementary rather than competitive. The Society

was established in 1866. Its turnover for the half-year ending May, 1937, was at the rate of £700,000 per annum and its membership was close on 25,000. Since the area which it serves has a population, including the new town of Corby, of about 60,000, it has more than one member per family of population. Dual membership is frequent, and the management believes that four out of every five families come to the co-operative for some part of their wants. The task of the future is to convert users of one service into users of many.

The copartnership productive societies have their stronghold in Kettering and adjacent small towns; and they tie in closely with the retail societies of their district. Copartnership workers almost invariably are members of the retail society; and the children of members of the latter covet copartnership employment. Furthermore the direction is interlocked both formally and informally. Employees (and that means members) of copartnership societies are prominent on the managing committee of their retail society. They have no official place there, but their fellows choose them because they are keen co-operators and trained by copartnership to participation in control. Thus in Kettering itself, the president of the Havelock Boot Society is an elected member of the Committee of the Kettering Industrial Co-operative Society: and its former manager was for a period president of the K.I.C.S. Conversely the present manager of K.I.C.S. sits on the managing committee of the Kettering Clothing Society as representative of outside shareholders, and it happens that the manager of the local retail society was one of the four successful candidates in the election for the recently appointed committee to enquire into the co-ordination of co-operative production, which was set up under the resolution passed at the Bath Co-operative Congress (Whitsuntide, 1937). Very appropriately a joint Education Committee represents all the co-operative societies of the town. The C.W.S. ties in with equal success and there is no suggestion of Kettering being what Leeds was in the old days—an anti-C.W.S. town. It (C.W.S.) is represented in the planning

of the shops as well as in the goods which are so prominently advertised in their windows, in the federal services operated in conjunction with the Society, such as milk collection for the Society's dairy, funeral furnishing, dental and optical services, as well as in the joint advertising on buses which the Northants societies have recently introduced. But the co-operative tie-in does not stop at itself. The co-operative sector of Kettering's life, which is itself lively and expanding, ties in with the public sector, which is equally alert. K.I.C.S., as a builder and a financer of homes, has had its share in the development of the town. One estate which it developed years ago constitutes to-day a not unworthy part of the housing of the town. This is a civic contact of a material order. Its leading spirits, and as I have said this includes always prominent copartners, are prominent also in the local government of the town. This is a contact of a personal order. The manager of K.I.C.S. is a county Alderman and Justice of the Peace. If you are its guest, you start the day with the committeemen of a copartnership society, watching the operations of making shoes, hats, corsets and coats, you pause at one o'clock to take lunch in the Hall of the K.I.C.S.—the entertainment centre of co-operative consumers—having on your right the president of the K.I.C.S., opposite to you its manager, and along one side and the other representatives of Copartnership, the Women's Guild and K.I.C.S. itself —and you end the day in the charge of the aforesaid committeemen, who as town councillors conduct you to model schools for infants and invalid children, and show you the underground passage which will take youngsters from home to school without the danger of crossing a main road. Of course, those milk bottles in the schools were K.I.C.S. bottles! I have often ended a co-operative day with a co-operative educational syllabus in my hand, but I have never before been taken by co-operators to see model schools which to those same co-operators were a grander achievement than co-operation itself. And in the late evening, as I strolled with the president of the K.I.C.S. through its unique public park—the gift of Charles Wick-

steed, an engineer and noble representative of the private and, if you will, capitalistic sector of Kettering's life—I felt that my whole experience was round and full, and I seemed to recognise the genius of diversity in unity in the park itself. I looked upon a lake and a zoo, upon a toy railway, upon a thrilling variety of mechanical aids to play, upon ranges of tennis courts and natural slopes of green grass, and I thanked God for this gift of private enterprise. I came away saying " Kettering co-operation, like Kettering's park, is a civic joy. There is nothing monotonous or imitative in it. It makes its contact at so many points that it is oppressive at none. It is a mirror of Kettering and district life, productive and consumptive, industrial and rural."

Kettering is a middle-sized manufacturing town in a rural environment, which is in the course of a new and rapid industrialisation based on motor transport and the possession of iron ore. Its staple industries of clothing and footwear are of old establishment and form part of a wider localisation, extending north to Leicester and west to Northampton. But its industrial importance has been suddenly and sensationally enhanced by the growth of the new steel town of Corby, which is seven miles to the north of Kettering and inside the area of K.I.C.S. This development is since 1931 and is bringing new growth to a town which was nearly stationary (population of Kettering 1911, 30,000; 1931, 31,000) and to a number of villages which in the same period registered a decline. Corby is, however, in no sense a suburban outgrowth of Kettering. It is a new town sited with reference to the presence of natural resources, which have been brought under intensive development. But its consumption is supplied from Kettering, and K.I.C.S. has been the pioneer of this service. A village area of 1,000 or so in the census of 1931 is to-day (September, 1937) the seat of a population of some 12,000 souls. Stewarts and Lloyds, the steel tube makers, are building a new town to house the workers in their vast new Bessemer steel plant. It is planned economy. The Bankers' Industrial Development Company assisted with

finance, and the development required the transference of hundreds of families from the Bellshill and Motherwell district of south-west Scotland. The new town has company houses, a workers' institute, recreation grounds and churches, Presbyterian and Roman Catholic. I saw it on a summer evening as the churches were emptying. We had to go slow, for there were children everywhere. Yet one mistake of planning was apparent. The first houses were placed so close to the furnaces and rolling mill that they are bathed in permanent gloom and grit, but perhaps a remedy can be found for this as well as a use for the belching gas which at present burns to waste. Great pipes alongside the road suggested that the correction of the latter defect was in hand.[1]

K.I.C.S., being already regional, was in a position to take advantage of an unique opportunity. In the New World—for example in the pulp and paper or mining districts of Northern Ontario and Quebec—more than one company town has been built since the war. But the workers there are served by company stores or enterprising private traders. If a co-operative society finally appears, it is only as a revolt against exploitation. For there is no co-operative network into which new co-operation can be woven. This, too, was the case in the new industrial North of England in the early days of the Industrial Revolution. But the shift of industry which is in progress to-day is from an old industrial area to an area which, though new to heavy industry, is very old in agriculture and manufacture. And so one could guess that there would be a co-operative store in Corby for a certainty. But would

[1] In round figures 5,000 men and boys were placed in employment at Corby by the local office of the Ministry of Labour between January, 1933 and September, 1937, of which 40 per cent. came forward on their own account and 60 per cent. were transferred through the Department. 1700 were placed with Stewarts and Lloyds, and the balance with contractors. 700 families resident in the depressed areas were assisted to remove to Corby. In all the firm employs 6,000 persons. Of the 2,500 houses built at Corby since the commencement of activities 85 per cent. were erected by contractors on behalf of the firm, which in addition has made a liberal outlay on social and recreational institutions, and now supplies Kettering and Corby with gas. (Based on information obtained from the Ministry of Labour, October, 1937).

it be a second best, a late comer, a hasty repetition of the branch shop that is sufficient for a side street in Kettering proper ?

The reality exceeded one's greatest hopes. K.I.C.S. was midwife to the shopkeeping of Corby. By good fortune it already served the village of Corby with a branch, its oldest branch—dating back to 1896 ; and the management foresaw the possibility from the turning of the first sod. Before there were any houses on the estate itself it was on the ground with a Pantry shop to serve the small army of workers engaged in construction and installation. This shop was moved on from one point to another as permanent shops were built, and the best of these in each new shopping district is a shop of the K.I.C.S.

The architects of the company have planned the whole town—roads and shops as well as houses ; and by reason of the friendly relations prevailing between the company and the co-operative, the co-operative shops are well placed and have been allowed that little extra of height and frontage which confers distinction. In at the beginning, the Society owned some land and effected certain exchanges which were mutually beneficial to the company and itself. " Corby No. 1 " is a miniature central premises, and already its grocery turnover greatly exceeds that of any other co-operative shop in or outside the town of Kettering. A second branch is part of a shop row which was built and is owned by the company, but it is the prominent corner shop and incommodious only in that the flat intended to house the manager has been found more useful as store-room. There is also a third branch ; and at another point in a future shopping crescent, as yet only cut in the turf, the co-operative, I gathered, already has its stake.

The company's town is not the whole of the new buildings to which the company's plant has given birth. Some of the workers who in miscellaneous ways serve these workers live farther afield. The influence extends inwards towards Kettering. The steel-workers came to Corby because of the abundance of the iron ore, which is close to the surface and quarried in the open, and because the necessary fuel

was available from the coalfields of Leicester and Nottingham over a fully developed railroad system; and it is the key establishment around which further employment will grow. One excellent example is the new branch of Kettering Copartnership Clothiers, which is being built to make use of the new female labour force now available. To K.I.C.S. it means the filling up of the middle ground between the circumference and the centre, the clothing of a growing body with further flesh and blood. Thus merchandise comes from the centre to serve production at the outskirts, and producing households grow up between the outskirts and the centre. This is the setting in which the "multiplier" of employment, as economists call it, works.

Corby has grown with the trade boom which it has helped to make. Land all around is rising rapidly in value, rents are high, and there are present those conditions of emergency housing and rising costs which are so familiar a feature in the land booms of the New World. The co-operative is a steadying force; for it is the essence of co-operative practice, as seen so clearly on the outbreak of the war, that it does not respond to sudden increase of demand by defensive raising of price. The co-operative itself, if it had been later in the field, would have been building at the wrong time, after the trade boom, instead of ahead of it. But it bought land in anticipation of development; and its programme of building expansion, of which Corby is only a part, was fortunately planned and largely completed ahead of rising prices. It is pleasant to find co-operation beating capitalism at its own game! The vitality of the local unit is all-important to co-operation. If the dream of a single national society, such as the late J. C. Gray sketched out many years ago, had been realised, certain great advantages would have accrued to the movement, but is it believable that the sensitiveness to local wants and the speed of execution displayed at Corby would have been manifest if there had been long-range bargaining by the centre with the steel company and a local co-operative branch?

But an independent local society no greater than a village

could not have done any better than a distant central. It would have lacked the finance and the point from which to jump off. Were we wedded to parochialism we might say " Let the new-comers to Corby found their own society : having established their own democracy let them link up with Kettering." But this is to defy evolution of commerce, and to create difficulty for difficulty's sake. The new workers came with one great asset, they had the co-operative habit, but they were human beings engaged in the heavy tasks of accommodating themselves to a new land. They were emigrants, and the Rochdale Pioneers were not emigrants. If Kettering had not already embraced Corby, Corby would have been for a time the happy hunting-ground of non-co-operative traders. When the Great Trek from Bellshill was determined upon, K.I.C.S. published advertisements in the Scottish papers offering a welcome to " Lanarkshire families moving south." Scots have their own food preferences. They cut their joints of meat differently, they are gluttons for mince, they have own fancies in seasoning and confectionery. K.I.C.S. was ready to meet them. I talked to young Scottish lads cutting meat the Scottish way, I noticed cakes from the United Co-operative Bakeries of Glasgow. The Society recruited over thirty Scottish workers, some from the Bellshill and adjacent co-operative societies, and some from private trade. Four days later at the British Association in Nottingham I listened to psychologists lamenting the inferiority complex of industrial transferees. They should come to Corby and reserve their sympathy for the minority of natives whose presence Caledonia just tolerates !

For it must not be supposed that the service of a new and vigorous community was all plain sailing. They came accustomed to high dividends and also to some dubious forms of credit. The first want K.I.C.S. was able to meet, for its dividend is 2*s.* ; but it had to take a firm line on credit. Cash payment is insisted upon, except for purchases made under the approved hire-purchase machinery of the Mutuality Club. A strong district society could enforce this prudent policy. A small village society might

have been stampeded out of it. In villages with an agricultural membership co-operative societies (and Kettering among them) commonly extend short-term credit to members whom they know well. Such latitude is unnecessary to new-comers earning much above agricultural wages.

K.I.C.S., however, is more than Kettering Town plus Corby—as you quickly realise if you accompany the officer on his round of cash collecting from the branches. Corby forms one group. In addition there are tiny village branches, branches in large villages or, as in the case of Thrapston, in a little ancient market town, branches in more than one post-war housing estate outside old Kettering, branches inside old Kettering itself. Two things strike one on the tour. The shops have individuality, and in each type of shop the co-operative sets the local pace. There is a brave shop front normally painted red and black, the Kettering colour, and there is everywhere the lettering of the C.W.S. on and in the windows. Prominent among branded goods are Lokreel Salmon and Lokreel fruits; all were agreed that the sale of bacon was declining, but there was great diversity of opinion as to whether demand could be readily switched from higher-priced English or Danish to lower-priced Canadian bacon. I suggest to the able management of K.I.C.S. that investigation in this field would be worth while. In more than one village one noted on one side of the road a co-operative shop primly selling the chocolates of private firms behind a barrage of C.W.S. lettering, and on the other side a bedraggled private shop loudly advertising those same chocolates and selling little.

Yet the shops are not a Woolworthian monotony of red. The co-operative has fitted itself to its environment. In an old-world village it preserves the rich Northampton stone. On a new estate its brick-work follows the brick-work of the estate. The co-operative shop expresses the community and raises it just one peg above its ordinary self. Its coolness and cleanness challenge the housewife to maintain a larder which will do justice to the shop from which the contents come. It is well to see the circumference before the centre, because the circumference explains

the centre. The centre is composite. It comprises head offices and the warehouse from which shops are stocked, central service departments such as bakery, motor transport sheds, stables, meat-making plant, and finally the central departmental store, which in layout is perhaps the finest shop in all Kettering. The dairy, coal depot and building works are situated at strategic points under central control. And when one reads, as one does, that some committees believe it possible to run a large co-operative society without a general manager, one is left gasping! K.I.C.S., at any rate, has a general manager and is as proud of its manager as the manager is of Kettering and its co-operative society.

The central store carries a rich display of clothing, furniture, drapery, boots and shoes, perfumery and the like. Along one side runs a long Co-operative Arcade, at the entrance to which is a "baby" department which young married couples can visit in bashful quiet. Adjoining the store are service shops: the hairdressing shop in old stone, which preserves an old dated building, and the optical and dental rooms staffed by the C.W.S. And just as co-operation presides at births, so also it presides at marriages and deaths. It dresses the bride and lends its hall for wedding parties; and a new service which Kettering has just opened and some other societies have carried almost to monopoly is that of funeral furnishing, which is also in C.W.S. hands. Pasteurisation brought the co-operatives into large-scale dairying, the motor-hearse brought them similarly into undertaking, and motor transport assisted the entry into federal laundry service. In all three cases a service immemorially local was lifted by mechanisation on to a different plane. Is it altogether fanciful to suggest that the co-operative society, in assuming them, reconciled mechanisation with homely performance. "What one of our little neighbourhood formerly did for us we now, as a society of district neighbours, do for ourselves" is the thought which it seems to express. It is an interesting peep into psychology to learn that feelings of delicacy sometimes require that a dividend shall not be paid for putting father underground!

We have said that it is well to take the circumference first, for the branches are feeders to the central store. Those which carry dry goods carry only limited lines, and notices in the branches inform members that they will find a fuller range at the central. It is a motor proposition once again, and while few perhaps are bold enough to avail themselves of the printed offer of a free motor to the central, many, of course, shop at Kettering by motor-bus. You pay for your bus, it is true, but you are under no compulsion to buy and because you are free you enter the store on its merits, which is really very good for the store.

Broadcasters and newspaper articles tell us, from time to time, of the rich harvest which money-lenders reap in the mushroom suburbs of Greater London. She who was a charwoman two years ago is now a female Shylock with a house at Hampstead and a Rolls Royce. I hazard the guess that money-lenders do not flourish in the purlieus of Kettering. If they do they deserve it, and so does their victim, when co-operative institutions are everywhere around and about.

I do not claim that co-operation will have or should have a monopoly of Kettering. It is a remarkable fact that those who preach co-operative monopoly usually come from a great city where co-operation is hardly visible. There is modesty in all things, monopoly breeds poor citizenship. The town which I call my Mecca of Co-operation is paradoxically enough the town which took the most pride in showing me something more than its co-operative shops. This to me was the final proof of the roundness of Kettering's co-operation.

The labour copartnership societies of the East Midlands are the most distinctive jewel in the crown of the English co-operative movement. But all things excellent are as difficult as they are rare. These societies are as much the product of history as are the colleges of Oxford and Cambridge, and like them in the course of history have found their place in the larger unity to which they belong. Let us develop the parallel.

It is comparatively easy—the New World and the pro-

vinces of England are doing it all the time—to create a new university. It is easy, too—for it only needs the cash —to build university residences in the form of hostels and dormitories which in cost and comfort are more desirable than the old colleges. But bricks and mortar do not make a collegiate university. The old universities have in recent years created colleges for special purposes, for the training of teachers and clergy and for the housing of so-called "non-collegiate" students themselves. But apart from Keble and Selwyn Colleges, which have a distinctive theological pattern, no one has dared for 200 years to add to the number of colleges; and imitations of the collegiate pattern in other lands have differed in spiritual essence from the colleges of the old universities. But if these colleges had not been integrated with and subordinated to the universities of which they form a part, they would have been a drag on its progress and would have lost their own creative value. Furthermore, if champions of the collegiate system had forced the new universities into the collegiate pattern, their progress too would have been clogged and the end would have been sacrificed to the means. As it is the colleges are what they should be in the universities where they grew up four, five and six hundred years ago, and their abiding inspiration is shown by the keenness with which summer schools and conferences throng to their precincts in the long vacation. They might so easily have become a quaint old-world abuse, but this they are not, because they too have adapted themselves to progress without losing their special inspiration.

It is in this spirit that I approach the labour copartnership productive societies, which are so strong a feature in the co-operative life of the Kettering and Leicester region, and occur at a few points in other parts of England. They are the seeded product of experience and two things may be said of them. First, their economic importance lies almost wholly[1] within the consumers' co-operative

[1] One distinguished exception is the Walsall Locks and Cart Gear, Ltd. (Sales for 1936, £85,000: average wage bonus 1*s.* 3*d.* in the £). It has an important overseas market.

movement. This is their anchorage and without it they would be as much in the air as a college without the university to which it belongs. Secondly, they could be eliminated as distinctive democratic forms, without visible disturbance to the statistical aggregate of co-operative trade. This is not because they are unimportant as enterprises, but because the English Co-operative Wholesale Society, unlike the co-operative wholesales of many lands, is possessed of large surplus funds which it is anxious to employ for productive purposes. If the copartnership societies were agreeable, it would, and without difficulty could, buy them out on generous terms. There would be no need to look for a new clientele, for this is already inside the movement. Similarly, by the shift of certain educational and cultural contacts from college rooms to the university seminar, the university might take over from the colleges all that part of organised life which is not eating, sleeping and sport. The external change would be slight, the inward spiritual change enormous. Murder would have been committed on a unique form of group life.

The organised copartnership movement of to-day embraces three groups of industry and little more than three: (1) Clothing in various forms—suits, overcoats, dresses, corsets, mantles, gent's hats, hosiery; (2) Boots and shoes; (3) Printing. The copartnership societies organised in the Co-operative Productive Federation number forty-four and remain fairly constant in aggregate of trade. They were responsible, according to an estimate of 1935, for more than a third of the output of co-operative clothing in England, for a quarter of the output of co-operative footwear and for a quarter also of the output of co-operative printed matter.[1] In Kettering it so happens that the trade of the Kettering copartnership societies and of the Kettering Industrial Co-operative Society are both in the neighbourhood of £700,000 per annum. Thus in the statistical view Kettering has a balanced economic life.

Printing is an industry with a low degree of localisation,

[1] *Co-operative Copartnership*, booklet of the Co-operative Productive Federation, p. 21.

and the kind of printing undertaken by the copartnership societies is largely commercial printing for the trade union and co-operative movements. It is also an industry in which there is still scope for the small unit and for the exercise of control by skilled craftsmen. In Kettering co-operative printing is represented by a branch of the Leicester Co-operative Printing Society. For branch integration characterises the copartnership movement of to-day in its Midland strongholds.

Clothing of all sorts and footwear compose the articles which people carry on the body, feet and head. They are goods of individual final consumption, and change with the fashion, which in the case of hats takes with some people the form of dispensing with hats altogether. Although they are not more necessary than food and drink or than houseroom, yet copartnership flourishes in them and not in flour-milling or building. Why is this? Clothing and footwear are finishing trades, and to-day predominantly factory products. In the clothing and footwear region of the East Midlands the transition from hand-work to machine-work came comparatively late. Mechanical sewing was the crucial improvement in both. It was mechanically possible to start work on a small scale and to grow by degrees to a large-scale enterprise with branch plants. The shoemakers and tailors resented the loss of their old independence. They were great radicals, craft-conscious and reflective, and because there existed a consumers' co-operative movement to support them with capital and custom, they were able to carry their spirit of independence into the factory era in a form of a copartnership factory. Kettering copartnership is represented by the Kettering Clothing Society (making Kaycee Clothing, as the C.W.S. makes Jaycee cigarettes); the Havelock Boot Society (making the "Holyoake" brand); the Kettering Corset Society and the Union Boot Society. The Clothing Society is the largest clothing enterprise in Kettering, with two factories in the town and one branch, about to become two, in Corby. The parent factory opened in 1895. Its origin was victimisation. Several tailors, because of trade

union activities, were dismissed from a large establishment in this town. They went round to their friends in the Industrial Co-operative Society and collected enough capital and promises of custom to enable them to set up on a tiny scale, from which it grew by degrees to its present greatness. The still larger Ideal Clothing Society of near-by Wellingborough (which has its own retail society) has six branch factories in Wellingborough and surrounding places, and was in origin (1900) an informal offshoot from the Kettering Clothing Society. The oldest copartnership in Kettering, however, is the Havelock Boot Society of 1888, which was followed in 1896 by the Union Society, whose name recalls that it was a trade union reply to the boot-and-shoe trade dispute of 1895.

These, like their congeners in Leicester and elsewhere, were creations of the early factory era in their respective trades, when it was just not too late for workers to set up factories. They were bred out of democracy in an environment of keen trade unionism. They were a protest against capitalism and a uniquely constructive protest. If they existed in Russia to-day, they would have received from Mr. and Mrs. Webb a great and glowing chapter of praise; but because their disorderly forebears had been christened "little capitalists," the term has been transferred to them even though they were never capitalists and are no longer little. They sell only to the co-operative movement, and they must be efficient because they have to meet not only the competition of private trade, but the whole weight of the preference which the C.W.S. instils in favour of C.W.S. products. In all the lines they supply they have to meet C.W.S. competition, and sometimes it is competition at their doorstep, e.g., in corsets between the Kettering Co-operative Corset Society and the C.W.S. Corset Factory, Desborough. Working men have built and now direct, under a manager who is as truly manager as any in the trade, these large skilled enterprises in which constant attention to fashion and new technique is necessary to survival. One meets at his place in the pressing-room the president of a great clothing enterprise whom

the night before one was privileged to see presiding over his committee. Academic economists may be weak on technique, but as teachers they are well used to studying personality and what strikes one in these copartnership factories is the fine firm features of the members, their understanding of and enthusiasm for their society and its principles. Another striking feature is the respect for human values. There is sometimes a process, for example, heavy steam pressing, which can be done by men or women. In a copartnership factory it will be done by men. They set themselves by superiority of performance to offset the cheapness of female labour, and in the instance quoted they have done so with success.

Consumers' co-operation being voluntary co-operation only admits of conditional planning. It is a series of liberties from the bottom up. This is its strength and also its problem. There is no compulsion on co-operators to buy from their store. The motor transport which enables a society to get a grip on its neighbourhood enables the co-operators in it to shop in the larger towns beyond. Yet, in fact, the societies have a great hold on their membership through the quality of their service, the habit of co-operating and the concrete attraction of dividend. Co-operative societies, if they so desire, can sell only C.W.S. goods, but they cannot compel their members to smoke C.W.S. cigarettes if the members prefer Players or Capstan. They therefore supply the latter in preference to losing custom. Slowly the C.W.S. may build up a preference for their own cigarettes, but for the present their members buy Players and Capstan from the store and get a dividend on them. There is no question of selling a superior article, for it is the identical article wherever sold. Similarly, co-operative societies, as they desire, can decide to buy nothing or to buy much from the copartnership societies. Some follow one course and some the other. But if they act on any other motive than suitability of product and place in dividing their custom between the copartnership societies and the C.W.S., their policy is of doubtful advantage to the co-operative movement. Co-operative societies have money in their

Wholesales, so also have they (or fellow societies) in their copartnerships. It is no evidence of industrial democracy to boycott a concern because it has been founded and is run by workers *qua* workers and not by workers *qua* wholesale merchants. Moreover, the copartnership societies have adopted the distribution of surplus to the Rochdale principle, for after payment of a fixed interest on capital the balance is divided between the contributing parties in the form of a bonus to wages ranging typically from 1*s.* to 2*s.* in the £, a dividend to customers who, in fact, are co-operative societies, and a small extra payment to shareholders who again are co-operative societies in the main. In all sincerity and with great justice, co-operators appeal to their members to buy co-operatively made goods on the ground that in addition to their quality they are produced under good labour conditions. The copartnership societies meet this requirement. The C.W.S. in addition to being a good employer has met the trade unions by requiring that all its employees shall be trade unionists. In the copartnership factories trade union membership goes without saying and without compulsion. It is unjustifiable either for the copartnership societies or the wholesale societies to assume that theirs is the only co-operative way. What a hell heaven will be if all angels are alike as peas!

In the last half-century copartnership societies, thanks to the support they have received from advocates inside and outside the co-operative movement, have had a reasonably full opportunity to establish themselves in a field where they can flourish, and if the amount of copartnership in industries such as textile, spinning, weaving or building is negligible, the presumption is that there is no longer much scope for it here. The manufacture of yarn and cloth is too far from the final consumer to be practicable for a copartnership society which sells, as the Midland copartnerships do, to co-operative societies only. The C.W.S. with its greater resources and wider sweep can include these operations in its scheme of vertical integration, but even the C.W.S. has to be very careful not to damage its strength in the finishing stage of manufacture by tying itself at

this stage to the output of its own mills. The pattern book of a copartnership clothing factory is built up from a very large range of patterns, and this range is only available because the manufacturers are making for all and sundry at home and abroad. It would be disastrous for such a factory to expand by erecting its own mills. In fact, as we have seen, it expands laterally by branch extensions. But there are, perhaps, standard lines of blue serge or grey flannels which the C.W.S. could profitably supply to its own and the copartnership clothing factories if they combined their orders for these lines. And this opens out the two aspects of co-ordination. First, there is the economy of specialisation, each factory taking fewer lines and concentrating on these ; secondly, there is the economy of concentration at the preceding stage, one factory supplying the standard wants of several. Similarly with the numerous copartnership printing societies and the composite printing establishments of the C.W.S. If co-ordination could take the form of allocating custom by task or locality and if the C.W.S. in addition made itself the merchandiser, and where suitable the maker, of the trade goods used in the printing business, the aggregate performance of co-operative printing might well be enhanced and improved. The C.W.S., without surrendering ground, would add to itself local groups in intimate touch with the printing wants of labour organisations or public authorities. The local contact has its value ; and printing for the public authority is as proper a field for co-operative enterprise as printing for the co-operative movement itself.

After the war guild socialism produced a froth of eloquence and a tiny residue of ephemeral performance. Only in the wrong sense of the word striking were the building guilds a *striking* success. And any support which the co-operative movement gave was the reverse of a profitable investment. The better way is discoverable in the record of Kettering. In 1908, the Kettering Co-operative Building Society (a productive society) was dissolved, and K.I.C.S. purchased the whole of its premises and machinery, which to-day with enlargements comprises the building

department of the society, with the following range of activities:

(1) It does the Society's building, erecting new premises, maintaining and repairing old. Extension has been of special importance during the recent programme of expansion. It utilises the architects' department of the C.W.S., which in August, 1937 (for example), was in charge of the rebuilding of the central offices. The impressions left by a visit to all the shops of the Society were: an underlying unity of modern design, such as comes from central direction, and a sympathetic adaptation to the spirit of the locality. The dominant, but not blatant, red of the Society's shops is repeated on its delivery vans, lorries and equipment. Co-operation advertises itself when it is in motion, as well as when it is at rest. You pass something co-operative, or something co-operative passes you, very many times in the day.

(2) It builds houses for members on request. K.I.C.S. does a large business in financing house purchase; and if required it will build the house. It thus does what the early benefit building societies did for a time.

(3) It builds, repairs and paints for other co-operative societies. It has just built the funeral furnishing establishment for the C.W.S. It regularly does painting and similar work for copartnership factories, for the C.W.S. Corset Factory, for the Urban District Councils, the schools and other public bodies.

(4) It has a small furniture-making department, producing for sale in its own or neighbouring co-operative shops. I noted wardrobes and frames for wireless receivers. It tries to make, I was told, something a bit different from the standard lines from C.W.S. factories, and it follows up any idea which attracts its members. This work, of course, is on a very small scale and represents no attempt at wholesale competition with the factory product.

The combination of jobs has a labour value. It provides steady employment. K.I.C.S. cannot look forward indefinitely to a building programme on a scale as large as that which is being completed. But it is an axiom of co-operative policy that employment in the movement shall

be steady and continuous and that there shall be no dismissals except for malconduct or exceptional incompetence. This is the deep, underlying bond between copartnership workers and the employees of other co-operative societies, retail or wholesale, and it would shock the conscience of Kettering co-operators, if its building department were of the " hire and fire " order. The little bit of competition which its furniture-making brings to the C.W.S. is trifling beside the contribution which the building department as a whole makes to the enterprise of the Society and thereby to those who, like the C.W.S. and the copartnership societies, supply its many needs. Roundness of effort makes strength, provided it is kept within bounds. The fact that all the other activities are subordinate to the Society's own building wants keeps them where they should be as side lines which fill up and lend stability. One can conceive of a building department getting out of hand, but it is of the essence of general management that this should not occur. The governing principle is the fullest possible service of the consumer with the steadiest possible employment of labour.

There are two outstanding reasons why the consumers' co-operative movement should not harm or scorn the established labour copartnerships which are so closely tied in with it. The first concerns it as a democracy, the second as an employer of labour; and the two are interdependent. Among the mass of members what you may call a consumer conscience is faint. Again and again managers and committeemen give you this answer: " Our members come to us for the dividend "; and if you ask further: " But are there no young people so interested in the movement that they are studying it and talking about it? " you will almost of a certainty be told: " They are not interested as we were, except for a young employee of the society here and there." This was the answer I got at Kettering just as emphatically as at other places. Co-operators, therefore, must be on the guard against anything which may weaken co-operative enthusiasm among young or new members and on the alert to see by what means they can recreate the enthusiasm of the past. An expanding society

like Kettering finds itself absorbing little societies on the outskirts. This contributes to efficiency, but is the end of the little democracies for which these societies stood. The new steel town of Corby and the former independent societies of Thrapston, Woodford and Walgrave are without representation on the committee of management to-day. They could put a candidate forward, but they do not trouble and the existing committee which carries the heavy burden of a growing enterprise is content to let well alone. But must there not come a time when some corrective is applied? One device is district representation, which, however, seems to make little appeal to the English movement. Another is district activity; and here the lesson of copartnership is significant. What happens in the place where you work and earn your living is more real and intimate than anything else. I am working to the thought that, regrettable though it may be, the fortunes of the consumers' movement at the local end will be increasingly in the hands of the employees, and especially of the senior employees in its retail shops from the general manager downwards. It is they, I suspect, who will in the future form the nucleus of educational endeavour and the spear-head of local advance. If this be so, it is surely desirable to preserve and extend that attitude of the worker to his work on the one hand and his movement on the other for which copartnership stands. I do not wish to be paradoxical, but I can conceive the possibility that in the co-operative movement of the future the driving forces will be consumer control at the federal centre operating on and through local societies whose staff is copartnership-conscious and whose membership has rarely more than the habit of co-operative buying. This is a challenge to co-operators. The ideal is an active educated membership supporting a co-operatively-minded staff.

It has been necessary in the development of this argument to present the Co-operative Wholesale Society as a great organ which might swallow a small. It is fitting, therefore, in conclusion to emphasise the services which it renders to the small societies in the neighbourhood. Adjacent to Kettering and sometimes within its local area are certain

small, independent societies such as Desborough, Rothwell, Burton Latimer, Finedon, Irthlingborough, etc. By agreement here, as elsewhere, societies respect each other's area. I had the honour of attending the weekly lunch of buyers at the Northampton Depot of the C.W.S. The C.W.S. serve large and small societies on equal terms and it is easy to see that displays of goods are more important to a small society than to one which is so large that its wants are known in advance. One might even argue that owing to the policy of the C.W.S. the larger societies subsidise the small. But equality of treatment, which in a narrow view might be considered an error, is in a broader view a fundamental strength because out of neighbourliness intensity of co-operation among all concerned is bred. In some countries of the world small traders protect themselves from the multiple shop by recourse to law. In England there is liberty, but within the co-operative movement power is tempered by fellow feeling and the small society is helped where help is possible. Kettering to its good fortune is in a region where industry is expanding and the C.W.S. has many services to render. In the distressed areas where industry is declining the C.W.S. has had to carry and nurse back to life many a weak society, and here its services to the locality are proportionately more. The moral I wish to draw is that the complementary relations within the co-operative movement are far more potent than the relations of rivalry. Every great and growing movement must undertake from time to time tasks of accommodation and co-ordination. Cut-throat competition scraps its past. Constructive co-operation reaches after a higher justice, which is co-operation in its fullest and most fundamental form. I submit that copartnership conscience is no obstacle to consumer conscience and that both are needed in continuous interaction for the great task of communicating to the new generation the loyalties of the past.

CHAPTER VI

THE REPORT ON CONSUMERS' CO-OPERATION IN GREAT BRITAIN [1]

The Report which forms the ground-plan of this chapter is the work of three academic men, representing sociology, economics and education. A larger group (of which I had the honour to be one) supplied material and criticism, but the great mass of the material was prepared in the offices of the Co-operative Wholesale Society by the economist serving as secretary to the Committee of Enquiry. It was an inquiry in which nothing was concealed or withheld. If the Report had dealt solely with the thousand-odd retail societies in the movement, any adverse criticism would have been lost in anonymity, but criticism of the Wholesale Society meant criticism of an identifiable department, and the writers are to be congratulated on the way in which they have combined discretion with frankness.

The document with its 556 pages, containing maps, statistics and bibliography, may be likened to a great picture with two central panels and two small folding wings. The wings are the historical introduction and the conclusions upon the future. The central panels supply the description and analysis. Panel I gives us the movement from within and shows how it has come to be what it is by adjustment and adaptation in the course of growth. Panel II places the movement in the general body of economic life and tests it by statistical comparisons with capitalistic enterprise. The accepted tools of economic analysis are applied. Though some questionable things are said about the motives of capitalism, the Report avoids the error of assuming that

[1] A. M. Carr-Saunders, P. Sargant Florence, Robert Peers, *Consumers' Co-operation in Great Britain : An Examination of the British Co-operative Movement* (Allen & Unwin, 1938).

capitalism is always and somehow bad. The two panels are not in conflict. They have been adjusted by careful drafting, and they are tied together by tendrils of democratic thought. We study democracy in business, as it presents itself to scholars who are versed in social and political science.

The Committee received much more material, historical and otherwise, than it could embody in its Report, and I will draw on the historical material by way of preface.

Recent History

In 1913 on the eve of the World War the movement, though little more than one-third of its present size, was yet in its main features the movement of to-day. It was characterised by the capacity to grow both in good and bad seasons of trade. It was a unity. It had begun to reach London and the South, and the two Wholesale Societies, the English and the Scottish, founded in 1863 and 1868 respectively, were already distributors, producers and bankers supplying a community of millions with products from their own factories, estates and depots at home and abroad.

When the war broke out, the movement resisted price-raising, and having an effective control over its members was able to restrain hoarding and excessive consumption by other means than the competitive device of higher price. In 1917 one-quarter of the civil population was registered with it for their rations of sugar, but membership grew beyond the capacity to supply it—from just under three million in 1913 to just under four million in 1918. During the war co-operators acquired that suspicion of datum lines and quotas which they felt later towards the new agricultural policy; and dissatisfaction with the treatment received from the public authorities hastened the formation of a political co-operative party.

The price collapse which followed the short post-war boom brought heavy losses, £5 million to the C.W.S. alone. But supported by rigorous economy, the reserves of the movement were strong enough to absorb the shock. Owing to

very conservative depreciation in the past it was possible to write up lands, buildings and fixtures; but in general the societies returned with little delay to their old sound standards of financial stability.

The General Strike of 1926 brought a problem of conflicting loyalties, through which the movement came without surrender to labour extremists—it was, indeed, a great moderating force in that critical period. It also brought a grave financial drain. Member indebtedness, authorised by societies, increased by £600,000; and members with funds to their credit withdrew nearly £2½ million. The resources of some societies were strained to breaking point. But when work came back, co-operative debts were the first to be repaid, and from some source or other members soon repaired the hole in their co-operative savings.

Between 1913 and 1935, the year to which the Report takes us, significant advances were made in those fields in which co-operation formerly was weak. Conditions which once made it difficult to establish societies in great cities have latterly enabled these to create, through their central departmental stores, their advertising and their social and political activities, a mass appeal equal in its effectiveness to the industrial solidarity of the old strongholds. Though the movement is not losing its hold on the workers, co-operative branches are now to be seen in districts where trade unions are few; and the retail and wholesale societies, offering services as well as goods, have attracted many members of a new class, especially in suburbs and residential resorts. Finally, the two Wholesales have adapted themselves to serve agricultural societies which were formerly outside their membership. With the store movement extending into villages and the agricultural movement in closer relation with it, rural Britain is no longer a co-operative desert. On the test of sales per member, the new membership in rural parts and in the industrial and residential south is as good as the old; indeed, it is in some of the older strongholds that the loss of trade, for reasons connected with depression and the shift of industry elsewhither, has given most cause for anxiety.

STATISTICAL GROWTH FROM 1913 TO 1935

	1913.	1935.
Membership of retail societies in Great Britain	2·8 million	7·4 million
Sales of retail societies in Great Britain	£83 ,,	£218 ,,
Wholesale trade	£30 ,,	£117 ,,
Wholesale production	£11 ,,	£ 40 ,, [1]
Employees (retail and wholesale, distributive and productive)	131,000	301,000

Owing to amalgamations the number of societies declined in this period from 1387 to 1096. This is a sign of increasing strength. Less satisfactory is the relation between membership and sales. Measured in money, pre-war trade per head was as high as in 1935—namely, just under £30. But present prices are higher, and if the pre-war volume of trade per head had been maintained, the turnover of 1935 would be in the neighbourhood of £300 million. While this diminution of purchasing intensity is due in part to the tapping of new strata of membership and to membership campaigns which have not yet reaped their full harvest, it is also due in part to the fact that co-operative prices are high enough to prevent societies from holding the ready money trade of their poorer members—especially of those suffering from unemployment. This is a weakness which, if not corrected, may cause progressive municipalities to enter the distributive field, but it need not obscure the fact that, when allowance has been made for double membership in one society or membership in more than one society, somewhere about six out of the eleven million families of Great Britain do some part of their domestic purchasing through a co-operative store.

ECONOMY OF FINANCE

I shall not try to abridge the Report, but rather to illuminate its findings by grouping them around prominent facts or ideas. Among facts the most prominent is the economy of co-operative finance, the source of which was indicated in the analysis of co-operative dividend.[2] When

[1] £47 million, including supplies from the English and Scottish Joint Co-operative Wholesale Society.

[2] See above, p. 57.

allowance has been made for duplications, the combined capital of the retail and wholesale societies works out at £230 million, of which 41 per cent. is used in the trade of the movement and 59 per cent. is invested outside it, nearly all in gilt-edged securities. The channel through which this finance serves the movement is the C.W.S. Bank,[1] and the relation between it and the C.W.S. as a trading body fully deserves the attention which the Report gives to it.

The retail societies, whose resources are mostly in the form of share capital, place the funds which they do not use in their own trade, or invest for themselves, on deposit with the C.W.S., which is thus the great investment house of the movement. Out of the £60 million of loan and deposit capital possessed by the English C.W.S., £54 million are held on deposit from the retail societies. The main customer of the C.W.S. Bank is the C.W.S. itself, and the deposits mentioned are in the trading account of the C.W.S. This means that they have behind them the whole resources of the C.W.S. and that if the Bank cannot invest them to obtain a return sufficient to cover the interest offered by the C.W.S., the difference must be made good by the trading side.

In addition to its main customer, the C.W.S. Bank has as customers the retail societies themselves, other labour organisations and individuals. The retail societies do their business through the Bank and hold their current balances there. They receive a higher deposit rate, and when they borrow, pay a lower rate than the other two classes of customer, the margin of preference being ½ per cent. Other labour organisations include the trade unions. Individuals banking with the C.W.S. either hold the deposit notes of the Bank or make deposits through their retail society, which acts as agent for the Bank and draws a commission for this business.

We are now in a position to summarise the reasons for the economy of finance. The first and outstanding reason is the combination of trading with saving, as the result of

[1] Bank turnover (deposits and withdrawals) for year ending January 11, 1936: £697 million.

which the movement can secure finance for wholesale and retail extensions at any time at gilt-edged rates. The bar to extension is never lack of finance, but the policy of earning standard dividend on new ventures. Secondly, the combination of banking with trade brings the funds of the movement to a common centre ; and by using the societies themselves as agents for deposits and the joint-stock banks (with one or other of which in each locality it has an account) as agents for the reception and issue of cash, the C.W.S. Bank has extremely low operating costs.

Because of this interlocking of banking and trade, the directors of the C.W.S. are opposed to the nationalisation of banking. They accept the nationalisation of the Bank of England, which is virtually a *fait accompli*, but reject the nationalisation of commercial banking, considering that if the C.W.S. Bank were nationalised, this would carry with it the nationalisation of the C.W.S. itself. Co-operators would do well to consider whether similar contacts between commercial banking and competitive industry are not a valid objection to the nationalisation programme.

Parenthesis on Liability to Income Tax

The Report, pp. 464–8, recapitulates the controversy which arose over the Finance Act of 1933. The equity of the case has been argued in academic journals [1] ; and I content myself here with a statement upon the position as it is to-day.

The Financial Secretary to the Treasury, in reply to a House of Commons question in February 1934, said :

" The Finance Act of 1933 has placed the Societies in precisely the same position as any ordinary trading company, and the Societies bear exactly the same income tax on the profits arising from their trading operations as would be borne by any company carrying on the same trade."

Accordingly the position in detail is :

(1) *Purchase Dividends* : Co-operative societies do not

[1] Cf. Economic Journal, Vol. XLIII : D. H. MacGregor, *The Taxation of Co-operative Dividend*, March 1933 ; and C. R. Fay, *Co-operators and the State*, September 1933.

pay tax on dividend paid to members. The Dividends which the Wholesale Societies pay to their retail society members is allowed as a deduction from profits for income tax purposes, and the dividends which the retail societies pay to their individual members is allowed, in turn, as a deduction from profits in the societies' computations.

The dividend is regarded as a trade discount, or as a deduction from the purchase price of goods. As a natural corollary, retail societies must, however, include in their taxable income the dividends which the Wholesale Societies allow them.

(2) *Interest Received from Investments*: Co-operative societies pay tax on the interest received from investments whether they be shares, loans, stocks, gilt-edged securities, or whatever form the investments may take. The interest forms part of the taxable income, and is taxed in the same manner as the surplus on trading.

(3) *Income from Land and Buildings*: Income from this source, that is, the assumed income as measured by the annual value, is taxed. Statutory allowances are made from the gross annual value for repairs, etc., before the taxable value, or net annual value, is ascertained.

(4) *Contributions to Reserves*: Contributions to reserves, that is, undistributed surpluses, are taxed. If a co-operative society charges no capital expenditure to revenue, pays away to its members all its surplus, and makes no contributions to reserves, it escapes tax. It should, however, be borne in mind that whilst contributions to reserves are taxed, any withdrawals from reserves are allowed as a charge against profits, although the contributions to reserve may have been made before co-operative societies were taxed.

A co-operative society's published profits are adjusted according to income-tax rules, in order to ascertain the taxable profits.

(5) *Amount of Tax paid by the Co-operative Movement*: The Co-operative Union has prepared statistics relating to the total amount of tax paid by co-operative societies, and the payments for the year 1933–4 were as follows:

	£
On Properties	641,000
On Investment Income and Trade Surpluses	1,093,000

The above figures represent payments by all co-operative societies, both wholesale and retail, in England, Scotland, and Wales.

Co-operative societies paid income tax on properties before 1933. The income tax on investment income and trade surpluses is pursuant to the Finance Act of that year.

Moderation

Moderation signifies temperance and recalls the original contact of co-operation with the temperance movement. Sale at market price was a policy of moderation and a flag of truce in the retailing world. Moreover, the men who found their way to the committees of management were, and still are, moderate men.

The enthusiasts who attend the general meetings of a society often think that the management committee is ultra-conservative. This is because men with a business instinct have little use for " hot air " and also because they have in mind the whole membership, the absent majority as well as the vocal minority. It might be supposed that as the movement reached the middle class, the management would become increasingly middle class. But this has not happened. In Wales, indeed, school teachers are prominent on committees, but elsewhere they are filled by the manual working class in the main—by railwaymen, miners, artisans and factory workers, not infrequently by retired working men who can give more easily the time required.

The Report quotes the procedure of the great Birmingham Society. The thirteen committeemen give two and half hours per week to committee work and the five members of the finance sub-committee a further two and half hours per fortnight. Although two societies, the Woolwich Royal Arsenal and the Barnsley British, have a full-time salaried directorate, there is a general reluctance to extend the system from a fear that membership will be sought for the loaves and fishes which it brings. But there seems no doubt that

in the large societies of to-day desirable candidates are feeling it increasingly difficult to offer themselves owing to the heavy call which committee work makes on their time and thought. It ought to be possible to find a middle way in which adequate attendance fees short of a full-time salary are paid.

Is the committee of management moderate in the sense of mediocre? If control meant the control of manufacturing technique, this weakness would almost certainly be present. But it is the special merit of the consumers' movement that it is concerned chiefly with the control of retailing, which is possible for an intelligent layman, and that production falls increasingly to the wholesale authority, with its full-time salaried directorate.

Responsibility

"Responsible" has two meanings: (1) answerable to another; (2) capable of fulfilling a trust. The reconciliation of the two, of democracy with efficiency, is the supreme test of the movement. The Report shows that from bottom to top there is sensitivity to the wishes of the membership. It is beside the mark to measure this by the numbers which attend a members' meeting. If too many attended it, business would be impossible. The sensitivity is to be measured by the numerous contacts, formal and informal, between the membership and the management and between the retail and wholesale societies. As we mount the ladder of responsibility, the thoroughness of the control from below increases. An elaborate organisation of quarterly divisional meetings and a final general meeting in Manchester keeps the Directorate of the Wholesale Society in close touch with its constituents, but the informal contacts resulting from the visits of committeemen and buyers to the several wholesale centres are as important as the formal meetings. There is thus an entire absence of secrecy and a constant interchange of opinion in the co-operative world.

The Board of twenty-eight, on whom the final responsibility rests, is chosen on a system of modified democracy. Control by societies is based on the purchasing power of

societies, so that the large societies have a corresponding weight. The final choice rests with the votes of the managing committees, and the result is to bring on to the Board experienced men who have made their way in the movement as officials or committeemen of retail societies. Once elected, they are by the spirit of the constitution nearly always re-elected.

The danger that the Board may represent unduly one part of the country led recently (1937) to the adoption of a plan which will ensure nominations from all districts for election on a national basis. But the daily work of the directors takes them around the country; and the full Board, which meets weekly, is peripatetic—sitting in Manchester, London and Newcastle. Internally, the Board works by committees and sub-committees. There are three main committees: finance, grocery and drapery, with a composite committee to handle wages and labour. On the sub-committees it is usual to work by pairs, so that a senior and junior director are associated. The Report asks whether the time has not come for a part of the direction to be released from routine and to concentrate on higher control, including forward planning.

Variety in Unity

The Report states that " there is some ground for believing that the wholesale societies are handicapped by their heterogeneous lines of business (p. 299), and adverts to " the feature of federalism, as displayed in a rim of production by retail and special productive societies revolving around the hub of wholesale society production " (p. 442). The map opposite p. 416 shows the scattered location of the productive establishments in England by contrast with the compact location in the Shieldhall trading estate at Glasgow. Consideration for the feelings of members who like to have some productive activity in their area, and for the feelings of workers who resist rationalisation when it means shutting down particular works, make it difficult to locate production on a logical plan. The C.W.S. is, therefore, faced with a heavy problem of co-ordination, not only within itself but

as between itself and other co-operative producers—the retail societies, the intermediate federal societies, e.g. laundries and dairies, and the copartnership societies selling to the consumers' movement. The danger is not one of co-operative monopoly by the C.W.S. but rather that the movement, in trying to match capitalistic enterprise along the whole line, will cause itself and its federal wholesale to possess a variety of enterprises working under conditions of less than optimum output. The distinctive value of the labour copartnership forbids absorption by the C.W.S., but makes it all the more necessary for the copartnership movement to accept the leadership of the C.W.S. as the representative sovereign of the organised consumer.

Dovetailing

In agriculture we are constantly studying the way in which one activity " ties in," or dovetails, with another. Industrial specialisation counters this, but it reappears when the industrial unit, as a seller, handles a large variety, or, as a producer, pushes back to raw materials. For example, the C.W.S. collects hides, skins and sheep-skin wool from the slaughteries of the retail societies and transfers the wool to its woollen-mills and the hides and skins to the fellmongering works and tanneries which supply its boot-and-shoe factories. Again, the C.W.S. flour-mills have offals as well as flour to dispose of, and this was an inducement to develop closer relations with agricultural supply societies requiring feeding stuffs. The Finance Committee of the C.W.S., a trading organ, directs the C.W.S. Bank. It also administers, in association with the S.C.W.S., the Co-operative Insurance Society. Locally, the co-operative store and the co-operative insurance agency bring custom to each other. Finally, the scheme of collective life insurance, based on previous purchases at the store, dove-tails consumption with insurance.

The interest of the movement in education introduces dove-tailing of another kind. In the old days co-operators educated themselves, when there was no public provision for it. But with the growth of public libraries and State

education, this work was curtailed. Today the educational work is divided between technical training for the employees of the movement, which in 1930 became the joint responsibility of the Co-operative Union and C.W.S., and the instruction of the general membership in co-operative matters and public issues in which co-operators are specially interested.

Side by side with their trading activities most societies have a programme of education in which instruction is combined with entertainment. At one-day schools or similar rallies, the academic man makes contact with working men and working women co-operators; and it is to be expected that the Report under examination will prove of exceptional value to educational secretaries as an instrument of co-operative education.

The technical and non-technical sides are co-ordinated and directed by an Advisor of Studies, who is in charge of the Co-operative College at Manchester. Technical training involves dovetailing with local government, and it is now the policy of the National Educational Council of the co-operative movement to use the local educational authority as much as possible for technical training as well as for general instruction which is not specifically co-operative. In particular the Report emphasises the need of liaison with the universities in advanced study and research. One is tempted to suggest that the year 1944 would be suitably commemorated by the endowment of a Rochdale Chair of Co-operation at the University of Manchester.

One of the peculiarities of modern industry is the way in which one service sometimes carries a totally different service—for example, the lending library at a chemist's shop. If co-operative societies were to contemplate this, they would have to bear in mind that their members largely use the public lending library. A more startling application of the device is the association of firms promoting football pools with an allied mail-order firm, to which it is in a position to supply the lists of its vast pool clientele. This is the ruthless commercial counterpart to the association of the co-operative movement with temperance or politics.

BALANCE

Is this great movement top-heavy? Does it sacrifice the small society to the large, the moral side to the material, the interests of producers to those of the consuming mass? As we read through the Report, we are impressed by the constant effort to maintain a balance at every point. Side by side in Manchester are the Co-operative Union and the Co-operative Wholesale Society. In some countries these organisations are one, but in England, owing to the strength of local feeling, fusion would have provoked friction. In trading activities men still play the predominant part, but the balance between the sexes is maintained by the social activities of the Women's Guilds. If co-operators are ever to make a scientific attack upon the problem of waste in cooking and diet, the women must lead the advance.

Coming down to the locality, we find ourselves in problems of demarcation. Societies are of extraordinarily different size—one-shop rural societies, one-shop societies in a small town or mining community, societies with many branches in a straggling industrial area, town and district societies organised around an established shopping centre, the very large societies of great provincial cities and the monster societies of London. For many years Congress has had before it the problem of overlapping, and the solution has been found in boundary agreements and fusions. Fusion is apt to sacrifice, not indeed the material interests of the members, but their stake in self-government. Hence the importance of the experiments in district representation in which the Leeds Society among others is prominent. District representation is much easier on the Continent, where the element to be represented locally is the large supervising council and not the small managing committee of England. The points to be secured are that district representatives, when given tasks of local supervision over shops in their area, shall not injure the relations between branch managers and headquarters, and that the district representatives, when meeting as a central body, shall not undermine the committee of management.

But short of fusion there are developments which make

the position of a small healthy society more tenable. One of these is the practice whereby the Wholesale Society quotes to all societies the same price regardless of the size of the order and " invoices through " small orders without charge. A second is the arrangement for direct service to individuals by the federal societies (funeral furnishing, laundrying, etc.), the service being credited to the account of local societies for payment of dividend. Finally, there are cases of inter-society membership. Of Leicestershire we read:

> The Leicester Society was founded in 1860. Between 1870 and 1900 co-operation developed in villages, not through the opening of branches but by the founding of independent societies. Since that time there has been only one absorption of a small society; but most of the village societies have become members of the Leicester Society. Members of the former may use the Leicester Central Stores for the purchase of dry goods, and the Leicester Society undertakes milk and butchery delivery in the areas of member societies not doing those lines of business.[1]

But the greatest problem of balance is that between producer and consumer. One side of this, the balance between agricultural producer and industrial consumer, receives slender treatment in the Report, which in the name of consumers' co-operation views agriculture through urban spectacles only. The other is the relation between the consumers' movement and its army of 300,000 employees. Trade union status is encouraged; and special machinery exists for collective bargaining. The Report emphasises the importance of the National Conciliation Board:

> Nowhere else in the distributive trades is there to be found machinery of this type and nowhere else are questions of wages, hours and conditions of working subject to such comprehensive machinery of negotiation.[2]

The National Union of Distributive and Allied Workers (NUDAW) draws 94 per cent. of its membership from the co-operative movement.

The Report examines at length the danger of control by employees in the retail societies, and here perhaps it is less

[1] Report, p. 85. [2] Report, p. 348.

than just to the copartnership idea. It is unfair to ascribe illegitimate employee control to the heresy of copartnership. For it is the essence of copartnership that the employees should think of themselves as members first and employees second. The special representation given to the employees of the S.C.W.S. has not resulted in an attempt to force unduly the interests of workers; and the general lesson is that where workers' representation is provided for in the constitution, it will not be abused. For the employees select good men and look to their trade union for the promotion of their professional interests. Co-operative employees as a body are well aware that their employment is secure and well-paid; and the occasional strikes or threats of strike should not cause us to forget that in general they are among the most loyal supporters of the movement. They have pride in belonging to an organisation which has never ceased to grow, and in which they have worked from early youth.

Limitations

For all its progress the co-operative movement has only a small share of the country's retail trade. If retailing is used to include the sale of beer, tobacco, petrol for cars, newspapers and coal, the co-operative share (1935) is about 8 per cent.: if these are excluded it becomes rather more than 10 per cent. If we take food only (and foodstuffs account for 70 per cent. of co-operative receipts) it is about 12 per cent. The limitations to increase are:

(1) *The Increasing Efficiency of Private Trade.* Each one per cent. extra of the co-operative share meets with increasing resistance from the private enterprise at whose expense it is won. Moreover, the competition of private enterprise is manifold, as we have already seen.[1]

(2) *The Relation of the Movement to Demand.* It caters in principle for a known ascertained demand. The class which supports it is the less wealthy; and it is the well-to-do who lead the way in the initiation of new wants. Moreover, the Wholesale Societies are primarily merchants, and

[1] Cf. Part I, Chapter III.

while the example of Sweden prevents us from saying that a consumers' wholesale society cannot pioneer productive technique, it is not in principle suited to risky enterprise. The British Wholesales have surplus millions, but it comes to them as savings deposits, and they rightly decline to take risks with it.

(3) *Dividend Policy.* Co-operative managers are fully alert to this limitation. But the generality of membership has come to associate fixity of dividend with business soundness. To lower the rate is to invite a sure storm. The Report, therefore, rightly looks for ways in which this outlook may be modified. Can the system of costing be so improved that a test of efficiency other than dividend can be found? Can the Wholesale Societies gradually persuade their members to accept for an increasing range of goods a national system of fixed maximum prices? Co-operators are more ready to resist rises than to initiate reductions; and an era of rising prices would give such a policy a bigger chance of success.

Political Activity

In 1897 (Sir) William Maxwell first raised the issue of direct intervention in politics, but the tradition of neutrality in politics and religion inherited from the Rochdale Pioneers was strong, and it was not until 1917 that a majority of Congress (at Swansea) was prepared to support political action. The formation of a Co-operative Party followed, to which at the end of 1932 a majority of societies representing a majority of the movement were subscribing members. In the Chancery case of January, 1937, involving the London Co-operative Society, the Court ruled that the application of profits to political objects was within the lawful purposes for which the rules of the Society might prescribe. The Co-operative Party runs candidates in selected constituencies by agreement with the Labour Party, of which it is the informal ally, and it was represented in the first Labour Cabinet of 1924.

The Report roundly condemns the contact with politics.

The movement is politically less powerful than if it was

officially out of politics, but prepared to advise its members to support those candidates who agreed most with the co-operative programme . . . It runs the danger of limiting its clientele to the members of one political party.[1]

The *Co-operative News*, reviewing the Report, replied:

The party has begun an overdue task—applying the experiences of consumer trading to the re-planning of national life. Political systems are shaped to meet economic needs—the needs of the dominant section. The co-operative movement, working to end existing capitalist dominance, is an ideal starting point for framing a new political system.[2]

On this controversy three observations may be made:

(1) It would be treachery to the co-operative movement to make the political pace so hot that co-operators not of the Labour Party felt themselves ostracised and stimulated to secession. In many democratic countries of Europe the certainty that political intervention would split the movement into an industrial left and agrarian right is responsible for a resolute attachment to neutrality.

(2) Political activity imparts life to a movement which by reason of its very success tends to acquire a passive membership that is loyal to the extent of the consuming habit only. There are some who find release in educational activities, but these are the minority. Politics make a more general appeal.

(3) The consumers' movement has behind it a high record of temperate and constructive enterprise, and if co-operators can indue their politics with a similar spirit, it will justify, as nothing else could, the breach with the long tradition of Rochdale.

[1] Report, p. 314. [2] *Co-operative News*, January 29, 1938.

CHAPTER VII

FRANCE—BELGIUM—HOLLAND

France

THREE features have distinguished the consumers' co-operative movement of France—(1) its underlying sympathy with trade unionism and, by extension, with co-operative production in industry and agriculture; (2) the high quality of its theory, in which France, like Ireland, is as fluent as England and Belgium are silent; (3) the decisive part played by it during the war and by the war in its modern growth.

Period I to 1884. France, we say when contrasting it with England, never had an industrial revolution; and the late Henri Sée closed his Sketch of French economic history with the remark that France remains still and before all things an agricultural country. Nevertheless, France, led by Paris, has long enjoyed a mature urban life, which was rich in craftsmanship and family thrift; and these qualities in the middle of the nineteenth century found co-operative expression in workers' productive societies, which enjoyed frequently the patronage of the State, and in modest associations of consumers for cheap living. Now the *coup d'état* of 1851, while it was not expressly directed against associations, was directed against their promoters; and these on account of their socialism were harried and imprisoned. Deprived thus of its natural leaders, French co-operation was isolated and delayed. But at last in 1884, the law relaxed its long-standing suspicion of association and enfranchised thereby not only the *syndicat ouvrier* (trade union), but also the *syndicat agricole*, the professional association within which agricultural supply and sale were developed. Trade unionism brought with it a fresh interest in consumers' co-operation: but some of the stores now

existing are older than 1884, such as *La Revendication* (Seine), 1866; *La Solidarité* of Roanne (Loire), 1872; *L'Union des Travailleurs* of St. Etienne (Loire), 1872; and *La Bellevilloise* of Paris (Seine), 1877, which in its early fame and present moderate importance resembles the Rochdale Pioneers. A glance through a modern Year Book reveals a rich variety of names, "The Solidarity," "The Fraternity," "The Future," "The Redemption," etc., which testify to the social aspirations of their founders; whilst in the South the more colourless "co-operative bakery of" predominates. A close observer of the scene in 1884 would have sensed that the development of the movement demanded a due regard for its local patriotism and spirit of class solidarity.

Period II, 1884 *to* 1914. During this period there was a flowering of co-operative doctrine, a schism between neutral and socialist co-operation, and a reunion, to which both sides made an equal contribution, and which, therefore, was permanent. The period recalls the long friction between the C.W.S. and the little brother of labour co-partnership in English co-operative history. In both cases academic opinion gave its support to the weaker side—in France to consumers' co-operation and political neutrality, in England to producers' co-operation and profit-sharing. While Charles Gide, the intellectual child of Fourier, was proclaiming the gospel of Rochdale and Manchester, Alfred Marshall, whose knowledge of the store movement was profound—see, for example, his presidential address to the Ipswich Co-operative Congress of 1889—was pleading for the tradition of Christian Socialism, which J. M. Ludlow brought to England from the Paris of 1848.

Charles Gide, a professor of Montpellier in the South of France, made his bow to the co-operative world at the Lyons Co-operative Congress of 1886. J. T. W. Mitchell was then the great figure of English co-operation; and the year before (1885) the first French Congress had been assembled by Edouard de Boyve, a southerner of Nîmes, near to Montpellier, and a fervent admirer of England. At the second Congress Gide delivered the presidential address

on " Co-operation and the Labour Party in France." The workers of France, impatient over the failures of co-operative production, were turning to Marxism, and Gide sought to woo them back to co-operation within the ampler framework of organised consumption. For the Rochdale dividend (he argued) was the socialisation of profit—anti-capitalism without the class war. And if, according to Marx, socialism was moving to inevitable victory, so at Manchester co-operation was piling success upon success. His disciples, thenceforth known as the school of Nîmes, founded in 1887 a Wholesale Society in association with a politically neutral Co-operative Union. It endured with difficulty till 1895; and its failure was due chiefly to the fact that its appeal was cold. The stout co-operators of the north of France were too professional (syndicalist), as well as too near to Belgium, to abandon class-consciousness at the bidding of a theory. Nor can it have been congenial to them to have the giant achievement of England thrust down their throats at every turn. It was in vain that the representatives of England, who doubtless spoke no French, were paraded at the Annual Congress. The co-operators of Paris and the industrial North were more inclined to follow their own bent of regional purchasing and lively political interests.

The schism became open in 1895 when the Socialist co-operatives founded in opposition to the Central Committee of the Co-operative Union a rival union, *Bourse des Sociétés coopératives* (*B.S.C.*). It held congresses and in 1906 established a rival wholesale, which opened business in the premises of the *Bellevilloise*. This is the *Magasin du Gros* (*M.D.G.*), which exists to-day and which celebrated, therefore, its silver jubilee in 1931. The *M.D.G.* linked itself with a purchasing organisation of Parisian societies, took over a boot-and-shoe productive society in Lillers and a second in Amiens a little later, and concluded contracts with a co-operative vintry, the *Vignerons libres* of Maraussan which was of its own political colour. Above all, it succeeded in attracting to itself agency business from the societies in the North. Its progress for a time was dangerously rapid, and in 1911 it nearly foundered. Some of its members were

deficient in loyalty, and the new ones leaned on it for credit. It had difficulty in preventing the wine societies from abusing its endeavour to organise the contacts between co-operative producer and co-operative consumer. But the future was clearly with it, and not with Gide's Central Committee, whose so-called *Coopérative de Gros* was again doing a small agency business, chiefly for societies in the South.

These experiences caused the *B.S.C.* to moderate the political bravura of its first days and to look more favourably on centralisation and unity. Gide, who had been a professor in Paris since 1900, had been working for this without ceasing. But it required someone in the other camp to bring the live wires of co-operation into line. And the man was found in the youthful journalist, Albert Thomas. He made able propaganda at socialist and co-operative congresses at home and abroad, and by carrying socialist opinion in favour of consumers' co-operation reduced the French schism to the status of a local friction which was discreditable to socialism itself. His appeal carried the day, and the Unity Congress of Tours accepted the pact of unity, which took effect in 1913. The two organising unions were merged in a central *Fédération nationale des Coopératives de Consommation* (*F.N.C.C.*). The *M.D.G.* absorbed the relatively unimportant *Coopérative de Gros*; and the Federation took up its quarters at the *M.D.G.* To Frenchmen a declaration of social faith means much, and Gide drafted the pact with subtle care. Competition and capitalism were denounced in favour of the collectivity of consumers, but political socialism was no longer a condition of adherence. Thus Mitchell and Manchester prevailed over Anseele and Ghent. 1913 was also the golden jubilee of the English C.W.S., and the alignment of the French movement with the English tradition was marked by what M. Poisson describes as "a grand act of international solidarity," [1] in the form of a credit of 600,000 francs by the C.W.S. to the new banking department of the *M.D.G.*

Period III, 1914 *to date*, is the period of the war and the

[1] Cf. J. Gaumont, *Histoire du Magasin du Gros*, p. 131, n. 3.

aftermath of war. The war, while it lasted, called for services from the organs of the movement, which made them a serious factor in the *ravitaillement* (feeding) of France, and cleared the ground for the formation of large societies, called " regional societies " or " societies of development," especially in the liberated areas, which had to begin their economic life afresh or to continue it under a new flag.

The capital led the way. The birth date of the society which to-day comprises the bulk of Parisian co-operation, *Union des Coopérateurs de Paris*, is assigned to the year 1916. But the final step to fusion had been taken before the war broke out in fulfilment of the policy voted by the Congress of 1913. Several old-established Parisian societies had formed *L'Union des Coopérateurs Parisiens*. But a larger unity was called for by the war ; and this led in 1915 to a union of all the co-operatives of Paris, under the title of *Union des Coopératives de Paris*. Its first task was to take over a chain of dairies, belonging to the *Société Maggi*, which had been despoiled on the charge of enemy origin. It next handled frozen meat, supplied by the Government, and with the assistance of the City opened numerous meat shops in addition to the few it already possessed. Albert Thomas, now in the Cabinet as Minister of Munitions, assigned to it further tasks, in particular the operation of restaurants, which did for the munition workers what the Expeditionary Force Canteens did so brilliantly for the British troops. (The latter Professor Lavergne might well add to his list of *Régies coopératives*). By the end of the war the Union was distributing potatoes, coal and vegetables on behalf of the City and even assisting the civilian population in the adjacent liberated regions. In 1920 it merged its identity in the present society, the *Union des Coopérateurs de Paris*—though the old *Bellevilloise* society continued its separate existence.

M. Lavergne, in his little book on French Consumers' Co-operation (1923), speaks of the *Union des Coopérateurs* as " the giant tree of the forest." [1] But in the ten years which followed, it hardly earned the title. In 1900,

[1] B. Lavergne, *Les Coopératives de Consommation en France*, p. 71.

according to M. Picard,[1] the Parisian societies did a business of 35 million francs for a membership of 136,000—a quarter of all the business of the movement; in 1930 a business of 150 million francs for a membership of 114,000. This, at the lowered value of the franc, was no more than the 35 millions of 1900. In 1933 the membership of the *Union des Coopérateurs de Paris*[2] was 93,000, the trade 147,000,000 francs; but the trade per head, 1,600 francs, cannot compare with that of the small Paris society, *La Famille*, 5,000 francs per head, nor with that of certain small societies in the mining districts of Saône-et-Loire Department, such as Le Creusot and Montceau les Mines. The co-operative movement, which according to M. Picard has 9 per cent. of the grocery and 4 per cent. of the bakery business of France, has a much smaller percentage of these businesses in Paris.

Since the war Paris, as indeed France generally, has seen a bitter struggle between small shopkeeping and the various forms of large-scale retailing. Taking a leaf from the book of co-operation, the small shopkeepers have formed associations for purchases in common; and though being traders they cannot keep an open membership, they do distribute surplus in proportion to purchases. The same thing has happened in Switzerland and Germany. But in Paris the *grand magasin* and the speciality food shop, e.g. of Félix Potin, have set the pace, and the co-operators of Paris will find it hard to recover the monetary importance of the war years. In the suburbs of Paris one does not see any society to compare with the Woolwich Arsenal or London Societies.

The strength of post-war co-operation is in the populous north and east, where the great societies have mapped out the field, and although in the territory of each there are numerous independent societies, yet each large region constitutes a regional federation, in which one or more regional societies are the leading members. Consider the regional federation which embraces the departments of the

[1] R. Picard, *Formes et Méthodes Nouvelles des Entreprises Commerciales*, p. 71, n.

[2] The summary figures for this and other French societies are taken from the *Annuaire de la Coopération* (*F.N.C.C.*) of 1933.

Nord and Pas-de-Calais,[1] to which some eighty co-operative societies in 1933 adhered. The number of co-operative families was 225,000, about one family in three of the population. In the Cambrai district, two out of three are claimed as co-operators; in certain rural districts nearly all. For in this northern region of concentrated industry and intensive peasant agriculture, there is no rift, based on creed or occupation, between the cultivator and the industrial worker. There are seven regional societies, of which *Les Coopérateurs de Flandre et d'Artois* covers much the widest area. These 225,000 co-operative families were doing a trade of 430 million francs, about 1,900 francs per head. Bread and groceries accounted for 90 per cent. of it. Butcheries and dairies are rare, but there were a number of co-operative beer shops.

The Belgian movement, across the border, stimulated the movement on the French side, and infected it with some of its socialism. The fact that this was an invaded area and that when the war was over, economic life had to be rebuilt, encouraged the trend to fusion. Each great regional society took a zone of development, within which it promoted fusions and adherence to the regional and national federations. In this area, between 1925 and 1932, forty-one fusions and forty adhesions were secured. Though there are islands of intensive co-operative life in some of the little societies, the bulk of the trade is done by the seven regional societies; and it is these which have been the supporters of the Wholesale Society and the Co-operative Bank. Five societies, of which one (Amiens) is a neighbour to the south-west, operate jointly three flour-mills. The average dividend in the area is 5 per cent. Social activities embrace provident funds, travel scholarships and the usual entertainments. The co-operative weekly, *Le Coopérateur de France*, carries special pages for each of the large societies.

The above detail supplies a regional picture. We may now turn to the history of two great societies which have grown into large societies, each around a great city—the

[1] *Revue des Études Coopératives*, No. 47, 1933. G. Prache, *La Coopération de Consommation dans le Nord et le Pas-de-Calais.*

Amiens and Strasbourg societies—the one within the war zone, the other formerly a part of Germany.

L'Union Coopérative d'Amiens [1] (Union Society of Amiens), founded in 1892, was a trade-union creation, and down to 1914 the trade-union element was predominant. The trade unions, as such, shared in the management, furnished some of the finance and moulded its policy. It was only by degrees that a consumer conscience emerged to take the lead. The society lost money in the financing of productive societies and found that trade-union interest did not always embrace purchasing loyalty. It was a zealous member of the *B.S.C.* (the socialist federation), but, while it admired Anseele and Belgium, it never allowed its co-operation to become the henchman of socialism. By 1913 it was a strong local society with branches in Amiens, and sufficiently important as a grocer, baker and coal merchant, to incur the hostility of the trade and the press and to act as an informal wholesaler to small neighbouring societies. But there was no breach with the trade unions. In 1910, a year of strikes, its trade-union affiliations stood it in good stead, and conversely, it assisted the strikers with supplies of cheap bread. Its outlook was midway between Ghent and Nîmes, and it welcomed the pact of unity.

The invasion took hostages from right and left, and political differences were forgotten. The society's bakery became a centre of bread supply, and it combated with success the policy of price raising. It benefited from the large spendings of British troops, and in 1917 its managing director, M. Cozette, was appointed by Government as its officer for the development of co-operation in the freed areas. During the evacuation of early 1918, it was the last to keep going, and after a brief withdrawal to its Picquigny branch it returned in August to play a leading part in *ravitaillement.*

After the war came regional expansion and the outgrowing of the old dependence. This was natural; for when it extended over the Somme department and parts of Aisne and Oise (the societies take no notice of departmental boundaries), it opened branches which had no connection

[1] A. Choquet, *L'Union Coopérative d'Amiens* (1935).

with trade unionism ; and so to-day, while the delegates to the general assembly are elected by the trade unions in the Amiens section, they are elected on the basis of geography and purchasing power in the sections without. Before the war the *Union* was hostile to branch development. After the war and because of it, it supported this policy, taking full advantage of the *tabula rasa* created by the war. Development included several things : the opening of new branches, the taking over of weak societies and the incorporation of rich societies like the " Prosperity " of Guise. But the expansion was not at the expense of thoroughness ; for perhaps one-half of the population of Amiens has dealings with the co-operative movement. Under Belgian inspiration it equipped its new premises with a *maison du peuple*, containing library, theatre, etc. The dividends of the French societies are lower than those of England, but Amiens has one of 9 per cent., being passed only by Limoges. It has had rivals—a catholic rival for the role of development society, which soon collapsed ; an association of civil servants selling close to cost, which it eventually took over ; and some small societies in Amiens, which perished in the depression of 1931. In retrospect, the society testifies to the driving power of a moderate class-consciousness and to the growth of the consumer mind, as the magnitude of the business increases.

The *Société Coopérative de Consommation de Strasbourg et Environs* (Strasbourg and District Co-operative Society)[1] was founded in 1902, the year in which the city sent A. Bebel, the social democrat, to represent it in the *Reichstag* in Berlin. In this great Rhine port, with a population of 181,000 (1931), largely engaged in commerce and in the preparation of raw materials derived from its fertile hinterland, co-operation after many efforts acclimatised itself. Alsace-Lorraine, French before 1870 and French again after 1918, brought strength to the consumers' movement of France. The greatest of the regional societies in all France

[1] Cf. E. E. Frank, *La Société Coopérative de Consommation de Strasbourg et Environs* (1933). In June, 1937, I had the opportunity to supplement M. Frank's book by a visit to the Society, when I had the honour of an interview with M. Riehl and was conducted over its magnificent premises.

is the *Union des Coopérateurs de Lorraine* (H.Q., Nancy), which embraces the whole province of Lorraine (French Lorraine and German Lorraine) and more, and it heads the list of the five societies with a membership exceeding 50,000.

	Membership.
Union de Coopérateurs de Lorraine . .	112,000
Union de Coopérateurs de Paris	93,000
Coopérateurs de Flandres et d'Artois	57,000
Société de Strasbourg . .	54,000
L'Union d'Amiens . . .	50,000

The Strasbourg Society, which thus comes fourth, has no territorial monopoly in Alsace; for Colmar and Mulhouse in the south are independent centres. But it is their big brother and helped Mulhouse through a post-war trouble. Bounded on the west by the Vosges mountains and on the east by the Rhine and the political frontier, it limits itself north and south to a radius of fifty kilometres. Business beyond this to the north it leaves to the *Union de Lorraine*, to the south to Colmar. Not only has it natural separateness over its greater length, but its headquarters are where they always were. It is not like ex-German Lorraine attached to a headquarters in old France. It is an ancient entity under a changed flag.

Before 1902 there is a long chapter of effort, dating back to a *Caisse du Pain* (bread shop) of 1833. There was no strong class feeling and benevolent employers assisted co-operation. Fourierism was strong. In the 1860's the credit bank of German model took root; and after 1870 the consumers' movement followed the evolution of Germany—subordination to the middle-class movement of Schulze-Delitzsch, boycotting by official socialism, and in 1902 a new start under advice from Hamburg, which was breaking loose from the credit group and consciously following England. By 1914 it was a strong society with 13,000 members and twenty-three shops; for at the outset it had the good fortune to secure the distinguished servant, M. Riehl, who has directed it for over thirty years. During the war its services were requisitioned, and with the help of the Government it repulsed the efforts of traders to pro-

hibit the co-operative dividend and to sell only at the highest permitted price. It is a significant thought that while men of Amiens and Strasbourg were fighting on opposite sides of the battlefield, their co-operatives behind the line were engaged in a common task, the repression of profiteers.

It was not a devastated area and after the Armistice it joined itself, as a member of the *F.N.C.C.* and *M.D.G.*, to the stream of the French movement. One can imagine how great an aid a society such as this was to the change of political allegiance. For to some, no doubt, Germany had been welcome as a fatherland, but the wrench must have been less when they could pass from one co-operative brotherhood to another. They did not bring division with them, as sometimes happened in the changes of eastern Europe, and they went on from strength to strength. Fourth in all France in membership, the society is first in trade per branch—780,000 francs. It produces many of its foodstuffs—bread, pastry, etc; it roasts and packs coffee; it bottles its own wine and beer and makes its own casks. It has a moderate but steady dividend, 6 per cent. since 1918, and finds that much of the dividend is used for special purposes at Christmas and New Year. In 1933 its savings bank had deposits of 36 million francs.

One must always treat with caution price comparisons by one party only. But an investigation,[1] stated to be controlled by the Municipal Office of Statistics, appears to show that, dividend apart, the society sells the leading foods at least as cheaply as, and generally more cheaply than, selected competitors among chain stores, departmental stores and small shops, the index showing:

Co-operative society	100
Chain store (I)	101·8
,, ,, (II)	120·8
Departmental store	133·8
Private grocery	116·5

The society not only works to a plan, but it has ideas. In 1928 it broke new ground by the institution of travelling

[1] Cf. E. E. Frank, *La Société Coopérative de Consommation de Strasbourg et Environs* (1933), p. 163.

branches (*succursales ambulantes*), serving populous areas with five-ton vans, which are a shop when at rest, and sparse areas by house-to-house visits in light vans. Both ventures were successful. For members in distress it has a scheme of advances against dividend. Thus in 1931–2, some 1,200 members drew advances of 166,000 francs out of 6 million divided in all. It worked with success for the pact of 1920 between the *Confédération Générale du Travail* (*C.G.T.*) and the National Federation of Consumers' Co-operative Societies. Should it not, asks the historian of the society,[1] go one better and follow the recent example of the *Coopérateurs d'Escaut et Sambre* (the regional society for Cambrai and District) and entrust its bakery to a *commandite ouvrière* (a kind of labour copartnership, which is autonomous in internal organisation)? If by this suggestion the author invites a loosening of control in order to satisfy the workers' psychology, in another field he commends a tightening. This is with reference to the status of the branch manager (*gerant*). In the Strasbourg Society the branch manager is an employee of the society, and though he gets a percentage on the turnover, he is not, as in the commercial chain stores, a quasi-independent contractor. The society makes itself responsible for labour conditions and the employees of the branch are the employees of the society—in contrast (it is claimed) with the practice of co-operative societies east of the Vosges, which allow their branch managers a status approximating to that of their commercial rivals.[2]

But the political transfer brought a curious fiscal handicap. For France continued in Alsace the law of 1909 which taxed heavily large shops selling a variety of goods. Private trade circumvented the law by developing the speciality shop, selling a single group of goods. The Strasbourg Society handled the situation as follows: It confines itself to foodstuffs, except in rural communes where the tax is not levied, and it has arrangements with approved shops whereby members purchasing coals, hosiery or clothing from these draw the co-operative dividend. For boots and

[1] E. E. Frank, *op. cit.*, p. 194. [2] E. E. Frank, *op. cit.*, p. 109.

shoes it has a similar arrangement with the *M.D.G.*, which operates retail shoe stores, as the Swedish Co-operative Wholesale does in Stockholm and elsewhere.

The French Co-operative Wholesale Society (*Magasin du Gros*) with its headquarters at Paris shared during the war in the Parisian expansion and for the same reasons. It was central (would the C.W.S. of England have been used sooner and more fully if its headquarters had been in London?); it had the patronage of the Government, thanks to Albert Thomas; it was, indeed, an autonomous organ of the public service. In 1917, when certain funds were placed at the disposal of co-operative societies, the *M.D.G.* was made the channel of disbursement. The Wholesale and its members, especially the larger societies, had new duties constantly assigned to them, of which the most weighty were contracts for the feeding of munition workers, first from the Departments of Artillery and Ammunition and then from private firms. By the end of the war co-operators found themselves in unfamiliar relations with Unions of Industrialists and *économats* (company shops) of private firms. To serve the provinces the *M.D.G.* opened many large warehouses, and to secure its supplies it took over a fish plant in Brittany, a chocolate factory in Paris, a boot factory in Fougères (Ille-et-Vilaine) and operated expensive wine-tank wagons. It assisted the Paris society in the building of its new shops and followed the retreating enemy with a skeleton of supply. After the Armistice its expansion continued, and then at the end of 1920, with extended commitments and many new members unversed in loyalty, it was caught in the severe price decline, which embarrassed the co-operative movements of so many countries. Supported by the new regional societies, it came through, but the debt incurred in the crisis was not wiped out till 1929. After 1922 it was engaged in a difficult readjustment. For it had carried into peace-time pre-war and war methods of wholesaling, which were becoming inappropriate. The great regional societies needed a different class of service. It was necessary to replace

warehouses (*entrepôts*) by depots and to become a central commission agent, sharing the wholesale business with the retail societies and their federations. An Englishman visiting its head office in Paris finds it strangely different from Balloon Street, Manchester. It is a quiet building with show-cases and dignified apartments. There are no great congregations of buyers, lunching by the hundred. With its mark " Co-op," it is what one may call a service organisation, handling commission business and a miscellany of productive and distributive activities, including the retail shoe stores mentioned above.

French co-operators took a not unnatural pride in their *Banque des Coopératives de France* (*B.C.F.*). It was the third member of the federal trinity—Union, Wholesale, and Bank. As in England, it grew out of the loins of the Wholesale Society. In 1922 it was constituted a separate entity, and in the course of ten years made rapid progress. Its turnover and reserves rose many times: the deposits of 1932, 339 million francs, were fivefold those of 1922. Its functions were (*a*) to supply a savings organisation, (*b*) to furnish the *M.D.G.* and member societies with short-term funds, (*c*) to raise for these long-term capital on the open market. It had 3,000 branch offices (*caisses correspondantes*) attached to the stores and worked by the branch managers of these or by volunteers. Its provincial contacts were felt to be a healthy counterpoise to the curtailed activities of the *M.D.G.* And M. Jean Gaumont, the learned historian of French co-operation, concludes his notice of the Biarritz Congress of 1933 with confidence and pride: " Despite the crisis all its services progress. The situation is excellent." [1] But early in 1934—and incidentally at the moment when the Amiens Society was about to transfer to the Bank its large savings department—the Bank had to close its doors owing to mismanagement, which had taken the form of rash speculation in ventures external to the co-operative movement. It was a sad set-back, but the societies faced the situation bravely. A recently established body, the *Société centrale des Coopéra-*

[1] *Revue des Études Coopératives*, No. 48, p. 372.

tives de France (National Co-operative Society) took over the task of reorganisation ; and a concordat was reached with the Bank's creditors, which allowed it shortly to resume operations. Through the National Society the movement is setting aside a portion of its revenues each year to repay its creditors in the course of fifteen years. Co-operators had resented the action of the Government in 1933 in rendering co-operative societies liable to the tax on profits (other than purchase dividend) and the tax on turnover. But in 1934 it made amends by the important financial aid which it gave to the Bank in securing a settlement of its difficulties.

The mischance rallied the movement, and in 1935 it carried out a reorganisation by which a National Committee of fifty, elected by the regional federations, supervises the general movement, and a new body of control supervises the two national organisations, the Bank and the Wholesale, to which all members of the *F.N.C.C.* must in future belong. The French movement has never enjoyed the financial ease of the British movement, but France has a strong spirit of local thrift ; and the purpose of the reorganisation is to bring the financial weight of the regional societies more solidly and more safely to a common centre.

When a movement once in the limelight passes out of it, it is apt to be considered in decline and to be considered further as kept alive by State aid if it enjoys certain favours from the State. But this misrepresents the present situation of the Workers' Productive Co-operative Societies of France. Such favours, indeed, are important, and especially to the numerous co-operative societies in the building trades, where such societies operate on a revolving fund borrowed under various forms from public sources and in competing for contracts are excused certain payments and allotted, for example, one out of four lots of work. The 400 societies listed in 1937 [1] cover a wide miscellany of productions and services and many of them are very

[1] *Chambre Consultative des Associations Ouvrières de Production, Annuaire* 1937.

small, and as their range is largely outside that of the consumers' movement there is less opportunity for contact between the two than in England. In any event the none too strong consumers' movement is well advised in putting its own consolidation first. But the productive societies have their own national federation (formerly called *Chambre Consultative des Associations Ouvrières de Production*) and their own very efficient co-operative bank. Many more societies are started than finally make good. For they arise frequently out of a trade dispute or depression, which throws out of work a number of skilled men with pronounced political views and pride of calling, and many, after a short struggle, return to ordinary employment. But some survive an early trial with a record of achievement which will carry them through almost any subsequent trial. Three examples of strong societies may be given.

The *Union et Travail*, which was founded in 1914, is now a large tailoring establishment employing over 400 workers (two-thirds women) and has its own woollen-mill and dye-works. They make on contract uniforms for postmen, railwaymen, etc. While the workers are not compelled to become members, most of them are, and there are no non-worker shareholders. The wages paid are somewhat above trade-union rates and the society has never had a strike. The friendly family atmosphere is very real.

The *Association des Ouvriers en Instruments de Précision*, founded in 1896, survived enormous difficulties in its first ten years, since when it has grown to a large concern with a personnel of 600 and costly buildings and machinery. It manufactures telephones and scientific instruments, and supplies both private customers and the State. All the skilled workers employed are shareholders, but the unskilled or differently skilled workers (firemen, engineers, designers) are not members, though they receive a share in the profits. All skilled member-workers are paid the same wage, including those who act as Directors. The fraternal atmosphere is very marked, everyone being addressed as "thou," and the discipline is self-imposed. The growth in the number of non-member *auxiliaires* (attached workers) is felt

as a reproach, which it is desirable to remove. Godin's famous stove factory at Guise encountered the same problem.

In the oldest Parisian society, the *Ferblanteries Réunis* (tin-metal workers), founded in 1868, the great majority of workers are members. Each man fixes his own price for the unit of work accomplished and this is afterwards subject to modification by friendly agreement. They produce lamps, meters, cinematograph projectors, etc.

There are also important printing societies in Paris and the provinces.

The movement without doubt carries a heavier turnover of hastily formed and short-lived societies than any other form of industrial or agricultural co-operation in France, but the successes are of great social value because of the opportunity which they have given to skilled workers to express the craft spirit in various forms of democratic discipline. A further distinctive feature common to the successful societies is the provision which they make for training entrants into the industry. This appears to be definitely superior to what is offered by private industry, and certainly covers much which in England would be supplied by trade schools and technical colleges. For these two reasons the support which the Government gives to the movement is a logical item in the social service of a democratic State.

Belgium

If a Belgian asked us for the most peculiar feature of British co-operation, Anno Domini 1938, we might, if in an impish mood, reply that it is a gilt-edged investment trust of the working class with trading as a side-line of investment and production as a side-line of trading. A Belgian, asked a similar question, might less paradoxically reply: " It is an instrument for the furtherance of socialism. Witness our *maisons du peuple*, on which we are content to lose some millions of francs[1] annually in order that good socialists and trade unionists may drink and talk co-opera-

[1] In 1937, when this section was written, the Belgian franc was 160 to the £, say 1½*d*.

tively." Before 1932 he would have added: "Witness also our *Banque de Travail* (Labour Bank), which is socialism in co-operative action." But the *Système de Gand* (System of Ghent), of which this bank was the financier, broke down in the crisis of 1931–4, and the new tone of Belgian co-operation is nearer to Stockholm than to Ghent. The localism of Belgium, the cradle of self-governing towns, was always very strong. The bond uniting urban consumers before the war was propagandist rather than functional, a hostility to catholicism and capitalism rather than an integration around a wholesale society with roots in manufactures and raw materials. The movement had its Mitchell in Edouard Anseele, the builder of the *Vooruit* of Ghent, which has been to Belgium what Rochdale was to England and Basel to Switzerland. But it was as though Mitchell had stayed in Rochdale and invested the surplus funds of the entire consumers' movement in working-class limiteds under a single retail society, such as the Rochdale Pioneers. The prestige of Anseele, the itch of socialists for the socialisation of production and the programme of reconstruction imposed by the desolation of war explain the strange turn which Belgian co-operation took after the peace. Anseele, the veteran of socialism, who before the war had gone to prison in its defence, and during the enemy occupation had patriotically administered the government of his native town, became in 1918 Minister of Public Works; and having served both socialism and his own country he was able to bridge the gap between a socialistic co-operative movement and financial capitalism. He could have what loyalty he chose to ask from the *Parti ouvrier* and what funds he chose to raise from the Brussels Bourse. This was at once the strength and the weakness of the System of Ghent.

This system rode on a rising tide of consumers' co-operation, with which it was in ill-defined relation. Integration of societies, which leaders had urged before the war, made progress at its close. There were regional fusions such as the *Union coopérative de Liége*, which after absorbing fifty smaller societies showed in 1919 a turnover of 35 million

francs (then £1·4 million). Between 1920 and 1924 the federal organisations also were reorganised and co-ordinated. The *Office coopératif belge*, the organising co-operative union, was separated from the *Fédération des Sociétés coopératives belges*, which was the wholesale trading authority. At the same time the management was co-ordinated and the *Office* was given the task of auditing and supervising affiliated societies. The productive departments of various retail societies were grouped in a single society, the *Société générale coopérative* (*S.G.C.*) ; and a co-operative savings bank was established at Brussels under the title of *Comptoir de Depôts et de Prêts* (Office of Deposits and Loans) with a view to handling the savings of the workers and their institutions, the trade unions and the co-operative stores. With the help of this reorganisation and new machinery the movement grew and prospered until the crisis of 1931 revealed certain weaknesses. The capital of the retail societies was dangerously small in relation to the savings deposits which they accepted from members. Too much capital was sunk in the *maisons du peuple*, of which there were 400. The solidarity between the retail societies, the wholesale societies and its producing ally, the *S.G.C.*, was weak. One large regional society, the *Union coopérative du Centre*, had become bankrupt through bad management. And when on top of these internal difficulties came the collapse of the Labour Bank and its associated enterprises, a drastic reorganisation was required.

Accordingly, in 1934 the federal authorities were reduced to two : the *Société générale coopérative* and *Coop-Depôts*. The new *S.G.C.* replaces the old society of that name as well as the Wholesale and the Union. Members of the *S.G.C.* must bind themselves to purchase from it and must provide in their rules for technical and commercial control by its experts.

Coop-Depôts replaces the former Office of Deposits and Loans. It is a member of the *Office centrale de la Petite Épargne*, which is a State institution ; and its duties and powers reflect the fact that the State was called upon for financial assistance. For it is required by law to have a

capital of 2 million francs, fully paid, subscribed by the retail societies, and it administers under State control the emergency loan granted by the State. It accepts deposits from the savings departments of the retail societies, which act as its agents, and it has wide powers of financial supervision. Every society must accept its control, and no important financial commitments may be undertaken without its consent. Disciplinary action may involve the stoppage of credit from *Coop-Depôts*, expulsion from the *S.G.C.* and even from the Labour Party.

It is always hard to judge the future of a movement which is emerging from a crisis under control. Will the membership become restive under control and lose faith in co-operation itself? Belgian leaders rightly deprecate the thought:

> To those that may fear at any time that, because of the financial agreements concluded with official institutions, we might sacrifice too great a part of our liberty, we can reply to-day that this is not the case.[1]

But the debt incurred in the crisis was a heavy one—245 million francs—made up of 150 million francs from the *Caisse générale d'Épargne*, a State bank of long standing, and of 95 million francs from the *Office centrale de la Petite Épargne*, which was established to protect small savers generally in the crisis year of 1934; and political factors colour the prospect of recovery and expansion. The Rexist Party draws its main support from the small shopkeeper class, and the Government, which in 1937 became a coalition government, was forced to take action against large shops.

A law of December, 1936, forbade the opening of new branches by retail concerns employing five or more persons in towns of over 100,000 inhabitants, unless authorised by the Government, and a Royal Commission of March, 1937, recommended *inter alia* that persons with incomes over a certain sum should be forbidden to be co-operators: that a limit should be set to the amount which a member might purchase from his society: and that societies should be forbidden to sell to non-members. The quarrel of the

[1] *Review of International Co-operation*, Vol. XXIX, No. 12, p. 475.

small shopkeeper is believed to be less with the societies affiliated to *S.G.C.* than with the neutral societies belonging to *La Fédérale*, which are societies of public servants resembling the Army and Navy and Civil Service Stores of England in their early days. For while the former sell at market price, the latter cut rates. But one important society, the Union of Co-operators of Charleroi, has already deemed it prudent to placate the shopkeepers by refraining from opening more branches.

Since the difficulties of the movement were financial, its immediate purpose was to increase share capital and curtail unremunerative activities. An emergency authority, called *N.A.C.O.* (*Société nationale de gestion coopérative*), with the help of certain leading societies, undertook the reorganisation of the Society of the Centre and some others which were in trouble; and one economy which it effected was the segregation of the unremunerative *maisons du peuple* and their transfer to an independent society consisting of socialists, trade unionists and co-operators, who rent them at a reasonable rate from the co-operative society. Some small societies have followed this lead, but the larger are disinclined, believing that the provision of a *maison* by the co-operative society itself ensures to the store loyal custom, which is not by any means as strong as it might be. For it broke down in 1934, when there was a great run on the deposits of the society's savings departments; and it is weak also as between the societies and the federal organs. Production by the co-operative movement has been ragged and unplanned, and the support of retail societies is so weak that nearly 50 per cent. of the output of the federal society is taken by private trade at prices lower than those charged to the retail societies themselves!

The troubles of the Belgian consumers' movement were attributable in part to its association with producer-conscious socialism, but there were some offsetting gains from this. The relations between the trade unions and co-operative societies have been intimate and good. There have been no strikes in recent years against co-operative societies as such. The conditions of co-operative employment have

been better than those in the average capitalist firm, and in 1931 a general agreement was drawn up with the trade unions, which provided for the solution of all disputes by methods of arbitration and conciliation. Most societies allot a definite number of seats to employees on their Council of Administration, but do not usually allow them to be members of a local committee or to sit on the Council as member-representatives. It is often, however, compulsory for them to become members of the society, and sometimes they must buy a fixed minimum from the store per annum—a provision which sounds strange to English ears. Most of the large societies spend more than 1 per cent. of their sales on "Works of Solidarity," i.e. on sickness, unemployment, death, maternity and other benefits to members; and in 1933–4 over 10 million francs were thus spent. But as State-aided insurance grows, the necessity for them is declining; and co-operative reformers would like to put them on a stricter actuarial basis, to limit their number, to make them dependent upon the amount of purchases and to confine them to those who pay something towards them. But considerable education of the membership will be required before these reforms are carried.

In pre-war years Anseele's society the *Vooruit* at Ghent and Louis Bertrand's society, the *Maison du Peuple* at Brussels, were the banner societies of the movement. But the collapse of the System of Ghent and the curtailment of expenditure on *maisons du peuple* have shifted the emphasis of the movement towards the regional society, of which the strongest now is Liége. And so in Belgium as in France one must travel a good stretch inland to Liége, Charleroi, Nancy, Strasbourg to see co-operation at its strongest. The Liége Society, as stated above, was a war-time fusion of numerous small societies, which until the war were hostile to the policy of amalgamation. In August, 1914, the full weight of the German invasion descended on them. Those which escaped destruction hastened to help not only their own members but the generality of the starving population: they became providers of bread for all. While, according to the co-operative

account, private traders were holding back many of their goods in order to benefit by the rise in prices, the co-operative emptied their shops and tills. But their leaders saw that only by a united front could the process of exploitation be arrested and within three months of the outbreak of war the *Union Coopérative du Pays de Liége* was formed to supply affiliated societies with goods. The influence of this regional federation was enormous and paved the way for the fusion of May, 1918, when the *Union Coopérative de Liége* was created. The Liége Society now owns 353 shops, of which the great majority are groceries. There are also 127 *maisons du peuple,* sixteen bakeries and one shoe factory. Local and central effort are carefully combined. Centralisation has been applied to commercial activities and works of solidarity, but local spirit is appeased by considerable autonomy in administration. The members of each shopping centre form sections, which are governed by a local committee, consisting of the delegates to the General Meeting and others. It is the duty of the committees to admit new members, allocate credit and supervise social activities. In June, 1934, the membership was 81,000 (by comparison with 28,000 in the Brussels Society). Members may be expelled for not buying at co-operative shops or for opposing publicly the policy of the Labour Party. Employees must become members and are expected to make at least the average annual purchases of ordinary members. The shares, which are 100 francs each, are high by comparison with the absurdly low figure of ten francs in Brussels, but nevertheless they are still too low. The maximum holding permitted to one person is ten shares ; this means, in fact, that the majority of the resources of the organisation are in the form of deposits, which are liable to a run. To-day the Belgian movement is appealing to its members for an average shareholding of 500 francs per member, but the intensive campaign which the Liége Society has waged met with a poor response from the generality of the membership. The interest on share capital is 3 per cent. Purchase dividend varies from 3 to 7 per cent. ; in 1936 it was 5 per cent. This is low by comparison

with Great Britain, but on the high side as Europe goes. Furthermore, the dividend varies according to the department—a practice which would appear to entail extra work for the accountancy staff.

We have described the Liége Society at length because it is not only the most prosperous but also the most faithful of the societies affiliated to the *S.G.C.* It takes as much as 50 per cent. of co-operative federal productions and thus refutes the complaints of other societies that co-operative goods do not meet private goods in quality and price. In its short history it has shown more than once its readiness to put the general welfare of the movement before local interest, as for example when it transferred its productive factories at Micheroux to the *S.G.C.* shortly after erecting them. It loses money, as all the societies do, on its *maisons du peuple*, but it has a really strong programme of education. Its price policy is sale at market price except where it is believed that private traders are keeping this unnecessarily high. Credit trading is discouraged, as well as advances against dividend. But these are little weaknesses of which all countries have their share. Very different was the fundamental error involved in the System of Ghent, which we now describe in detail.

Into a scheme of co-operation, which was short of capital, socially ambitious and itching for production for producers' sake, Anseele's pet idea of workers' productive societies fitted with dangerous ease. The story begins in 1903 when the *Tisserands réunis* (United Weavers' Society) was established with capital supplied by *Vooruit* and the trade unions of Ghent under a manager brought in from outside. In 1910 it was expanded into the United Spinners' and Weavers' Society, and after the war made constant progress until 1932, when the arrival of depression showed that a dangerous portion of its assets had been tied up in the stocks of subsidiary companies floated by it in the days of its prosperity—in hosiery, linen and artificial silk factories, together with a cotton-growing concession in the Belgian Congo and a Belgian Textile Export Company. A parallel but purely

post-war development was the *Armaments ostendais* (Ostend Crews). The fishermen of Ostend had learnt their unionism when they were refugees in England and came back to operate for ten years their " red " fleet of tugs and fishing equipment. By 1932 it had as subsidiary companies three separate units: *Pescator* for the treatment of by-products; *La Marée* for the sale of fish; and a canning factory, *Frigorifères du Littoral.* Yet another line of co-operative production was a chain of chemical enterprises. Common to all of them was the policy of integration, backward to raw materials and forward to processing and markets. The key-pin of this multiple edifice was the Belgian Labour Bank. Though called a labour bank, it was in fact an investment bank involved in risky ventures with slender fixed resources. However, it claimed to be rescuing the savings of workers from contact with capitalist finance, and it showed its dislike of capitalism by devoting its profits to trade unions, strikes and the electoral campaigns of the Labour Party.

The relation of *Vooruit* to the Labour Bank and the workers' limiteds, as we may properly term these workers' productive societies, varied in detail, but was in principle the same. By creating a special type of share, *actions de dividende, Vooruit* or its financial subsidiary, the Labour Bank, held a controlling interest in all of them, even though it subscribed only a minority of the capital in *actions de capital.* The latter were floated on the Stock Exchange and traded in like other securities. In the textile ventures *Vooruit's* capital holding was the highest, as these were the original ventures. The later ventures were frequently private businesses that had been taken over; and in the chemical chain, which in fact weathered the crisis best, the stake of *Vooruit* was slender, the finance having come almost entirely from the Labour Bank. These were not ventures starting on sound co-operative lines and degenerating under success into capitalism. Their object was never to supply the consumer societies with their own productions, but rather to redeem first the textile workers and then the fishermen from age-long misery and depression of status.

It was for these reasons that the workers supported them. Anseele did not pretend that the workers in them had real executive control, but he could point to worth-while profit-sharing and an improvement in the conditions of employment. Again and again workers themselves in the Belgian Labour Party affirmed their confidence in the System, even though at the end a few prudent leaders of co-operation expressed their doubts. It was accepted as the emancipation of the workers by the workers. Only when it had collapsed did the Labour Party in October, 1934, repudiate Anseele and his System.

To the consumers' movement the most serious feature was the failure of the Labour Bank, in which their own savings organisation, the *Comptoir de Depôts et de Prêts* was involved. For as the labour bank grew it became the repository of the funds of the *Comptoir*, which was virtually its subsidiary. Therefore, if the Labour Bank failed, the savings of thousands of little people, members of co-operative societies, would be lost. But the crisis of 1931–4 was common to the whole of Belgian industry; and when the bank sent out an urgent appeal to the Government in March, 1934, the general economic alarm was aggravated by political alarm at the growth of national socialism in Europe. This combination of circumstances was too much for the bank, which was already internally weak. For from the beginning it had identified itself with the companies which it had promoted and had forgotten the interests of its depositors. The evolution had been the precise opposite of that in England, where the assets of the C.W.S. Bank were housed within the much greater assets of the Wholesale Society as a trading institution and where from the outset the directors of the Wholesale Society rigidly confined themselves to gilt-edged securities except where they could use their funds in production for which there was an assured outlet within the consumers' movement. In Belgium wholesaling was weak, the money was in individual deposits liable to a run, and the investments were speculative enterprises with hardly any connection between their output and the demand of the consumers'

movement. We have already noted how upon the failure of the Labour Bank it was necessary to reorganise the consumers' movement, and how the Government contributed to this by securing the savings of small depositors. There remained the liquidation of the bank and its associated enterprises. Through the intervention of the Government it was not a forced liquidation, as certain commercial interests desired; and the Government's hand was strengthened by the fact that the great agricultural co-operative organisation, the Catholic *Boerenbond*, was itself asking for assistance. The liabilities of the Labour Bank were taken over by the *Banque des Intérêts financières*, and the productive enterprises, where they could be saved, were reorganised in ordinary company form. In his preface to an illuminating essay, which describes the rise and fall of the System of Ghent,[1] Professor Lavergne observes with regret that Belgium, the home of the *Régies coopératives*, turned in its ordinary co-operation to the opposite of these. But communally controlled savings banks, railways, electrical undertakings and the like, which make up the content of the *Régies coopératives*, were socialistic only by analogy. They were not the co-operation of which any militant socialist would have boasted. The British movement in its day was in danger of depositing its resources in ventures not unlike those of the System of Ghent, but happily it was saved from this peril by the masterful genius of Mitchell when he anchored production to consumption by instituting a wholesale society with productive departments.

HOLLAND

Holland is a country with a great imperial past and a considerable imperial present; yet it is relatively a newcomer to intensive co-operation. Since co-operation is nothing but organised self-help, we shall gain little by talking of individualism. We must talk rather of geography. Holland, like Switzerland, came to independence by fighting for liberation from an alien power, but Holland on the fringe of the open sea achieved a commercial grandeur

[1] E. Soutar, *Le Système de Gand*, Paris, 1935.

which was impossible to the mountain limits of Switzerland. It was the seat of a commercial empire, always a centre and for a time *the* centre of world finance. Through its ports the great Rhine traffic reached the sea. It had an agriculture of classical excellence and a rich urban market. It was thus a pattern of England south of the Trent, as Belgium was a pattern of England north of it; and we know how late co-operation was in coming to London and the South. The two conditions favouring an early start in co-operation are industrial aggregation and specialisation to a foreign market. England had the one, Denmark the other. But Holland was between the two.

In some countries we can point to a national peril such as war or to a social canker such as usury as the stimulus to co-operation, but Holland was spared these. There was no devastation of war from which to recover, no enslaved peasantry to enfranchise. Thrift was great both in town and country, and the level of culture was correspondingly high. Holland, moreover, differed from Belgium in that there was no single deep rift between the agnostic socialism of the town and the Catholic piety of the country. In Belgium town and country formed national organisations in order to deny converts to the other, but in Holland the dividing lines of creed and politics were more confused. There is a division in the country between politically neutral protestant credit and Catholic credit; and in the towns between middle-class, socialist and Catholic consumers. And these divisions have impeded the progress of co-operation as a national movement. Finally that quality in the Dutch temperament which it is usual to call "stolid" or "commercial" inhibited the enthusiasm in which Owenite and Fourierist co-operation came to birth.

In the country, when at last, about 1900, agricultural co-operation took hold, it quickly achieved great things. The Dutch co-operative auctions soon became world-famous. The supply of agricultural requisites is overwhelmingly co-operative, and in three commodities so distinct as butter, potato meal and sugar-beet the agricultural co-operatives enjoy the majority of the processing and sale. Rather sud-

denly the Dutch farmers realised the efficiency of Danish methods and applied them. It was all within the realm of lively business sense. But in the towns, though there was an earlier start, progress has been less striking. Co-operation had to edge its way into the distributive life of a country which had led the way in distribution from the days when the first spices were brought to Europe.

"Co-operation," said Goedhart, the veteran of Dutch co-operation, "entered our country by the wrong door." It began as self-help among civil and military servants, who at the time were poorly paid. Earlier attempts to acclimatise Rochdale among the workers had failed; and when later they were fired by the success of Belgium to try their hand again there was no place for them and their philosophy within the ranks of the civil servants, and so in opposition to *Eigenhulp* (Self-help), the Civil Service Union, they founded a rival union. It was only the difficulties of the war years that brought the two into collaboration and made possible the formation of a single Central Union in 1920. But even so the danger of dispersion was not ended. Some of the larger societies left the new union and formed small federations of their own. During the 1920's better and closer relations were established between the co-operative and trade union movements, but the leaders had to proceed warily lest the Catholic membership should leave them and institute closer relations with the Catholic trade unions. Only by the observance of strict religious and political neutrality was it possible to set up a council representing jointly the co-operative and trade union movements.

The Wholesale Society *De Handelskamer* (*Haka*) played a notable rôle in the unification. Started in 1890 as a department of the *Eigenhulp* organisation, it was separated from it in 1914, and since then has acted as a central depôt not only for societies in the Central Union, but for those in the confessional federations also. One is tempted to suggest that when wholesale business is involved the businesslike mind of Holland puts religious differences in their place! Into this background of trading unity and social separateness the other features of the Dutch co-operative

movement fit intelligibly. A joint authority representing the Wholesale Society and the Central Union is developing the rural movement, very much as the S.C.W.S. does in rural Scotland. It supplies technical service and part of the capital, and the goods stocked must be bought from *Haka*; but the rural centre is self-governing and chooses its own manager and staff. Similarly, social separateness has not prevented the consumers' and agricultural movements from forming a supreme National Co-operative Council, which speaks for the organised co-operators of Holland on public issues. It answers press attacks and watches co-operative interests in parliament, but it is careful to repudiate political sympathies. Finally, as in Belgium, the dividend varies according to the department with a range from 3 to 10 per cent. That on bread is high for the curious reason that private bakeries in the large towns themselves allow a high purchase dividend, which the co-operative societies must meet.

Though there is waste in the movements from overlapping, there is none from social expenditure. In the economies of 1934 the Women's Guild was dissolved on the ground that it was not worth the cost. The share unit in societies is relatively high; but though there has been, since 1924, a savings bank for the movement, the wider project of a co-operative plus trade union bank has lost ground since the setbacks in Belgium and France. Up to the war the Wholesale was ill-supported. At its close a large loan was accepted from the Government to fight the high prices of the time and part was invested in a clothing factory, which failed with heavy loss. But the failure had the good result of rallying the societies to their Wholesale, which since then has advanced on standard lines. At Rotterdam it blends meal, coffee and tea; at Utrecht it has food factories; at Gouda a cheese factory. It has dealings with agricultural societies in the ordinary course of business. The absence of organised relations is due not to hostility but to the fact that the agricultural societies have a plurality in some major lines of produce, whereas the co-operative stores handle only some 2 per cent. of the country's retail trade. But as far

as it goes the consumers' movement is highly efficient. A report by an English observer in 1937 states:

> The Central Co-operative Store in the Hague is in the main business thoroughfare and is a wonderful example of a modern shop in the new architecture. In my estimation it surpasses in architecture any of the departmental stores in London, co-operative or otherwise.

And again:

> The co-operative wholesale factory at Rotterdam is a magnificent building in the new commercial style, a carefully planned production unit, and quite the most economic and orderly factory I have ever seen.

But the observer was not familiar with Sweden, whose co-operative grandeur is described in Part IV.

CHAPTER VIII

SWITZERLAND—AUSTRIA—CZECHOSLOVAKIA—HUNGARY

SWITZERLAND

No one can study the co-operation of Switzerland without feeling that there is something underlying it which is quietly dynamic. Though unpresuming, it iswell-grounded. Though ready for accommodation, it rests on principle. Co-operation seems as normal to the country as the act of co-operation which made the Confederation of Switzerland. We cannot imagine Switzerland with a dictator, or without co-operation. It is a country with a great variety of physical features, of plain, valley and mountain, and it is multilingual; yet as a people the Swiss are highly uniform. They have, as it were, levelled themselves up to a high community, in which co-operation and education are consciously related; and so when Swiss co-operators read the history of Swiss education they find in it a call to co-operation. For example, in a recent work by a Swiss co-operator,[1] entitled *The Educational Teaching of Pestalozzi in Relation to the Co-operative Movement*, the principles of Swiss education are related to those of the co-operative movement: education is help to self-help: the community is the family writ large: the child leaves home for a larger home in the school: education, like co-operation, must build from the little circle upwards and outwards. These thoughts are translated into brick and stone in the co-operative village of Freidorf outside Basel, where the Swiss consumers' movement has its educational home. It was built by the Wholesale Society out of war surpluses, which might otherwise have been heavily taxed. The village is laid out in terraces

[1] H. Faucherre, *V.S.K.*, Basel, 1933, *Erziehungslehre Pestalozzis in Beziehung zum Genossenschaftswesen.*

of houses with beautiful small gardens to each, which are inhabited by employees or officials of the movement; and it is designed to serve as the pattern of a fuller co-operative life. Inside this village is the educational foundation endowed by Bernard Jaeggi, which conducts co-operative schools and also maintains a boarding-home for girl workers, who are taught domestic work at the same time as they are trained as saleswomen in the co-operative store of the village. Switzerland, like England and France, has co-operative holiday homes, but Freidorf expresses a special idea, which is to present co-operative enterprise as part of a larger communal life.

Just as the educational side of Swiss co-operation is thorough rather than militant, so also is its business side. Since it assumes that life without co-operation has no sense to it and is in fact un-Swiss, it follows that the consumers' movement, which has its headquarters at Basel, could not act in the belief that the agricultural co-operators of Winterthur are rivals to be opposed or that capitalists themselves are pitch whose touch defiles. But the consumers' movement is itself so strongly developed that it has had to adjust by careful compromise the relations between itself on the one hand and producers and traders on the other. This task became more imperative as the country found itself hemmed in by great powers pursuing a policy of economic autarchy.

As outlined in Volume I, the Swiss consumers' movement learned from Rochdale in the 1860's and produced its own model in the great foundation of 1865, the *Allgemeiner Konsumverein beider Basel* (General Consumers' Society of the two Basels—two to commemorate the sinking of the old feud between Basel town and Basel country). Basel is also the seat of the national federal authority, which is a union and a wholesale society in one—*Verband schweizerischer Konsumvereine* (*V.S.K.*).

A comparison of 1905 (the last year used in Volume I) with 1932 reveals great progress. During this period there was no depreciation of the Swiss franc in terms of gold, and the sales of the member societies of *V.S.K.* rose from 54

million francs to 166 million. Though strongest in the towns and industrial areas of German-speaking Switzerland, the movement is ubiquitous and its literature must appear in three languages, French, German and Italian. The mountaineer notices a co-operative store with chocolates and other goods bearing the mark " Co-op " in nearly every holiday centre. *V.S.K.* and its agricultural counterpart in East Switzerland provide a network of co-operative stores in which there are virtually no gaps. Out of a population of 4 million about 400,000 families are members of co-operative societies ; and they spend at co-operative stores something between 12 and 15 per cent. of the national outlay on articles of general consumption. The Basel Society occupies a unique position in the retail life of a great city, and there is probably no other society of this size which covers its area so fully both in percentage of membership and in range of goods supplied. It is the largest property owner in the city. It supplies between 40 and 50 per cent. of the bread, milk and groceries of its area. Indeed, it is customary for the shopkeepers themselves to purchase certain of their domestic wants from the co-operative society.

The amount of trade which the retail societies do with their federal wholesale is a recognised measure of the solidarity of co-operation. In this respect Switzerland is ahead of England, the wholesale trade per individual member being in 1931 520 Swiss francs as against 350 Swiss francs for Great Britain. *V.S.K.* was established in 1890 ; and undisturbed by the disputes between producer and consumer societies which fretted the British movement for many years, it pioneered the work of wholesaling, forming departments within, or as an offshoot from, itself. On its premises in Basel it has research library, laboratory and printing establishment. At Pratteln, a suburb east of Basel, it has a large warehouse—in the basement the wine-cellars, above-ground the processing departments for coffee-roasting, box-making, food preparation, etc. Elsewhere it has special purpose societies—flour-mills, a shoe factory, cigar factories.

The movement has fought many a battle with the traders, and two of its productive establishments, the Zurich Flour

Mill (1912) and the Basel Shoe Factory (1913) were the outcome of commercial boycotts—a standard development in consumers' co-operation. But in 1914 the movement took the unusual step of enlarging its butchery business, then poorly developed, by an agreement with the Bell Company of Basel, an efficient multiple concern with branches throughout Switzerland. The Wholesale Society took one-third of the capital and agreed not to enter into competitive production. The Bell Company assigned seats to *V.S.K.* on its Board of Direction and agreed (i) not to extend its present range of production, and (ii) to limit its dividends to 8 per cent. This was accommodation, indeed; and it provoked opposition not only from trading interests, which evinced for the first time a concern for the purity of the co-operative movement, but also from the former secretary and historian of the movement, Dr. Hans Müller, who published a protest entitled *Bell-Allianz oder Mes-Allianz* (Bell Alliance or Misalliance). But the outcome was satisfactory; and the Bell Company fulfilled every item in its agreement. As the trade expanded, the Wholesale increased its shareholding. It is now the majority holder, and it is believed that in time it will become the sole holder. The leaders of *V.S.K.* measured their strength correctly. It was a case of two highly efficient parties coming to an arrangement which benefited both and avoided wasteful war.

A similar spirit of accommodation has been displayed in the relations with the East Swiss Union, *Verband ostschweizerischer landwirthschaftlicher Genossenschaften* (*V.O.L.G.*), which in 1936 celebrated its golden jubilee.

Basel was free trade, Winterthur desired tariff protection, and that was the reason for the original separation. The Basel Union is national and has a considerable rural membership. The Winterthur Union is regional and its membership is rural; but it found that it could make no progress until it added to agricultural requisites domestic goods also. One reason for this was that its farm families frequently included wage-earners in adjacent industrial plants. Winterthur, while a rival of Basel, did certain things which

would have been difficult, if not impossible, for Basel. It had a wide range of agricultural requisites suited to the agriculture of the region: it obtained economies of operation by associating co-operative sale with co-operative supply: it developed the purchase and joint use of agricultural machinery. Its compact rural membership gave it such solidarity that the members were willing to assume unlimited liability, thereby easing the problem of local finance; and for the same reason the Winterthur Wholesale was able to insist that, except for goods which were produced locally or which it was not in a position to supply, the societies should deal with it only. But as the two unions grew there was risk of overlapping and friction, which was met in a spirit of accommodation by the agreement of 1932. *V.S.K.* purchases agricultural products as far as possible from the sales division of *V.O.L.G.*, including the wine, syrups and dried fruits which the latter manufacture. *V.O.L.G.* gives preference to *V.S.K's* wholesaling and producing plants in respect of consumers' goods, such as coffee, sugar, etc. Both unions purchase jointly where possible; and they have agreed not to compete with each other in the same territory. These arrangements are very similar to those which we find in Sweden.

V.S.K., though non-political, has repeatedly fought with success for the free development of the consumers' movement. Its leaders are prominent on Government Commissions and Councils, and it defeated a proposed law which would have prevented public servants from holding executive office in the movement. But a new threat was encountered in 1933 as the result of a law restraining the growth of multiple shops. With the strong backing of the agricultural movement the application of the law to co-operative societies was modified, and in 1935 an agreement was reached with the National Chamber of Commerce (representing private retailers) concerning the expansion and opening of new co-operative sales' outlets.

One final example of the readiness of the consumers' movement to play a public-spirited rôle is supplied by its contact with market-gardening. As the hand-loom weaving

of industrial Switzerland decayed, the weavers turned to the intensive cultivation of vegetables, of which the co-operative stores were heavy buyers; and in the war-shortage *V.S.K.* responded to the national appeal for more food by investing 2 million francs in the reclamation of land, which it now lets or operates directly. This was undertaken as a national service; and since only a part of the produce can be absorbed by the consumers' societies, the balance is sold to hotels and other high-class consumers or exported.

The quality of leadership in Swiss co-operation has been very high. Switzerland has to live with itself; and Swiss co-operation is a record of tolerance and patriotic adjustment without loss of principle or drive.

AUSTRIA

The consumers' movement of Austria is as old as any in Europe. In the village of Teesdorf there is a society which was founded as far back as 1856 by the workers in a cotton-mill. The "Mutual Support" society of 1856 became a formal co-operative society in 1878, and in 1936, when its history of eighty years was written, it received from the public authority the designation of model society. The history calls attention to the analogy of Great Britain, where Scottish weavers of the eighteenth century prepared the way for the Rochdale pioneers of 1844 and thus for the co-operative movement of modern times. The modern [1] title of the Austrian consumers' movement is Central Union of Austrian Consumers' Societies, and that of the wholesale is Wholesale Society of Austrian Consumers' Society (*G.O.C.* for short), the letter "C" coming from the fact that *Konsumverein* is here spelt with a "C."

The harsh treatment meted out to Austria and Hungary in the Peace Treaty inevitably dominates their co-operative literature: for each country lost a majority of its territory, and correspondingly a majority of its co-operative societies; and it is remarkable to find that nevertheless the co-operative movement of both countries within a period of twenty years recovered its former dimensions. Intensive cultivation of

[1] I.e., as until March, 1938.

the field which remained was one way in which the sores of war were healed. Co-operation was a social ointment. But this success was only obtained at the price of great suffering. Before the war Austria and Hungary were complementary, the one mainly industrial, the other agricultural. After the war Austria was left with a great metropolis cut off from its hinterland of supplies, and ironically enough the one compensation which Austria got was the cession of German West Hungary—the Burgenland—at the expense of another mutilated country. But before the war the co-operative movements of Austria and Hungary were quite separate, and the main co-operative loss was the transfer to Italy and Czechoslovakia of several millions of German-speaking people, who had been strong supporters of co-operation.

Austria is in the very centre of Europe and its co-operative history has numerous analogies with that of the countries to the north and west—Germany, Belgium, France and Switzerland, but with Germany the contact is more than one of analogy. In law, constitution, relation to the credit movement and social democracy, in war and post-war economic experience and in the supersession (1934) of parliamentary by authoritarian government Austrian co-operation is linked genetically with that of Germany.

In 1872, when the General Union of co-operative societies was founded, it took the exact title of the Schulze-Delitzsch Union with the addition of the words " in Austria," but there were as many as 540 co-operative stores and these therefore had a larger representation in the Union than their proportionately fewer fellows in Germany. The economic crisis of 1873 set them back and it was only in the 1890's that they again advanced. The old Austria was federal in structure and therefore progress was made by the formation of sub-unions in the different provinces possessing considerable autonomy, but the strength was always in Vienna, where two old societies, the First Lower Austrian Workers Consumers' Society and the " Five-House " Society established in the '60's set the pace. But their outlook, like that of the General Union itself, was politically con-

servative, and a new influence, again from the capital, was introduced in the 1890's, when workers who were strong social democrats threw themselves with energy into co-operation. The leadership thus passed to a new society in Vienna, the *Vorwärts* of 1903, which built up relations between the consumers' movement, the trade unions and the socialist party similar to those in the Belgian movement.

The Austrian worker, it has been said, is above all things a politician, and in 1897, when the newly granted but illiberal franchise failed to win them a single seat, the workers took revenge on their political opponents, the bourgeois traders, by rushing into co-operative stores, and official Social Democracy after a period of reluctance gave co-operation its blessing. The result was the formation in 1901 of a Workers' Union of co-operative societies in opposition to the General Union. The same tension existed in Germany and there the General Union, taking the initiative, expelled the progressive co-operative stores, who proceeded to form their own Central Union. But in Austria the consumers' movement within the General Union was stronger and prominent co-operators resented the thought of a breach. However, both groups saw that with division it was impossible to form a strong wholesale society, and therefore when the authorities of the General Union showed caution in promoting a wholesale society their strongest consumer societies left them, and following precisely the example and title of Germany, the Central Union was formed in 1905 with the immediate establishment of a wholesale society as its first task. This was done without delay. The *Vorwärts* supplied the first premises and commercial services, and the new wholesale society was at first dependent for half its business on this single retail society. It was the sole supplier of the different shops of which the *Vorwärts* was a fusion, and it nearly fell between the two stools and nearly repeated the earlier failure of the leading retail society of Vienna to act as a wholesale society for the others. But it made gradual progress both in the capital and in the provinces and it was helped by the fact that in 1906 it was able to adopt for the first time the form of limited liability

and thus to secure non-withdrawable capital. The provincial expansion was only among the German-speaking people; for in 1908 the Czechs formed their own union and wholesale. The increase in business 1909–13 came largely from the Sudeten Germans living in Austrian Silesia. By 1913 the wholesale movement was well established but still depended on a minority of societies, one in four perhaps. The retail movement itself was more expansive, and by 1913 425 societies with a membership of 300,000 did a business of 100 million crowns, of which about one-third was with the Wholesale Society.

The war brought to the movement experiences similar to those of France. It was sufficiently important to be called upon to play a leading part in food-supply, and no doubt the fact that the headquarters and weight of the movement were in the capital contributed to the full use of it. In 1916 the Vienna societies and the Wholesale were entrusted with the provisioning of all the munition workers and their families in Vienna, 400,000 in all. They supplied co-operative members through their own stores and non-co-operators at their places of work. This organisation was repeated in the provinces, and the success with which the movement discharged its task caused the Wholesale Society to be adequately represented on the different war-time bodies. As in France, war requirements promoted the fusion of societies, the outcome of which for Vienna was the fusion of all the retail societies into one large society for all Vienna.

In 1914 the territory which the Peace Treaty left to the new republic of Austria had a store membership of 145,000: in 1921 of 503,000; but owing to amalgamations the societies remained at about 100. The 1921 figures, however, included many "paper soldiers" brought in under war conditions, and when these had been struck off there was left in the middle 1920's a membership of about 250,000. From then to 1931 there was an increase of trade and a very great increase in membership, shares, reserves and savings. In the abnormal years of war and currency inflation dividends had been suspended. These were now re-introduced, though kept at the low level of 1 to 2 per cent. The special tasks

on which the Central Union was engaged from 1925, when the currency had been stabilised and the balance sheets brought to a gold basis, down to the end of 1931, when the country was in the throes of a new and world-wide commercial depression, were: the repression of credit trading, the establishment of collective bargaining with the trade unions in respect of co-operative employees and the organisation of resistance to shopkeepers, who were now organised and eager to protect themselves against depression by restricting the field of the co-operative stores. Here again the experience of France is frequently recalled.

When we come to the Wholesale, we are in the atmosphere of Belgium. For the Wholesale became involved, at the insistence of its militant membership, in productive and financial ventures in which the State and the powerful municipality of Vienna had a part; and these threatened to exhaust its resources in enterprises which were either outside its proper field or at any rate not conducted with reference to the need of its consuming membership. One of these was the *Hammerbrotwerke*, which the social democratic party started outside Vienna before the war. It was modelled on co-operative bakeries which had appeared in Bohemia and which sold to independent retailers as well as to co-operative stores. Against its will the new co-operative wholesale society was involved in the financing of it. After the war the Wholesale had to build up again on its diminished territory and felt especially the loss of Czechoslovakia, which had been its main source of supply and which contained its largest productive factory—a jam works. Normal expansion was therefore replaced by association with the various socialist experiments of the new republic in industrial and agricultural fields. These included boot-and-shoe, hosiery and textile enterprises, and also the operation, jointly with the municipality, of slaughter-houses and wood and coal depots. But on the whole the Wholesale Society managed to keep the consumers' interest uppermost. It avoided the phase of company promotion in alliance with the investment market which characterised the contemporary System of Ghent, and it gave a consumers' turn to the textile and

allied ventures by developing on the lines of the Swedish movement a wholesale-retail chain of departmental stores, called warehouses, which were not unsuccessful. In addition it found room for some expansion within its own field, and its productive activities grew to include numerous enterprises—in Vienna printing and packaging, soap and chemical products: in the provinces flour, bread and prepared meat. Comparing 1913 with 1930 for the same territory, the trade of the retail societies was in 1913 67 million schillings, in 1930 157 million schillings; that of the Wholesale Society was in 1913 37 million schillings, in 1930 91 million schillings. But whereas in 1913 the societies did only 30 per cent. of their trade with the Wholesale, in 1930 they did 53 per cent.—not counting the wholesale-retail business of the Wholesale Society.

A last analogy with Belgium is to be noted. The labour movement had a Labour Bank, with which the retail and wholesale societies were associated. This Labour Bank operated successfully down to the political crisis of 1934. It was wider than the consumers' movement. It handled not only their funds but that of local credit unions which were organised around large factories and in other ways. In this crisis it was found necessary to close the bank, and this threatened the ruin of the Wholesale Society and prominent retail societies. But the Central Co-operative Bank, representing agricultural co-operation, stepped in, so that depositors were saved from all loss and shareholders recovered something.

The revolution of 1933 in Germany was followed in Austria by civil war, to which Austrian co-operators refer as the " unhappy February days of 1934." As a result the co-operative movement was compelled to withdraw altogether from politics. For two years the movement was in commission, but in January 1936 the Co-operative Wholesale Society was permitted to resume its independent life under the new régime; and the occasion was used to celebrate its thirtieth anniversary, delegates being present from many lands. The emphasis of the gatherings was on the freedom of the movement from political associations and

the need for the organised consumer to play an active rôle in the new State. Of especial weight was the statement of the Secretary of the International Co-operative Alliance, to the effect that this Alliance representing the co-operative movements of forty States was itself grounded on neutrality in politics and religion. Equally opportune was the contribution of the Swedish delegates when they pointed to their own success in preserving the unity of town and country and resisting the pressure of producers' cartels.

As the result of the union of Austria with Germany in March, 1938, the Austrian movement, it is to be presumed, will be recast in the German mould.

CZECHOSLOVAKIA

Czechoslovakia, with a population of 15 millions, has been the most successful of the succession States. It is also the most industrial and most democratic. Because of the great rôle which co-operation has played in building up a new State out of very diverse racial and economic elements, this country has rightly become the object of visit and study by foreign students. And though next to none can read its language, English-speaking students fortunately can refer to the two surveys in their own tongue, the *Horace Plunkett Year Book of Agricultural Co-operation* (1930)—" Czechoslovakia : A Co-operative Survey," which deals mainly with agriculture ; and the American *Report on Co-operative Enterprise in Europe* (1937), in which a review of co-operation in Czechoslovakia forms the opening matter of the historical Appendix. As this was an inquiry into consumers' co-operation, the emphasis is on such co-operation whether in the town or in the country.

When the republic was created there existed already a number of co-operative movements separated by territory, language and function, and their patterns were already so firmly set that little rearrangement was possible or even desirable, but the Government was friendly towards co-operation in all its forms, realising its value as social cement

and sympathising with the economic democracy for which it stood.

In the industrial East there are two federations of consumers' industrial societies, representing the Czech majority and the German minority. Each has its own wholesale society with productive departments and the Czech Wholesale has as many as thirty factories and mills. There are in addition a number of moderately successful workers' productive societies, the most successful being those which through affiliation with the consumers' movement receive therefrom financial support and custom. Both consumers' federations have their headquarters in the capital city, Prague. The Czech federation had, in 1935, 755 societies with 469,000 members, and the German federation 137 societies with 243,000 members. The annual turnover of the former's Wholesale is advertised in January 1938 as 530 million Czech crowns, and of the latter's as 300 million Czech crowns—1 crown = *c.* 1¾*d.* There is a marked movement towards decline in the number and increase in the size of individual societies. This fact, together with the close relations with the trade-union movement (all employees in the Czech federation are required to be trade unionists), and the increasing percentage of goods produced within the movement recall the experience of Great Britain and northern Europe. Finally, the movement is politically neutral, though as in Scandinavia the urban co-operatives are inclined to sympathise with the socialist party.

Friendly relations, expressed in agreements or understandings, have existed between the two urban movements. They buy certain products from each other and they have an understanding that neither will build a rival productive plant if the other is already well established in that line. There are also friendly relations between the urban and rural movements. The farm population rarely belong to the consumers' societies of the urban movement, since they have their own supply organisation, retail and wholesale, for trade requisites and domestic goods. But there is some inter-trading between the Wholesales as well as some purchasing in the ordinary course of trade by the consumer societies

from the farmers' marketing societies. In particular the Czech Wholesale has an agreement with the Agricultural Wholesale Society (*Kooperativa*), under which it supplies various of its products to farmers' co-operatives and purchases other products from them.

In some ways the situation resembles that in Holland—numerous groupings, no formidable percentage of the national retail trade, a relatively stronger hold on the agricultural requisites business, and a readiness in spite of racial and occupational differences to stand together and resist threats to the progress of co-operation from non-co-operative quarters. A further and distinctive rallying-point in Czechoslovakia is the success which has been made of the co-operative form in the supply of electricity. The organisation is a blend of State, communal and voluntary co-operative enterprise. These societies supply the bulk of the country's power, outside of that produced by firms for their own industrial use; and although two-thirds of the membership is composed of rural cultivators, the emphasis on communal service aligns it with the urban consumers' movement and also associates the public authorities, central and local, with the encouragement of the co-operative form.

HUNGARY

Hungary,[1] under the harsh terms of the Peace Treaty, was left with only one large industrial town: the capital city of Budapest, which possesses two urban consumers' organisations. The older is the Society of Hungarian Civil Servants, which since 1934 has been a member of the Agricultural *Hangya* Union. As the outcome of this it took over the *Hangya* branches in Budapest, and in return handed over to *Hangya* its country branches for amalgamation with the societies of *Hangya*. The second society, the General Consumers' Society, was founded in 1904, mainly by printers. Like the civil servants' society, it is a large central society with numerous branches. Having a mobile membership, it has met their case by setting up

[1] See *Plunkett Year Book* (1937), "Hungarian Co-operation," by Robert Halpern.

large shops in the centre of the city rather than small shops in the outskirts, where they are living only for a time. As in Basel, they operate specialised units, one called *New York*, which sells principally stoves, hardware and toys, and another, called *Thalia*, for clothing and textiles. The society has its own butchery and meat-making department, besides a chemical and soap factory, the products of which are sold in the society's shops. It has also a savings bank, an insurance society and a scheme of collective life insurance, based as in England on the level of purchases. Its function as a price-regulating agency in Budapest is important. The statistical office of the Government has established the fact that it sells 3–5 per cent. cheaper than do comparable competitors. While quite independent of *Hangya*, it has some inter-trading with it. I have dwelt in detail upon this one society in order to point out how a single society can nevertheless exhibit many of the features of a developed movement. Consumers' co-operation has a great fund of common experience from which to draw and to which all have contributed. This is internationalism at its best.

But in a country like Hungary to put urban co-operation first is to put the cart before the horse. Urban co-operation is an inset on a larger map of rural co-operation, whose lines were drawn before the war by the great Count Karolyi.[1] We confine ourselves here to the consumer side of it; that is to say, to the activities of the consumers' central organisation called *Hangya*, the Ant. The war almost doubled the establishments of *Hangya*, because it proved itself the best instrument for provisioning the people. The peace more than halved them by taking away 1,400 out of 2,140 societies. The hammer-strokes of war, revolution, communism and inflation threatened to kill it; but with the State in support it won through, and by 1922 was serving nearly half the population of Hungary. Karolyi was strong for self-help, but the participation of the State in the financing of *Hangya* was justified by the abnormal post-war situation; and the fact that Hungarian law forbade the acceptance of savings

[1] For a pen-picture of Count Alexander Karolyi, see Professor K. Ihrig, *Plunkett Year Book* (1938), pp. 29–38.

deposits by co-operative consumers' societies was a further reason justifying *Hangya* in seeking for the first time financial help from without.

As we shall see in our review of Italy, industrial co-operation may embrace a form of co-operation which (from the nature of its enterprise) is unrelated to the consumers' movement. This is the labour society which undertakes engineering contracts in the town and country. These in Hungary enjoy the facilities of the National Co-operative Credit Central, which is the financing authority for all branches of the co-operative movement, agricultural and industrial. They are principally engaged in road, railway and canal building and in drainage work. They are known as *cubickers* because paid by the cubic metre of earth removed. Their steam-engines are to be seen at work in sand-quarries and brick-fields. Important operations are organised through a central society, which supplies the technical and financial service and supervises the work of the local societies.

The co-operation of a country reflects its history. The labour societies of Italy and Hungary reflect an abundance of rural labour power relatively to the opportunities for land ownership. The Hungarian Liberation Law of 1848 released a rural labour force. The greater part stayed on the land as labourers and of these some became peasant proprietors when certain of the larger estates were divided up after the war. The other and more enterprising part became specialised navvies, who did no agricultural work except perhaps at harvest time. Before the war they travelled largely over Europe where their repute was high. But the post-war situation closed foreign frontiers to them, and so, as in Italy when the South American labour market was cut down, there was left inside the country a labour force which was capable of undertaking internal improvements with exceptional energy and skill. Since they were working inside their own country they were able to adopt the co-operative form.

Though Hungary lacks great towns, yet it has a considerable small-scale industry and the number engaged in it

exceeds that of factory workers. For these a special co-operative organisation exists. Such societies of craftsmen must belong to the Industrial Central Authority, established in 1924 to supervise their activities. The Central arranges credits and organises the supply of raw material and equipment and the sale of finished articles. The furniture industry is the most important. We shall observe in Germany and Russia similar efforts on the part of the Government to organise and strengthen small-scale industry.

We do not push farther east among the succession States in our account of the consumers' movement for the reason that their problems are so largely agricultural.

CHAPTER IX

GERMANY—ITALY—RUSSIA

FROM the countries of western democracy we pass to the countries which by revolution have obtained a contrary form of government, to which various names have been applied—dictatorship, the totalitarian state, the authoritarian state. More specifically it is named National Socialism in Germany, Fascism in Italy, and Communism in Russia.

The *People's Year Book* for 1937, which is published by the Co-operative Wholesale Society, closes its short notice of co-operation in Germany with a statement that the movement there

> is directly under the control of the Nazi Party and has therefore no longer any membership with the International Co-operative Alliance as it does not fulfil the necessary qualification of being democratic (p. 263).

Though not so stated in the *Year Book*, the same applies to Italy. Its movement is directly under the control of the Fascist Party and is not in membership with the Alliance. Russia is in the Alliance, but the 1937 notice states that

> in the autumn of 1935, when supplies of most goods had become sufficiently plentiful to make it possible to abolish the Ration Card System, the State Co-operative Stores in the cities were amalgamated into one firm under the Commissariat of Internal Trade (p. 297).

This means that in the cities the voluntary co-operation of consumers was abolished by fiat of the State. The quarrel of the Alliance is not with the internal government of the societies in Germany and Italy ; for here they conform to the requirements of co-operation. Membership is in principle voluntary and the societies manage their own business. But a control is exercised by higher authorities, who are

concerned not merely with its economic development but also with its conformity to the social and political programme of the State. Hence it is that the visitor to-day receives his introduction to the co-operative societies through officers who have been installed in new posts as the result of the change in the form of national government. No change in the internal management of the societies, it would seem, could bring them within the qualification of democracy as understood by the Alliance. For the authoritarian state forbids any contact with democratic politics, formally or informally. But as our primary concern is with the economics of co-operation, we must not for political reasons condemn in advance the co-operative movement of these countries. Our initial question is, how has consumers' co-operation fared in these countries?—and the answer for Germany and Italy is that it has fared none too well, and in Germany much less well than in Italy. In neither country does the consumers' movement possess the drive of which it formerly—in Germany at any rate—gave promise. This setback has been in part owing to the growth of other forms of co-operation; and this is true of Russia also. The authoritarian state is in principle opposed to a sovereignty which is based on the free choice of the organised consumer. In Germany this opposition is accompanied by far-reaching organisation for the strengthening of the middle-class (*Mittelstand*), as independent traders and producers: in Russia by compulsions designed to eliminate that class together. Italy comes midway. Private capitalism is under control, and the only definite limitation to the consumers' movement is rigid abstention from politics. Politically Italy is in alignment with Germany, but economically its industrial co-operation has some similarity with that of Russia. Its special strength resides in the field of co-operative labour for productive purposes; and the application of this form of co-operation to land reclamation and to the operation of land thus reclaimed has a structural similarity with the collective farming of Russia. Collectivism was the outcome of compulsion, but there is much voluntary co-operation among the members of Russian collective farms

in respect of the disposal of private produce and the spending of earnings, as well as among small owner-producers in industry, fishing, hunting and miscellaneous occupations. It is therefore broadly true to say in all three countries the weight of co-operation rests with a producers' organisation, which frequently sells its produce or supplies its labour to the State and in any case conducts its selling under a régime of controlled prices, from which the speculation of free capitalism is excluded.

GERMANY

Before the war the German co-operative movement consisted of three powerful groups: The agricultural group (which is examined in the Supplement); the urban credit group of Schulze-Delitzsch (styled General Union), with which were associated a number of building societies and stores; and the consumers' group (styled Central Union), which had broken away from the credit group at the Kreuznach Congress in 1902. Though the membership was often labour-minded, the Central Union was deliberately neutral; and it was because of the attachment of the British movement to political neutrality that the founders of the Central Union took England rather than Belgium as their model. There was also a very much smaller group of consumer societies (styled Imperial [1] Union), with confessional leanings. Each of the two consumer groups had a Wholesale Society, the Central Union at Hamburg, known by its initials as *G.E.G.*, and the Imperial Union at Cologne, known similarly as *G.E.P.A.G.* At the conclusion of the war the urban credit group handed over the balance of its stores to one or other of the consumer groups. The Imperial Union included also societies which were largely composed of officials.

In the Central Union (*Zentralverband*), as in Switzerland, the Union itself, the Wholesale Society and the Co-operative Press were integrated, and the Wholesale was the spear-head

[1] *Reichsverband.* "*Reich*" in this chapter is translated "imperial" to conform with Vol. I. But German correspondents now prefer "national," and it is so translated in the Supplement.

of advance. Founded in 1894, it celebrated its silver jubilee in 1919, and Henry Kauffmann, its devoted Secretary, wrote its history. As one turns the pages of this book, with its photographs of leaders and establishments and its charts of progress, one recognises the solidarity and efficiency of the German character. And furthermore one sees the concrete rebuttal of Marxian economics; for official socialism had despised co-operation, and was only reconciled to it when it realised that it might serve as cells of social democracy. During the war the consumers' movement placed its services willingly at the disposal of the Government, but as in England the Government used it rather reluctantly. It was, perhaps, suspicious of its loyalty, and there was also the difficulty of allying the consumers' movement with those who had formerly been bitter trade rivals.

Nevertheless, the Central Union and Wholesale Societies in twenty-five years accomplished great things.[1] They fought successful battles with the owners of proprietary articles and with cartels in and about 1908, when the English movement was engaged in the same fight. In 1909, taking as their model the C.W.S. Bank at Manchester, they entered into banking. At the same time they embarked on production, beginning here by taking over two tobacco factories, which had been co-operative productive societies, and then building their own plants for soap, matches, footwear, etc. Inside their wholesale establishment they conducted printing and the preparation of packing material, together with coffee-roasting and the processing of other imported goods. Although during the war their trading turnover declined, their own production mounted and after the termination of the currency collapse it rose from 11 million R.M. (Reichsmarks) in 1923 to 145 in 1931. This was a thirteenfold increase of production, as compared with a sixfold increase in trade, signifying that the movement was becoming to a large extent its own supplier. The productive activities fell finally into three groups: foodstuffs;

[1] Before the breach with the Credit group the leaders of the young Wholesale Society visited England (1899) at the invitation of the C.W.S., and their Report on *Our English Tour* was the inspiration of the German movement for the next fifteen years (1899–1914).

non-edible requisites; cloth and clothing. Close relations were developed with agricultural co-operative societies in respect of foodstuffs and wines.

The supply of the whole country from Hamburg was a formidable task. The new Wholesale had to overcome provincial prejudices, as well as the factor of distance. For its through-traffic it opened before the war a special "express" department; and it had its own motor and barge service. It maintained touch with its members by regular provincial meetings and improved the methods of territorial representation both in its own organisation and in that of member societies. Local committees kept their districts informed of events and conducted campaigns for the increase of membership. But owing to the efficiency of German shopkeeping and the predominance of the small town the share of the movement in the trade of the country was not so high as in some countries adjoining it. Before the revolution of 1933 it amounted to between 4 per cent. and 5 per cent. It was highest in the bakery section, where perhaps it amounted to 7 per cent. In October, 1937, I visited the magnificent Central Bakery which supplies Hamburg and district.

The revolution of 1933 brought the movement to a violent halt and exposed it to a process of *Abwicklung* signifying diversion, purge, liquidation, and for a short while it seemed that the movement might founder. But this has not happened. For the Government determined to salvage that part of it which in its view was sound; and pending reorganisation placed it under the German Labour Front, which afforded valuable shelter in critical days. For in the excitement of the revolution the fear spread about that the stores would be closed altogether for the dual offence of being a chain-store system and therefore an anathema to the champions of individual trading (*Einzelhandel*), and also of being Marxian socialist in politics and therefore hostile to National Socialism. One of the first measures of the new controller was the unification of the divided forces of the consumers' movement into the Imperial Union of German Consumers' Co-operative Societies, with a single

Wholesale at Hamburg. Two years later, in 1935, the process of reorganisation was completed. Insolvent societies were liquidated. The Government issued a special decree to facilitate the liquidation and placed 60 million RM. at their disposal, so that the savings of depositors should not be lost. However, by December 31, 1940, the savings departments of *all* consumers' societies must be wound up and terminated. The finance required for development is to be provided henceforth by the Wholesale Society. To a British Co-operator this would seem a severe impediment to a lively local movement.

The outcome of 1933–5 was a loss of 30 per cent. in membership and 25 per cent. in trade. Among the seventy-odd societies which were wound up were those of Berlin, Cologne, Dresden and Chemnitz. Happily the great Hamburg Society, *Produktion*—renamed *Niederelbische Verbrauchergenossenschaft*—has survived; its shops, central premises and housing blocks still present to the visitor the same appearance of technical efficiency which they did before the war. The stores which remain are strongest in Saxony, Thuringia and middle Germany. In the Thüringenwald, I was told, there are small towns where most of the workers were members. In the Rhineland district the old centre of the Imperial (confessional) Union, there is a more middle-class membership.

While undoubtedly the revolution hurt the movement, the evidence presented in recent literature of perhaps questionably objective character shows that the revolution caught the movement in a weak position. In the ups and downs of post-war German business (and it is the fixity of prices and conditions which Germans emphasise as the most welcome feature of the new system) the consumers' movement expanded rapidly in membership and equipment and built up savings to the extent of over 400 million RM., which were largely invested in property, new shops, central bakeries, meat-making plants and housing schemes. Since the savings were withdrawable on demand the situation was vulnerable. The economic crisis of 1931, with its burden of unemployment, diminished purchasing power and

caused turnover to fall, and in the course of 1932 more than 100 million RM. of savings were withdrawn. The German law against trade with non-members prevented the recovery of trade along this line, and the run on savings was especially serious in the larger societies, which had recently engaged in the extension of their properties. The events of 1933, therefore, precipitated a crisis which would have been in any case difficult to avoid.

Another blow to the movement is the changed position of the Wholesale. It is now styled officially the German Wholesale Society, and it is no longer restricted to the supply of its own membership. It does about 30 per cent. of its trade with non-co-operative organisations. For example, in the meat-works which I saw the chief floor was devoted to the supply of meat to the Army. It is no doubt much better that the plant of the Wholesale should be used in this way rather than be transferred into non-co-operative hands, but the change is indicative of the lowly status which a democracy of consumers occupies in the New Germany. I formed the opinion that the officials in control at Hamburg were genuinely desirous of promoting the expansion of the movement within the limits permitted by the policy of the Government and that the personnel of the Wholesale Society and of the Hamburg Retail Society was conscious of this support and carrying on with hope. There is once again a Consumers' Co-operative Press, and the Annual Congresses have been resumed. I could not help feeling that the old membership of the movement would welcome the return of personal contacts with the British movement to which they were so indebted in the past.

We come now to the reverse side of the medal. The political changes which brought difficulties to the consumers' movement helped the other and older side of German co-operation, which had for its purpose the support of the small independent craftsman and trader—the handworker (*Handwerker*) and the trader (*Händler*). The old title of the Schulze-Delitzsch organisation was " General Union of Co-operative Societies for Trading and Economy (*Erwerbs- und Wirtschafts genossenschaften*) resting on Self-help " ;

and before the war, after the consumer societies had formed their separate organisation, it seemed that the General Union might in future be simply a union of urban popular banks, and that these banks, as they or their individual clientele grew in size, might merge themselves in the banking life of the community until their co-operative element became uncertain. This seemed the more likely, as efforts to promote the co-operative organisation of small industrialists in fields other than the provision of credit for long met with slender success. But on the contrary the credit societies have retained their distinctive quality of providing credit for the small independent industrialist, whether producer or trader; and these producers or traders have now formed important co-operative organisations for the supply of raw materials and the disposal of their goods. Of outstanding importance are the co-operatively organised independent shopkeepers with a nation-wide organisation, *Edeka*, and the more recent national organisation of bakers, *Erdeba*. *Edeka* (*E.D.K.*) and *Erdeba* (*R.D.B*) are the first letters of words signifying Co-operative Purchasing Society of German Shopkeepers, and Imperial Central of German Co-operative Bakers, respectively.

The slogan of these urban societies, whether handling money or material, is the double "S", *Durch Selbsthilfe zur Selbständigkeit*, that is, through self-help to self-dependence; and in the retailing field this is reiterated by the emphasis on *Einzelhandel*, which means independent shopkeeping as contrasted with the chain or departmental store. We shall best understand the theory behind the programme if we think of it as an endeavour to do for the town worker what agricultural co-operation has done for the rural worker. The purpose of agricultural co-operation is to strengthen the peasant proprietor as an independent producer, the purpose of urban co-operation is to strengthen the townsman as an independent producer or tradesman (*Kaufmann*). The craftsman has always been honoured, but he must in addition be made efficient and capable of survival. The tradesman survives, but he must be proud of his trading. It is a calling (*Beruf*), a profession. And the two forces

which the new Germany has employed to achieve this purpose are the old force of thrift and the new force of sympathetic alignment with the general programme of national socialism. Schulze-Delitzsch was a liberal in politics and the enemy of absolutism. None the less the kind of co-operation which is now expanding in the towns rests on those qualities which in particular he valued, serves those whom in particular he set out to serve and is liberal in its technical emphasis on individual status.

All the urban credit societies are now in one union, to which belong also the handwork and traders' societies. The present title is German Co-operative Union (*Deutscher Genossenschaftsverband*); and it was taken in 1920 as a result of the combination of the old General Union with a rival union of credit and handworkers' societies. To-day no rival union is permitted. All urban credit societies must belong to the German Co-operative Union; but inside the Union special credit unions for officials, railway workers and others are permitted. The credit societies of to-day retain their old distinctive quality of close association with the business activities of their members. The members save as well as borrow and the society confines itself to their service. The forms of credit have changed with the times; they now do cheque business, but abstain from investment banking and stock exchange loans. Credits are closely supervised, and they are strictly for short-term purposes whether granted in the form of what is called exchange credit or on current account. Limited liability is now almost universal owing to the very different means of the members in the society. The share capital is substantial and contributions to share capital impose a form of compulsory saving. The period of inflation, supervening on the loss of territory during the war, imposed terrible losses upon the credit societies. Their funds were rarely represented by objective goods such as land, which rose in value during inflation. Nevertheless by 1930, it is surprising to relate, the figures of 1913 had again been reached or nearly reached. This was not mainly because they had become distributors of State funds. The proportion of

share capital and reserve to borrowed funds was in 1913 25 per cent. and in 1935 20 per cent.

The vast majority of loans are small, the average being 1,500 RM. An official survey of the sources of short-term credit for the whole of German industry and agriculture (1933) shows that of credits up to 20,000 RM. there were 5 milliards (thousand million) in all, of which private banks supplied 18 per cent., public savings banks 28 per cent., and the co-operative societies 54 per cent. Of co-operative credits one milliard was urban and 1·7 rural. The urban credit societies after the war were in no privileged position. They experienced sharp competition through the entry of private banks (often reformed co-operative banks) and of the branch banks of great banks into their special field; also from the public savings banks, whose competition was exceptionally serious at a time when the State was associating itself with the reconstruction of industry. The co-operative banks could not offer the same absolute security as the savings banks and therefore they had to offer a little more interest, but they had the great advantage of being a decentralised system. They retained the loyalty of the middle class because they had never neglected it. The reality of co-operative credit was shown by the way in which it survived abnormal strains. After the revolution the legislation of 1934 covering industrial credit in general brought no embarrassment to the co-operative banks For their regulations in respect of standards of liquidity, loans to directors and supervisors, etc., were stricter than those which the law required.

The measures taken for the support of the industrial middle class are wider than the co-operative section of it. In the "imperial group" (*Reichsgruppe*) of handworkers there is a special group of handworkers' co-operative societies which are classified as follows: (*a*) productive societies, (*b*) work societies, (*c*) marketing societies, (*d*) *Lieferung* (i.e. contracting or delivery) societies. Similarly in the "imperial group" for trade there is a special group for common purchase to which belong all associations for the

purchase of trade goods, whether these be materials of production or goods of final consumption.

Pure productive or pure work societies are rare. The operations which they embrace are usually a subordinate part of societies which are mainly engaged in the purchase of raw materials. In the productive co-operatives woodworkers and brewers are important. The list of work co-operatives is headed by electricity, slaughtery, and transport. They appear to be groups of small industrialists or traders who in this way equip themselves with light, abattoirs, and means of transport. In the marketing co-operatives the butchers easily lead. The delivery co-operatives secure orders for work which individual members fulfil in tailoring, decoration, basket-making, etc. By one or other of the above types small industrialists are able to undertake heavy jobs beyond the capacity of one man.

The delivery co-operatives first became prominent during the war, when they hoped to secure army contracts. Most of them disappeared after the war or changed themselves into purchasing societies. After the revolution the State looked with favour upon the small man, but found that the delivery societies were no longer in a position to compete effectively; and therefore a special Imperial Central for handwork delivery was set up, which is prepared to use the co-operatives as local units. The new organisation is now the sole authority recognised for handwork contracts, and it is possible that the delivery co-operatives will occupy an important place in a wider organisation, which is designed to assist handwork whether organised in co-operative form or not. But as yet co-operative handwork is only a small part of total handwork; and the main co-operative contact of the handworkers is the co-operative credit bank. For of the one milliard RM. of credits granted by the urban co-operative credit societies about half goes to handworkers.

As stated already, the most important part of handwork co-operation is concerned with the purchase of raw materials. Among such societies the bakers are easily first, followed by the shoemakers. The bakers alone have 75 per cent. of the co-operative turnover in raw material purchase.

The main reason for this is that in baking the cost of raw materials is of outstanding importance, forming nearly 70 per cent. of the total cost. And therefore while the purchase societies as a whole supply not more than 3 per cent. of the raw materials used in handwork, the bakers purchase as much as 10 per cent. co-operatively. The bakers are now in a national organisation, *Erdeba*, and their place in the co-operative movement will become apparent if it is remembered that these bakers keep shops and are thus shopkeepers with a productive department. Their recent expansion has followed the lines of that taken by the older and much more important body, *Edeka*, which is an organisation of retail traders in the field of groceries. *Edeka* and *Erdeba* together are the reply of the independent middle class to the consumers' co-operation of the working class.

In the 1880's organisations emerged for the support of the small traders, which took co-operative form in 1907. In 1932 *Edeka* published its silver jubilee history. In 1935 it consisted of 460 societies with 28,000 shopkeeping members in over 6,000 towns and villages. The resources of the movement comprises 25 million RM. of owned capital and 67 million RM. of working capital. There was no check to the movement in 1933. In 1931 its trade was 267, 1933 257, 1935 299, 1936 330 million RM., and of this trade rather over half is done through the *Edeka* Central, which is the wholesale society of the movement.

The *Edeka* co-operatives are not merely buying agencies. They take delivery and sell at their own risk. They are not bound by compulsions to their wholesale or to other suppliers, nor do they bind their own members to take delivery from them. They arrange credits for their members through the *Edeka-Bank* and have a special scheme for setting up young members in new business.

The central organisation has its seat in Berlin, and I had the pleasure of meeting the management in the *Edeka* House there. The atmosphere was interesting. They talked with me mainly on the training of young shopkeepers and on the importance of making shopkeeping a reputable business

in which the members would have pride. One director remarked how disgusted he had been by a visit to Edinburgh, where all the fine and clean shops were multiple shops or co-operative stores, leaving to the private trader the business of selling groceries and spirits in dirty, ill-lighted premises.

The Central consists of three organisations: the Union which undertakes control education, publishing, joint advertising, and the like; the Trading Central or Wholesale Society, which has an important establishment in Hamburg, twelve branch establishments and a macaroni factory in East Germany; the *Edeka-Bank*, which was started in 1914 when suppliers suddenly withdrew credits. The Wholesale Society and the Bank have nursed societies in trouble, exactly as the Co-operative Wholesale Societies of Great Britain have done. No obstacle has been offered by the Government towards their saving and banking activities. The *Edeka-Bank* accepts deposits from their members, the co-operative societies, the co-operative societies accept deposits from their members, the traders, and only from them. To these deposit accounts are credited the trade dividends and capital dividends of members.

Since 1930 the object of most intense effort has been the organisation of the "savings and work" group, *Spara* for short. Its purpose is to launch young men in independent business. First capital must be raised, and they are not allowed to set up until they have saved a certain sum for themselves. Then they must be trained, and *Edeka* has an organisation for the technical instruction of its members. When the time comes to set up, *Edeka* helps them to secure business premises on reasonable terms. Towards the initial outlay the young member gets a loan. There is no trace of charity in the scheme. The members receive 3½ per cent. interest on deposits in *Spara* and pay the same rate on loans. This activity represents clearly the spirit in which shopkeeping is approached. A young man is not helped, indeed is not allowed, to set up under conditions under which he is likely soon to perish. Where the public authority prescribes a limit to the opening of new

shops, the *Edeka* candidates are well placed for favourable consideration.

The existence of a wholesale society for the supply of traders raises the question whether the wholesale society itself will ultimately become the direct supplier of the traders to the detriment of the local group. But this does not seem likely because, when central purchase was first attempted, it broke down as the result of direct trading with individuals. Moreover, it must be noted that the local societies buy a large quantity of their goods locally. The *Edeka* Central handles proprietary articles and imported goods, the local societies staple goods such as sugar, meal, fats, cigarettes. Therefore, although in the field of training and finance the Central is all important, yet in the field of purchase a large and fairly constant percentage remains with the local societies.

There is further the question whether the local societies themselves may develop into local chains of shops under central control; and there is an account in the Jubilee history of *Edeka* of "advertising and sales" groups, which seem a half-way house to a chain of stores. Such a group takes a single name, e.g. *Union*. They have a uniform shop-front with the member's name to distinguish each shop. They order jointly both from the *Edeka* Central and local wholesalers, and are thus a group within a group. It may be, however, that the growth of feeling against the multiple shop since 1933 will arrest this approximation to it.

When we consider whether the small trader can in this way be made efficient, two things must be borne in mind. First of all, the discipline of German life. Cartels which would have been unworkable in other countries have for many years proved capable of holding their ground. They have maintained the half-way position between independence and fusion which other countries find difficult. Secondly, the overriding control over prices and the general increase of business exercised by the Government. The disadvantages which the small trader encounters in a régime of free capitalism are reduced when a Government exists which

is fully sovereign over all producers and traders, whether large or small.

The *Edeka* organisation may be regarded as filling logically the gap in the performance of the old Schulze-Delitzsch organisation, which had failed to solve its problem by embracing in one general union credit societies and consumer societies; for as the latter grew they became rival to the small trader for whom the credit bank was created. The bakers through *Erdeba* are repeating the development of the grocers in *Edeka*, and other branches of retail trade may follow suit in the course of time.

Finally, it may be noted that in this type of co-operation there is no sharp contrast between co-operating and non-co-operating traders. The literature of the *Edeka* movement is part of the literature of German private trade. In its paper *Deutsche Handels-Rundschau* (German Trade Review) there is a report, September, 1937, of an International Congress held in Paris at which many nations were represented. There is also a report of an International Newspaper Congress and a notice of an International League against *Koppelungs-Verkauf* (i.e. the compelling of the buyer to purchase a group of goods instead of single lines). But the *Edeka* movement cannot be considered as a merely negative organisation, for while it exists for trade defence, it also has positive purposes in which those two co-operative essentials, thrift and education, occupy a central part, and its international contacts suggest that while co-operative consumers may be kept apart by differences of political outlook, the same obstacle does not exist between the traders of different countries. This is true also of agricultural co-operation and leaves us with the thought that the broad economic result of authoritarianism is to augment the status of the producer and to reserve to the State the determination of policy instead of allowing it to be determined either by the open competitive market or by the action of the organised consumer.

ITALY

If the foreign observer says that he finds consumers' co-operation in Italy somewhat thin and cold, it must not be assumed that he is obscured by political prejudice. He is courteously received. He may go where he pleases and he is given every help both at headquarters in Rome and in the provinces. But in the first place he feels that the introduction to consumers' co-operation through the Fascist authorities is a constraint. He finds that the walls of the offices and the literature of the movement subordinate co-operation to other things, to political enthusiasm, to advertisement of autarchy, to maps of Ethiopia and the like. In the second place, he finds it detached from the other branches of co-operation in spite of the formal unity supplied by inclusion in the National Union, which is styled *Ente Nazionale Fascista della Cooperazione.* It is to the credit of Italian co-operation, indeed, that it serves the poor man. Both in town and country the poor and the small are reached. But whereas in the country consumers' co-operation is part of a larger field of co-operation and is itself so general that in some regions the population depends upon it almost entirely for the necessaries of life, in the towns it is patchy and makes but a modest showing. Only in the north of Italy is the co-operative store a regular feature of an industrial area. There are, for example, important railway centres in central and south Italy, where the workers are housed in compact blocks. But one does not find there a co-operative store; only a commissariat named Providda. The co-operative store is not a community centre: that function is discharged by the club room—*Dopolavoro.* In the third place, in countries where consumers' co-operation is dynamic it is as it were anchored upon itself. It appeals deliberately to the working-class conscience. But a form of government which overrides the normal functioning of trade unionism takes the heart out of consumers' co-operation as a popular force. In Italy the movement does not think of itself as a co-operative commonwealth, because this might lead it indirectly into

politics. Purchase dividends are so low that the funds for big undertakings cannot be collected. The productive and labour societies are not under the same handicap. They must have an anchorage somewhere. In England they find it in the consumers' movement, in Italy in the public authority, local or central. This form of co-operation fits readily into the strenuous pattern of the Fascist State.

But while there are these limitations to the consumers' movement, it is none the less genuine in its internal structure, it is not capitalism masquerading as co-operation; and there has been no official hostility comparable to that which the German movement encountered. It enjoys one important privilege; it is exempted from the law of 1930, which prohibits the opening of new retail shops "except in newly settled centres or when it is a question of a co-operative consumers' shop." Moreover, co-operation as a whole is given a distinctive place in the Corporate State. The National Union unites the different federations of co-operative societies, consumers' as well as productive, and it and the federations have a separate place both in the Corporations and in the Confederations which deal with questions of labour. If the National Union and their provincial secretariats seem to the observer to be outposts of Fascism, it must be remembered also that they are the means of bringing co-operative enterprise within the national scheme. The expansion of consumers' co-operation is desired, and in one field it is quite certain that the new régime has assisted the movement. It has given the scattered societies the unity necessary to create an effective wholesale society. This was established in 1927. Its name is *Ente Centrale Approvvigionamenti delle Cooperative Italiane di Consumo* (*E.C.A.* for short), and its headquarters are at Milan.

I visited co-operative stores in the following places—Littoria, Modena, Milan and Turin. The co-operative stores of Littoria serve the new town which is the centre of the great land reclamation that has been accomplished by the National Association of Ex-soldiers in the Pontine Marshes south of Rome. The stores, as everywhere in Italy, are

food and wine shops. They supply the population of the town, which is a wage-earning population. There is no consumers' dividend. I asked if this or that person making purchases was a member, and the reply was that they might be, but that there was free entry for all. On the walls of the shop were official maximum-price lists. The stores sell at a little under the maximum price, and this, I was told, took the place of purchase dividend. I was reminded of Kettering and the new town of Corby in England to this extent, that the authorities in planning the new town have accepted the co-operative store as the main instrument for the supply of the population. The shops were well stocked. The farming population has its own co-operative organisation (*Consorzio Agrario Cooperativo*) for the province of Littoria, but though the peasants may buy at the store, I could not discover that there were any organised relations between the stores and the agricultural body.

The co-operative store at Modena is named *Azienda Consorziale* and takes its name, I gathered, from the fact that it formerly acted as a local wholesale to small societies in the district. It was started during the war as a communal institution and afterwards turned into a co-operative. It is now a district society with eighteen shops and 1,800 members. It has no purchase dividend and most of the sales are to non-members. The annual sales are 6 million lire. Of several shops visited one was in an excellent central position, and its rent was low because the premises are owned by the city. Head office adjoins the central bakery, in which bakers' wages average thirty-three lire (say 6*s.* 8*d.*) per day, with no night baking.

Turin

The *Alleanza Cooperativa Torinese* is the largest consumers' co-operative in Italy. Membership, 13,000; capital, 16 million lire; sales, 92 million lire; employees, 1,000. Its shops are food and wine shops, and it also has eight chemist shops. Of its 150 food and wine shops some are owned and some rented. The central premises recall those

of a large provincial society such as Strasbourg. The central bakery was inaugurated by the Duce some five years ago. The leading lines are bread, wine, cheese, sausages (*salumi*), and general groceries. I understood that there is no direct purchase from the co-operative wine-making societies. The cheap heavy wine of Sicily and South Italy is bought in bulk and blended with lighter and more expensive wine. I talked with the management about the policy and outlook of the society and gathered that it was as follows. Low price is the first consideration and it is this which appeals to the membership. When general trade conditions are bad, the co-operative store gets more business: when they improve, purchasers are apt to patronise more elegant shops. Italy as the result of recent political events—the policy of autarchy and exposure to economic sanctions by foreign powers—has passed through a severe time, in which prices have been rising and economy of consumption has been imperative. Under such conditions a society such as this in Turin has prospered and rendered fundamental service to wage-earners.

Milan

Milan, which is the seat of the Wholesale Society, has now no retail consumers' society apart from thirty-two branches which are operated by *E.C.A.* This is the result of a co-operative tragedy which cannot be laid to the charge of Fascism. Buffoli's famous society, *L'Unione Cooperativa*, is no more. It was founded in 1881 and collapsed in 1929, after a very famous history. It was never a working-men's co-operative. It began as a clothing and furnishing emporium, to which food departments were added later. Up to 1921 it was on the increase and in that year had sales of over 100 million lire, but the prosperity was apparent only. Down to 1914, the year of Buffoli's death, his personal magnetism had been able to compensate for the lack of true co-operative spirit. A large part of the membership lived outside of Milan, the employees of the society were left to determine its policy and the membership itself

looked only for high dividends. On savings accounts as high a rate as 5 per cent. was paid. The war staved off an imminent collapse because the society was given official duties in connection with the supply of the army, the hospitals and the civil population. The price collapse which followed the war showed that the society had over-developed its properties. It had a huge central emporium in a town in which there was an excess of departmental stores. In 1923 a public commission was appointed in the hope of saving it, but the society could not bring itself to abandon the notion of a great store and after selling its main property bought a similar smaller one. The National Fascist Union impressed upon the society the desirability of fusion with another large co-operative society, which was also in trouble, namely, the *Azienda Consorziale dei Consumi* of Milan, a society of municipal origin, on which the municipality had lost heavily, but this was declined; and after an attempt to operate certain shops of the two groups as a Co-operative Alliance, the present position was reached by which the Wholesale Society (*E.C.A.*) is operating a number of shops taken over from the Alliance.

The statistics of consumers' co-operation for all Italy show for 1930, in round figures, 3,000 societies: 4,500 shops: 700,000 members: and sales of 1,362 million lire. There was thus a big field for a wholesale society, and *E.C.A.* has succeeded where a number of provincial wholesaling experiments of pre-Fascist days failed. Its trade rose from 33 million lire in 1928 to over 100 million lire in 1934, at which level it still stood in 1937. Though it has no large productive departments, it is a real wholesale society with large offices, storage facilities and a coffee-roasting plant. Some 3,000 societies have accounts with it, though not all are members. The societies vary greatly in size, yet in the administration of the Wholesale the rule is, one society one vote. There is some reciprocal trade with *V.S.K.*, the Co-operative Wholesale Society of Switzerland, Swiss cheese being imported and Parmesan cheese being exported. Important societies served are Turin,

Trieste, Brescia, Modena, Trento, Pietra Santa (Lucca). The Turin society heads the list, followed by Trieste.

The strength of the consumers' movement both on the retail and wholesale side is emphatically in the North. The *Unione Militare* of Rome, which was a creation similar to that of Buffoli in Milan, has been converted into a private establishment. But if one is struck by the absence of co-operative stores in a town like Ravenna, which is so rich in producers' co-operation, this must be remembered: these towns have great municipal markets, which have perhaps been built by the co-operative productive societies of the town, and these markets are attractive and efficient. They recall the gay display of the great public market of Barcelona. In front of each stall are the published price lists; one cannot say that in such towns the consumer is at the mercy of capitalism. Rather, the control over the conditions of sale have been reached by another route.

Italy is the home of the co-operative productive society in the special form of the labour society, which undertakes all forms of building and allied tasks; and these bring the labour societies by way of land reclamation on to the land, which after reclaiming they cultivate co-operatively in a variety of forms. The provinces of Ravenna and Bologna are the strongholds, but the movement is national and on the seaboard it embraces maritime activities, ship-building, ship-ownership and fishing. I visited societies in Ravenna, Bologna and Faenza. The different societies in each province are grouped in provincial federations, which have a functional use in the distribution of contracts requiring a variety of services. Thus the Ravenna federation comprises some forty societies with 15,000 members, the Bologna federation some thirty societies with 8,500 members. In Ravenna the key society is the *Muratori e Cementisti* (builders and cement-workers), who are the leading builders of the town. The membership is 400, but the employment roll much larger. In Ravenna alone they have 1,200 working for them. Thus only the leading workers are members. One goes to Ravenna, indeed, primarily to see

its old churches and mosaics, but new Ravenna is worthy of the old, and the new buildings of the town are the work of the co-operators: the town hall, the Fascist hall, the colonnades in Byzantine style. They have caught the spirit of the past and are as qualified to undertake the restoration of old buildings as to build new ones. In January, 1938, the foundations of a big school in the centre of the town were being cleared by them. But they are more than a local society. They have offices in four centres of Italy, four zones of labour, as they are called, namely, in Ravenna, Rome, Potenza in South Italy, and Zara across the Adriatic. Charts in the jubilee history of the society (1910–35) show the relative importance of the different branches of work in the following order: house building, land improvement, roads, drains, hydraulic work, maritime work, decoration in cement, bridges, demolition. It must be remembered that this work is undertaken in conjunction with other societies, notably the *Braccianti*, for which there is no simple translation. We may call them contract labourers, or navvies.

The adjacent town of Faenza has a composite society named *Nuova Cooperativa Braccianti Muratori, Carrettieri e Affini Faenza*, and I had the pleasure of going over its premises. It holds the contract for the maintenance of all the roads in the province and was constructing the new palace for the Government Offices. It was founded in 1908 by thirteen workers, of whom five are still alive; and to-day it has 600 members, 150 *Muratori* and 450 *Braccianti*. The central premises contain offices and architects' rooms with plans, models and photographs of work completed. Notable among the last was the big underground canal which has been cut through the town. In all, since its foundation, the society has completed 250 million lire of work, of which 5 million lire was in 1936 with a wage-bill of 2 million lire. From the central premises I was taken to the plants (*cantiere*). One of these was the cement-works, circular in form, with cement in the process of setting and road material in preparation. The second contained the lorry park, with horses' stables, lorries and

great road-crushers. Both here and at Ravenna it was agreeable to observe the friendly relations between the Fascist provincial secretary and the workers. The President of the *Braccianti* in Ravenna, with whom I shook hands, was a working man.

In Faenza adjoining the *Nuova Cooperativa* was a highly skilled woodworking society, the *Cooperativa Ebanisteria Casalini di Faenza* (Cabinet-workers' Society), founded in 1886. It has a staff of eighty and is equipped for high-class trade in house and office furnishing, which included furniture for State railway stations. Its business in 1937 was 1·2 million lire. The society is named after its founder, who was responsible for the stalls in the choir of the cathedral. The office walls tell of a long array of prizes won at national and international exhibitions. The rich and numerous woods pointed to a class of business which would not find a market in purely working-class homes. It thus did not recall the cabinet-works of the Co-operative Wholesale Society of England.

These are isolated examples of Italy's contribution to co-operative production in the field of industry. Even more distinctive (for in Paris we have the skilled productive society also) is the contact of industrial co-operative labour with the land. For the labour societies have taken as their special field the improvement of land; and when the land has been improved it remains to be colonised. The most famous of these achievements is that which the *Braccianti* of Ravenna undertook in 1883 in the malarious region of Ostia, the ancient port of Rome. Their history has been written in a recent work *Le Cooperative dei Romagnoli ad Ostia*, 1934. It was pioneer work accomplished under formidable conditions, but the result was to change useless malaria-ridden land into rich malaria-free land and to benefit the health of Rome itself and give birth to the towns in its neighbourhood. It was the model on which other schemes of smaller dimensions have been undertaken. The Fascist Government on coming into power gave the colony its support, and in 1926 Signor Mussolini accepted an invitation to become a member of their co-operative

society—a member of the "Co-operative Workers and Colonists of Ravenna resident in Ostia and Fiumicino." This double title draws attention to the double nature of the co-operation—clearance and cultivation. The work of clearance and construction, which was the origin of the undertaking, recurs as new improvements are undertaken and the land is built upon. In this field the co-operative societies are not confronted with any difficulty other than that of making their contract remunerative. But another problem arises when it comes to the settlement of the land, and it is here that differences of operation occur according as the societies cultivate the land on an individual or collective basis. In Littoria, which was a special scheme of soldier-settlement, and in Ostia the evolution appears to be towards a controlled private ownership. The settlers are on probation for a period of years, at the end of which time the holding becomes their property. In the province of Ravenna itself the co-operative agricultural labour societies possess 10,000 hectares of land, of which 5,000 is owned and 5,000 leased. I gathered that there was a form of produce-sharing between the co-operative society and the member-tenants. This, however, takes us over into the field of agriculture, and we mention it here in order to show how in a country where there is great land hunger co-operation originating in the industrial act of land improvement serves as a stepping-stone to a modified form of collective farming. If we are to do justice to their achievements in land reclamation, we must compare them with the costly schemes of land settlement and soldier settlement after the war in Great Britain and the Dominions. When restrictions on immigration denied entry to Italian workers in North and South America, the Italian Government met the challenge by internal expansion; and whatever we may think of Abyssinia and economic sanctions, we must not forget that the constriction in the field of labour was imposed on Italy in the first instance from without.

It has been suggested that the co-operative labour societies in Italy have been used by Fascism for its own purposes, but the charge is unfounded. They have certainly benefited

from the new régime in respect of stability. During the war the Government was the great giver of work. The labour societies bid for it, the State supplying the finance. A vast and often specious growth of these societies ensued. The abuses were so glaring that liberal opinion itself turned against co-operation, and when at the end of the war workers seized factories and camped in them, liberal opinion hardened against them. Notable among them was the economist Pantaleoni, who wrote thus to Charles Gide:

> You ask me why the economists do not love the co-operatives. We do not love them because they have robbed the State of hundreds of millions, because with us they have been the most shameless robbers that we have ever known in the world of business.

From seizing factories the workers passed by an easy transition to the seizure of land either of unreclaimed land or of land in large estates. Before this crisis the old National League vacillated. It would neither approve nor condemn. The Government was equally weak, so Fascism came and did the work instead. It is obviously to the advantage of a movement which is largely engaged in public works that it should have a central organising authority; and this the movement now possesses. It has always been the danger of Italian co-operation that it has been too scattered and local. Centralisation was wanted; and no well-wisher to Italian co-operation can desire a return to local separatism either in the industrial or the rural field.

RUSSIA.

Extremes meet. Mr. Walter quotes the remark of a Fascist who had recently returned from Russia: "They are trying to do what we are doing but they are badly handicapped by lack of technical knowledge and equipment." [1] The loyalties are, indeed, quite different. Germany and Italy stand for the small independent man in town or country and desire to enlarge the area of independence. Nevertheless, a régime of authoritarian control

[1] K. Walter, *Co-operation in Changing Italy*, p. 46, n.

results in groupings which are analogous. To the measures taken for the limitation of the urban consumers in Germany corresponds the enforced elimination of co-operative retailing by decree of September, 1935, from all the chief towns of Russia. To the various schemes of land colonies in Italy in which the State plays a part, and which range in scope from central management to individual operation under a common lease, correspond the various forms of collective agriculture in Russia—the State experimental farms, the communal farms, the collective farms of the looser artel type in which there is collectivity of crops and buildings but individuality of house, garden, and domestic stock, the last being the dominant form. Finally, in all three countries there is a large body of industrial labour not engaged in large-scale mechanised industry; and this provides a field for association of the owner-producer type, which in pre-war days socialist thought regarded as tainted with capitalism. Viewing the pattern of Soviet Communism, Mr. and Mrs. Webb emphasise the multiformity of organisation. Soviet Communism does not involve either universal State ownership of the instruments of production or the existence of but one possible employer of labour or of only one method of gaining a livelihood. In trade unions working under State trusts or other public authority there are 18 millions of workers: on the collective farms 30 millions: and outside these no less than 15 millions of independent producers including craftsmen, dressmakers, drivers and the still remaining independent peasants. Of these 15 millions some 3 millions are organised co-operatively in a body called *Incops*, and with this in mind they write: "It was characteristic of Lenin's genius that he set superlative value on the principle of multiformity in social organisation." [1]

The course by which Russia reached the curious co-operative medley which is described in Vol. I of the Webbs' book and their Postscript of 1937 was roughly this:

The Tsarist government suspected the co-operative movement because of its democracy, which the intellectuals for the same reason championed. It would not even permit

[1] S. and B. Webb, *Soviet Communism*, I, 219.

Schulze-Delitzsch to advocate co-operative credit at Riga, and it scotched the efforts of reforming liberals to develop the store movement in the 1860's and '70's. A co-operative movement could not appear until the Government changed its attitude, which it did after the Russo-Japanese War in an effort to avert revolution by concessions to democratic feeling. Russians took easily to co-operation; for they were familiar with group action both in town and country, in the industrial artel and in the rural mir or village meeting. By 1914 there was a numerically great co-operative movement. The Siberian butter co-operatives had almost a monopoly of export and conducted stores as well, and this mixture of functions was typical of the whole movement. During the war the Government favoured the co-operatives and used them as food-centres; and this brought them into politics, towards which they had hitherto professed neutrality. In Kerensky's short-lived government there were seven or eight prominent co-operators. But with the revolution of November, 1917, power passed into sterner hands. In the first fervour the workers seized co-operative premises, as they had seized private factories. But Lenin called a halt. In December, 1918, he declared: "The co-operatives are the only organisation in the capitalist system which is good. It must be preserved and preserved in its entirety at any price." But approval took the embarrassing form of nationalisation, which snowed the movement under. For when everybody became willy-nilly a member of a co-operative society, the co-operation was as unreal as the dead souls of Gogol's novel. But Lenin was a realist, and one of the items in his New Economic Policy (N.E.P.) was the return to voluntary co-operation. The State favoured the co-operatives, while allowing private traders to exist, but the people often preferred the old way. The private trader was open till late at night or peddled his wares in the streets; and a nation of confirmed night-walkers found that in an era of scarcity it fared better thus. Moreover, the co-operatives were bound to a cumbrous hierarchy and were richer in statistics than in goods. But these weaknesses were gradually repaired and by 1927–8

there was a vigorous and manifold co-operative movement claiming a membership of 12½ millions in 100,000 societies. The organisation was on a scale which would have turned the head of Robert Owen. At the summit was the Union of Unions. Organisation and trading, which at first had been fused, were separated, and trading was put in the hands of *Centrosoyus*, the wholesale supply society. Similarly, supply and sale were separated. The supply local, i.e. the co-operative store, was affiliated through regional intermediaries to the supply central: the commodity locals for processing and sale were affiliated to commodity centrals, of which there was one for each great commodity—potatoes, flax and hemp, milk and butter, etc. The dairy central handled the majority of butter export. Grain and flax export was in the hands of State syndicates, on which the co-operatives were represented. *Centrosoyus* had a monopoly of import, and the British Wholesale Societies did a large trade with it, especially in tea. Another great activity was the purchase of agricultural machinery to operate the large-scale farming which was pursued from 1928 onwards in fulfilment of the programme of collective agriculture.

We comment elsewhere upon the significance of collective farming and confine ourselves here to consumers' co-operation and producers' industrial co-operation. The Webbs in their Postscript give us the reason for the drastic action of 1935. With the elimination of private retailing, 1929–31, the consumers' movement grew by leaps and bounds and claimed 73 million members. It had great mechanised bakeries and departmental stores. Nevertheless, there was popular dissatisfaction at the inability of *Centrosoyus* to cover successfully the whole field of distribution.

In 1935, with the advent of plenty, the whole working of retailing was fundamentally changed by the successive abolition, for bread, for meat, and presently for all commodities whatsoever, of rationing and ration-cards. The retailing system is, in 1937, one of substantial identity of prices, with steadily diminishing variations from district to district, to all producers in all shops, by whatever authority conducted, with freedom to all customers

to buy where they like and as much as they can pay for (p. II, 1186).

The Government decided that *Centrosoyus* would be fully occupied in supplying the rapidly growing demands " of the 130 millions of villagers to whom the *Kolkhosi* were bringing prosperity " (*ibid*, p. 1187) ; and it is stated that the 'turnover of the consumers' rural societies, 1937, is expected to be greater than that of 1934 for town and country. The Webbs submit that the transfer of the urban business to the State " was misunderstood by co-operators in the capitalist countries, among whom it provoked some adversions " (*ibid*, II, 1187). These adversions surely were only natural. For in the consumers' movement the voluntary element is its soul. The State may be a more efficient distributor, but its distribution is not co-operation. On the philosophy of the Webbs co-operation becomes no more than one of the weapons by which capitalism may be eliminated.

Before the war the industrial artels were often associations of a loose and temporary order, and by 1914 many of them had fallen into the hands of capitalist middlemen. Between 1914 and 1920 the majority of them disappeared, sharing in the fortune of the middlemen on whom they depended. But latterly, and especially since 1932, they have been revived and encouraged as alternatives to wage-earning under the State or other accredited authority. Associations of owner-producers (*Incops*) are classified as : (1) Associations for supply and sale. (2) Associations for joint undertakings, where the work is nevertheless done at home. (3) Associations (artels) which maintain a common workshop. The last is the main type. They are chiefly engaged in the processing of foodstuffs and the making of household goods. Though they must not engage in mere dealing, they may employ specialists and seasonal workers, and they sell in the cities through their own shops and stands. The central Council of *Incops* confers with the central planning authority, *Gosplan* ; and the latter's report of 1933 states that

The industrial co-operative industry comes forward as the

special means for the socialist remoulding of the small home worker, and, on the basis of the co-operative organisation of production, draws him into the common socialist channel of industrial development.[1]

Being a part of a State plan they are assigned rôles which do not compete with State industry; and control over them is facilitated by the fact that much of their material is supplied by the Government and much of their output goes to the Government or *Centrosoyus*. There are also *Incops* of painters, sculptors and authors. When we read of the *Incops* that they have their own cultural centres, trade schools, holiday homes, and social insurance, we cannot but feel that they are occupying the field which the German handworkers and small traders occupy with the same official approval and with the same challenge to any form of urban consumer sovereignty. Shall we live to see the day when representatives from *Edeka* and *Erdeba* attend the Annual Congress of *Incops* as visiting delegates?

Fishing is a form of industry in which the small unit again is important. In Russia there is a division between the deep-sea fishing, which is done under the Government, and the river and coastal fishing, in which small associations of the owner-producer type co-operate as in Iceland for the purchase of equipment and the catching of the fish. They have no separate marketing organisation, this being undertaken by the State Fish Trust. The State takes a quota itself and the balance is sold in the open market or to the consumers' co-operative societies. The State also assists the fishermen with finance for the purchase of petrol motors. Finally in the Far North we read of "integral co-operatives" engaged in a variety of functions. These are among primitive peoples.

Political historians who have recently visited Russia emphasise the renaissance of Russian patriotism and the new pride in Russian accomplishment throughout the ages. This is a change from the internationalism with which communism at first associated itself. Russian writers are going over the past and picking out that portion which can

[1] Webb, *Soviet Communism*, I, 231.

be interpreted to accord with the programme of the future. So too in Russian co-operation. The new changes are not altogether new. They rest on the structure of the past. The Soviet State, the artels of the towns and the collective farms (intensified mirs) of the country are old institutions purged and refashioned. Much of the revolutionary impetus in Central Europe was supplied by dislike of western institutions, political or economic, and similarly much of the revolutionary impetus in Russia was supplied by distaste for the discipline and values of Central Europe and of Germany in particular. In its worship of machinery Russia is close to America: in its denunciation of capitalism it is close to the working-class sentiments of Great Britain and Western Europe; but in its assertion of the absolute power of the State it is nearer to Fascism and National Socialism than to the tolerant régimes of democracy.

CHAPTER X

THE CO-OPERATIVE BORDERLAND

Building Societies [1]

Were we tent-dwellers we should expect a progressive co-operative society to sell tents on the hire-purchase system through a mutuality club ; and they would be good solid tents. But houses being what they are cannot be thus supplied, and if co-operation is to enter the field it must be by a different gate. One gate is the financing of house-buying by individuals ; another is house-building for sale or lease to the members of the society. The latter is the fuller co-operative form and we may call it co-operative housing to distinguish it from the house financing which is the field of the building society, as this term is employed in England. But in either case a third party, the local authority, is involved. It makes the building by-laws and supplies the houses with streets, drains, gas and the like. And it may go further by building on its own account or subsidising others. The housing shortage after the war promoted this extension both at home and abroad, and on the continent, where co-operative housing is important, these societies receive subsidies or other favours in return for supplying accommodation to poorly paid workers who cannot afford an economic rent.

In Great Britain the retail distributive societies have done something to assist their members with finance for house purchase and have sometimes built houses for sale to members, but their activities are very small by comparison with those of the special building society—the Benefit Building Society, as it used to be called. The founders of the earliest building society on record—Deritend, Birming-

[1] For full detail see *The Times* Building Societies Supplement of May 31st, 1938—published the day after this manuscript was sent to the Press.

ham (1781)—were working men who desired to own their own house in order to secure the vote; and this and other early societies actually engaged in building operations. They were also terminable: that is to say, when the housing wants of the group were satisfied, the society was wound-up. But house financing soon replaced house building, and more gradually the permanent replaced the terminating building society. These changes made the building society a safer enterprise and permitted the growth of the local society to national dimensions, so that to-day the leading societies, such as the Halifax, the Abbey Road (London), and the Woolwich Equitable, possess something of the pre-eminence which attaches to the Big Five in deposit banking. But owing to legal difficulties the expansion has been by simple growth more often than by amalgamation. By 1918 the movement was sufficiently well established to take advantage of the enormous opportunity created by the housing shortage of the time. Of the three million houses built between 1918 and 1936 at least one-half were financed by the building societies, which in 1936 had assets of about £650 millions and were lending at the rate of £135 millions per year.

A building society may be defined as a combination of investors and borrowers[1] operating under a measure of government control to promote the ideals of thrift and home ownership. The control, which is vested in the Registrar of Friendly Societies, imposes uniform returns and rigorous audit: the basis of present practice being the Act of 1874, as stiffened by that of 1894, to avoid abuses of the type perpetrated by Jabez Spencer Balfour, whose Liberator Society came to disaster in 1892. The membership embraces the providers of funds as well as the users. The "thrifty three millions" to which Sir Harold Bellman alludes in his book of that name (1935), were composed of over two million shareholders and depositors and nearly one million borrowers.

[1] The distinction between investing and borrowing members emerged thus. In the early societies the right to an advance (on which no interest was charged) was determined by ballot. Those who were lucky in the draw but had no urgent desire to secure a house sold their right for a premium to those whose desire was urgent.

The building society resembles the retail distributive society in two ways. First, it makes no speculative profit. The building risk is taken by the private builder. The society retains only the margin required to cover management expenses and contributions to reserve. Secondly, the whole of its capital, both share-capital and deposits, is withdrawable on short notice. It borrows short to lend long, which seems financial rashness. But unless there is fraud (or a serious decline in population) house financing, when prudently managed, is a safe business. For each loan from the time of issue is in process of being paid off. A large society has thousands of little risks, each of which is a man bent on becoming a house-owner; and the shareholders and depositors who desire to withdraw their money are not, experience shows, more than the shareholders and depositors who desire to put money in. Since the society can refuse deposits and return share capital, it can protect itself against an embarrassment of funds.

The building society is a thrift society with a special investment in mind. It may happen that the thrift and the investment are identified, as when a member uses his holding as cover for a loan, and later, perhaps, after repaying the loan, continues to save with the society. But in the nineteenth century, when house renting was the normal thing, there were numerous districts in which house-owning by the working class was negligible, yet this class placed their money in a building society because it resulted in concrete investment within their own view under management which they knew and trusted. As the demand for house-ownership by well-to-do workers and the lower middle class increased, a growing percentage of the funds of the larger societies was derived from a more substantial class of investors. The arrangement by which on accounts under £5,000 income tax is compounded, so that the investor gets a net 3½ or 3 per cent., no doubt favoured this development.

The service of the building society is cheap mortgage money, say at 5 per cent., which is repayable on terms suited to the convenience of the borrower; and as the society

lends only on property which it has valued, it protects the purchaser against paying an excessive price.

Normally it lends up to 75 or 80 per cent. of the value, but it is not content with taking the cream of the business only. For a considerable part of modern house-building is due to estate development; and a man with only £50 can buy a £500 house by arrangements under which the builder developing the estate deposits the margin. The small borrower has behind him in the society a banking friend who is more powerful than the largest builder, and this friend exists to give him service. Thus the building societies, unlike the mortgage corporations of certain countries, permit and encourage repayments in advance of time, and they also have arrangements with insurance companies by which borrowers who pay a small extra sum per month secure that in the event of death the property passes free and untrammelled to their dependents.

If it be asked why in England the co-operative movement as such has had so little to do with house building the answer is twofold: (i) by the time that house-owning by the working class became common, the separate building society filled most adequately the house-financing field; (ii) co-operative housing is largely apartment housing, and this does not appeal to a country which prefers to own or rent a house with a garden, however small. But one large building society, the Co-operative Permanent Building Society of 1884, has had close relations with the co-operative movement. It was inspired by the Guild of Co-operators meeting in London in 1883, and its directors and leading servants have been recruited largely from the wholesale and retail co-operative societies. At first it had in view the financing of co-operative premises as well as of private houses, but this business came to be handled by the ample resources of the movement. However, the network of co-operative societies which cover the country brought contacts which developed into a system of branches, and in other ways too it has used the co-operative movement. Thus it does its insurance with the Co-operative Insurance Society, and its premises in Red Lion Square, London, have been a co-

operative centre, in particular for the productive side of the movement. It has taken especial interest in garden cities; and the Copartnership Tenants' Societies, which had their headquarters on its premises, made an important contribution before the war to co-operative housing of the continental type, though their further expansion was arrested by the post-war trend to house ownership. In Red Lion Square the school of Ludlow and Vansittart Neale found compensation for the subordination of production to the wholesale societies within the co-operative movement itself.

On the Continent the building society provides not merely the finance for house building but the dwelling itself: it is a housing society organised sometimes in company and sometimes in co-operative form. In Germany, where it is an important branch of the co-operative movement, it has appealed, like the store movement, to two classes of membership, to officials in the public service, whose incomes were modest and secure, and to workers of small means in the rapidly growing industrial towns. In the latter class the limiting factor, mainly the inability to pay an economic rent and thus to raise capital for construction, was overcome by public policy; for the law of 1889 governing national insurance against sickness and old age permitted the public authority to lend freely at low rates to societies or companies engaged in providing working-class dwellings. At first the housing societies of Germany were not unlike those of England—they were local societies which supplied the members with funds to buy or build a house. But in the 1880's a decisive step was taken, and following the model of the Scandinavian countries, the housing societies became the operating owners of tenement houses which they rented by apartments to their members. This step made the co-operative contact more enduring but at the expense of individual home ownership. After the war Germany, like the rest of Central Europe, was faced by housing shortage and high interest rates in acute combination, and with the financial support of the government the housing societies played an important part in the solution of the

problem. Two features of the 1920's were colony planning, which was an attempt to replace the barracks of private enterprise by settlements possessing the amenities of a communal home, and the so-called *Bauproduktivgenossenschaften*, i.e. Co-operative Societies of Builders, which built houses among other things. These resembled the building guilds of post-war England, but got much further in achievement. They were organised around central building plants and had a national federation, but they were annexes of the trade union movement rather than true copartnerships of workers and they therefore declined in importance after the revolution of 1933. The emphasis of National Socialism is on the small single home, and public policy is now directed towards the provision of one-family or two-family houses. A special institution, the Building Savings Society (*Bausparverein*) facilitates the purchase of such houses by the occupier.

In Czechoslovakia too co-operative housing societies have played the largest part since the war in public benefit housing. The type of difficulty they have encountered is as follows. Where they sell the dwellings to the members, the bond of contact diminishes: such a society is in principle terminating. Where they are owners of tenement houses, they must carry the risk of vacant dwellings due to commercial depression. Also they may find that there is a demand for one-roomed dwellings, which the Government does not permit them to erect, and so on. They are thus more dependent on Government finance and regulation than in England, where the Government, if it subsidises building, carries such risks and employs the building society and the private builder for the provision respectively of building finance and the building itself on terms which do not involve either of these two parties in uneconomic business.

In Scandinavia the recent developments in Sweden are of interest. In 1923 Stockholm established a Tenants' Savings Bank and Building Society, which developed rapidly and was imitated in other towns. The principle of organisation is a parent society, which constructs a building or group of buildings and transfers it to a local society to

administer—one society for each building scheme. The parent society has a building centre, which purchases materials and does some manufacturing of building materials for itself such as plaster and cabinet work. It is also a savings department, and issues building bonds. It is thus a sort of wholesale society supplying direction and finance as well as the building itself, to the various local societies. The Central erects houses of different types, some of which are for renting only and limited to large families with small means. Towards the rent of these the State contributes a percentage, which rises with the size of the family. Though the buildings are apartment houses, nevertheless the members of the society normally buy their apartment—a proceeding which sounds very strange to English ears, but which occurs in America also. The finance for construction is raised by the Central from public and private sources, and the local society repays its obligations over a period of 20–25 years out of the monthly payments of its members. To assist the disposal of apartments vacated through death or loss of means, the central society operates a repurchase fund. By this elegant and rational structure the co-operative housing movement of Sweden has made itself the pioneer of improved housing. It has been responsible for some 10 per cent. of post-war housing and aims at 25 per cent. Its high standards of equipment and sanitation fit in with the high standards of the Swedish co-operative stores; and its federal structure enables it to draw on the services of the highly developed co-operative mortgage system of the country.

Public Utilities

When public utilities are publicly owned and operated, their service is analogous to that of a consumers' co-operative society. Profit is eliminated or rigorously controlled. But at the same time arrangements frequently exist which are designed to remove the operation from political influence and cause it to pay its way as an economic service. It is, then, socialisation rather than socialism, and it has been called by French writers a *Régie coopérative.*

English economists have seen in the Bank of England an example of this socialisation:

> There is no class of persons in the kingdom of whom the Governor of the Bank of England thinks less, when he decides on his policy, than of his shareholders. Their rights in excess of their conventional dividends have already sunk to the neighbourhood of zero.[1]

Another example is the British Broadcasting Corporation, which is neither an organ of government nor a commercial service supplying news and entertainment as a by-product of advertisement. The widest field for the application of the idea is in services of transmission and transport where there is an element of natural monopoly, i.e. in public utilities as commonly defined. The name of the authority varies—Board, Authority, Commission, Commissioners. We have in England, for example, the London Passenger Transport Board, the Electricity Commissioners, the Port of London Authority, the Mersey Docks and Harbour Board, etc. These are all executive bodies and they control the policy and price of their service in the interest of the public which uses it. But there is no specific group of consumers which is specifically concerned with supervising the service provided and no identifiable list of consumers to whom a return of surplus in the form of dividend can be made.

The approach to the co-operative form is closer in the publicly owned Hydro-electric enterprise of the province of Ontario in Canada. "Hydro" is a provincial commission which is financed by government-guaranteed bonds, and it generates and distributes power. This it supplies at cost to the municipalities which are voluntary members of it, and these through municipal commissions distribute power to the individual trader or domestic consumer. In effect, Hydro is an electric wholesale society, and the municipalities are electric retail societies. The result of having a single central authority, which passes on all surplus to its municipal membership, is to place the latter in a position to become over a period of years the owners of a great unencumbered property. It has put what would have been shareholders'

[1] J. M. Keynes, *The End of Laissez-faire*, pp. 43–4.

profit into cheap service and strong sinking funds; and its charges have been markedly lower than those of the privately owned public utilities in the neighbouring State of New York, which draws its power from the same source at Niagara Falls. Furthermore, public ownership in the power-selling stage dovetails with public ownership in the power-using stage. The commission device, so successful in Hydro, has been applied to local transport in the form of the Toronto Transportation Commission.

Certain countries of Europe, notably the Scandinavian countries and Czechoslovakia, have earned distinction by organising the local supply of electricity in co-operative form. It has been a rural movement in countries with numerous and scattered sources of water power. The rural population, farmers and small industrialists, by grouping their wants and utilising local resources have carried themselves into the electrical age. If the electricity had been obtained by coal, they would perhaps have waited for the lead of the towns. The functions of these co-operative societies vary greatly. Some generate and distribute power, others distribute it only, others again merely finance the distribution. But as the electrification of a country proceeds, the operations of generation and transmission become more elaborate; and the tendency is for co-operation to retire from generation and transmission and to confine itself to local distribution, leaving the earlier operations to the Public Authority. Even though the co-operative electrical society should only be a temporary phase of development, it will none the less have been valuable as a stepping-stone to public co-operation. A whole mass of expenditure and propaganda has been devoted by the American power interests to making the rural population "electrically minded." In these countries of Europe the population converted itself. It obtained electrical facilities much earlier than any commercial authority would have found it profitable to supply them, and it did so through the co-operative form which it was applying with marked success to the general run of its rural business of supply, processing and sale.

PART III.

AGRICULTURAL CO-OPERATION (ENGLISH-SPEAKING WORLD)

CHAPTER XI

THE BACKGROUND OF MODERN AGRICULTURE

I. Technique with Special Reference to the New World

The nineteenth century, the heyday of free trade, was the heyday also of emigration and overseas investment. The emigration, so far as Europe was concerned, was to the New World, and in particular to North America, but the investment of capital flowed to the old world of Asia as well as to the new lands of America, Australasia and South Africa. Movement of people plus movement of capital created for countries overseas the equipment requisite for an export agriculture, which depended for its market on Western Europe. For much of this inflow of produce no counterpayment is involved, since it represents the interest on borrowed capital, not so much personal capital borrowed by the farmer as constructional capital borrowed by governments and public bodies for the equipment proper to an export agriculture, such as railways, irrigation, docks and cold storage plant. It therefore follows that a restriction of imports by Great Britain involves the English investor almost as closely as the English consumer of imported food. Some countries of the Empire possess gold, which makes its own market, or rubber, minerals and timber which are in general world demand, but others possess so little of these in available form, that if they are to meet their capital obligations, it must be by export of agricultural produce. New Zealand is a strong example of the latter, having few mineral exports and no oil, but only a great volume of water power, which is not exportable. Ceylon is in a similar position. The tea plant is to it what the sheep and the dairy cow are to New Zealand; and these, the two chief island communities of the Empire, depend for their economic

growth, even more than do the continental areas, on an unchecked flow of agricultural exportation.

The export agriculture of former days was supplied by the slave plantation raising sugar, tobacco or cotton, but as free settlement developed and transportation by land and sea was improved, the staple foodstuffs entered the circle of distant foreign trade, wheat leading the way. For it was inexpensive to grow and easy to transport. On land suited to wheat-growing, like the great plains of North America, it was the ideal frontier crop. In such an agriculture land is abundant and labour scarce, and a premium is set on labour-saving machinery. Armed with expensive equipment supplied on credit the homesteader proved up and moved on, or when he stayed, engaged in straight wheat-growing without regard to the permanent capacity of the land. Though land-rich, he was money-poor, and sought quick returns from the sale of his crop or of the land itself. It is misleading to call this frontier agriculture "extensive," because the word is apt to suggest that the unit of operation is large; and although this was true of the plantation, the cattle-range and the sheep-run, it was in the main untrue of agriculture proper, which from the outset of settlement rested on the family homestead comprising a quarter (160 acres) or a half section of land.

To some extent the returns from frontier agriculture are in the nature of a by-product. The wheat-farmer is farming for his title deeds, just as the early pastoralists of Australia made their profit from the increase of their flocks. But from the nature of the case this cannot last indefinitely. There comes a time when the farmer must seek his return in the price of the produce which he sells. It is then that in a new country intensive farming begins.

Intensive agriculture signifies a more thorough but by no means more exhausting use of the soil; the maintenance of soil fertility by appropriate cultivation; a greater yield per acre; and a transfer from less valuable to more valuable crops and livestock. The market garden, the orchard, the vineyard, the hot-house are extreme cases of intensive agriculture. In the old days the avenue to intensive agriculture

was the spade and the personal care of the peasant on his plot of land, but if we are to mean no more than this now by the term, we shall find next to none of it in the New World. For there the avenue has been by engineering and natural science. These give greater output, which, however, is unprofitable unless accompanied by improved methods of transportation and marketing.

The rainfall is beyond the power of man to alter, but water, when it is deficient, can be stored and conducted to the land from rivers and subterranean sources; and when it is in excess, it can be drained away. The optimum combination of the available land and water is at once the hallmark and the limiting factor of intensive agriculture. As Mr. Calvert observes, "If once the Himalayan forests cease to soak up the rainfall and to deliver it again in a steady flow, the Punjab will revert to the desert conditions of 1850." [1] For forests catch and distribute moisture, and their reckless exploitation damages the adjacent farming area. There is, perhaps, no Dominion of the Empire which does not bear testimony to this. Areas, submarginal for agriculture, are cleared in the early days of closer settlement. The bared hill-tops erode the soil. They can only be re-forested at great cost; and the poor farms, which have obtruded themselves into an area that is required now as a water catchment for a city, add unnecessarily to the hazard of fire. We hold up our hands in pious horror at the thought of crops being burnt because of their abundance; yet the same philosophy of an unplanned economy perennially destroys, in the supposed interest of free settlement, the forest wealth which is the ultimate reservoir of nourishment both for the crops which grow in the soil and the human beings who live in the towns.

Where water is naturally scarce, its best use is a matter of the greatest importance. Ten or twelve inches of rain, provided that they come at the right season, are sufficient to grow a good crop of wheat; and the value of the "combine" sower in the Mallee district of Victoria, Australia, lies less in its economy of man-power than in the oppor-

[1] H. Calvert, *Wealth and Welfare of the Punjab*, ed. 1936, p. 132.

tunity which it offers for taking instant advantage of a propitious rain at sowing time. But stored water is required even more urgently for stock and domestic uses; and the scheme of Australian farming recognises this. The technique of irrigation channels and water storage was learnt from California and India in the last years of the nineteenth century. The first call on the water of an Australian farm is for the supply of the house and the livestock, and it is unusual there to grow wheat on irrigated land, since the cost would be too high in proportion to the returns. Therefore in general, when the land itself is irrigated, a more valuable crop per acre must take the place of a staple grain. A leading example is provided by the orchard industries not only of Australia but of California, British Columbia and elsewhere. Another is provided by lucerne (alfalfa), a forage plant indigenous to Central Asia. In South Africa it is the staple crop under irrigation, and its translation thither made possible the foundation of the ostrich-farming industry in the dry district of Oudtshoorn, Cape Colony. Thus much for the irrigation engineer.

After him comes the agricultural chemist, to improve the quality of the soil. Here science has reinforced the natural recovery of soil material which arises from the rotation of crops. The soils of Australia and New Zealand are deficient in phosphate, and this is applied to-day in the form of superphosphate, popularly called "super," which is rock phosphate mixed with sulphuric acid. "Super" (monocalcic phosphate of lime) is, as its name implies, a superior phosphate, the superiority deriving from its high content of phosphoric acid in the water-soluble form in which it is readily available to plant life. On crop land it is drilled in when the crop is sown: on pasture it is applied as surface dressing. The grasslands of New Zealand are world-famous; yet as Captain Cook saw them they must have been thin and dun. For the soil of New Zealand is deficient in phosphate, and therefore the main group of fertilisers manufactured and sold in New Zealand is the phosphate group. Top-dressing prolongs the life of the pasture and enables it to withstand both frost and drought. It also causes

deeper rooting. The best fattening pastures, the feeding-ground of New Zealand's best sheep and lambs, are those which have been made rich in phosphate. The source of supply for Australia and New Zealand is on two Pacific islands, lying to the east of New Guinea; Ocean Island, which is British, and Nauru Island, formerly German, which is a British Empire mandate. Nauru is now the main source of supply; and the mining of the deposits is in the hands of the British Phosphate Commission (headquarters Melbourne) under an agreement dated July 2nd, 1919, to which the United Kingdom, Australia and New Zealand were parties. Phosphate is, of course, only one among the artificial fertilisers; and artificial fertilisers themselves are only one division of fertilising material. But just as in varying proportions over the world to-day some produce is consumed on the farm and the rest is sold, so also some fertiliser is provided by the farm from the farm-yard or by the method of cultivation, and the rest is purchased. Production for the market and purchase of agricultural requisites are marks of commercial agriculture, but the present stage is not half-way to a time when all produce will be sold and all fertiliser will be bought. For this would involve a dual dis-economy. Commercial agriculture, of which modern export agriculture is the strong case, results in a combination of money economy and natural economy in which the monetary element predominates, but does not eliminate the natural element.

After the chemist come the plant-breeder and the stock-breeder. The plant-breeder works in the laboratory and on the experimental plot, and all countries find that the most careful organisation is required to ensure that the generality of farmers understand and use the superior varieties bred or acclimatised by the scientist. This normally involves the selection of registered growers who will raise on their own farms under commercial conditions the varieties recommended by the research station. In countries like India, with a large and backward peasantry, the commercial processor, e.g. the British-American Tobacco Company, may engage directly in the work of improvement through a Leaf

Development Company, the factory agreeing to buy under stated conditions the tobacco from the seed thus distributed. In sugar the same result is reached through the central research station of Coimbatore, working in conjunction with provincial institutions in the United Provinces of Agra and Oudh, where the bulk of the sugar is grown. In both commodities there is a dual problem, the general improvement of the customary product which supplies the bulk of the market—in the case of tobacco, the rough native twist, in the case of sugar the unrefined product called jaggery or *gur*: and the special improvement of the new product, which supplies the export market or the well-to-do domestic consumer—in the case of tobacco the cigarette of the Virginia type, in the case of sugar the refined white sugar made in a central factory. Naturally in both cases improvement begins with and operates through the improvement of the speciality which has the more restricted market. Among the wheat growers of North America, where the standard of production is more advanced and more uniform, a uniform high-class product is assumed. The task of research is to fit the seed to the climate, and the task of organisation is to secure that the farmer is not deceived by unscrupulous salesmanship or his own dogmatism. The bogeys of the Canadian grower are early frost and rust. Early frost has been countered by the breeding of early maturing wheats, such as Marquis and Garnet: rust by the breeding of rust-resistant varieties and by the eradication of barberry, the host plant of the spores which create the rust.

The breeder of pure-bred stock is himself a farmer. The livestock of the New World, horses, cattle, sheep, pigs, have been raised from pedigree stock imported from the Old, and the herds are being strengthened continually by the importation of new blood. It is all too easy to speak of the New World as flooding the old with its virgin abundance. The New World is very far from being virgin. The brain of man has been mated with the fertility of nature to produce the abundance.

Almost from the beginning of organised economic thought the possibility of diminishing returns in agriculture under

successive doses of labour and capital has been recognised. But it is a tendency only, and a tendency which in our own generation has been more than neutralised by the opening up of new lands and the introduction of new technique, so that on the balance the world to-day is easier to feed than it was fifty years ago. The tendency to diminishing returns is least visible in the greatest branch of intensive agriculture, dairy-farming. One pure-bred cow, giving the milk of two " grade " cows, requires only half the accommodation, little more than half the attention, and certainly not twice the feed. Rainfall and climate set limits to the expansion of the pastoral industry of Australia, but within these limits, improvement in the yield of wool, consequent on expert breeding, have produced in the course of fifty years truly remarkable results. A standard Australian treatise on sheep management contains a series of photographs, showing how the wool " folds " of the modern merino have been evolved. These folds increase the wool-carrying surface. The series

shows an almost unbroken line of descent from a ram cutting only 12 lb. of wool to one cutting over 36 lb. for 12 months' growth, and defines clearly the type of sheep which produced the 12 lb. fleece and its gradual evolution towards the type producing one 36 lb. fleece.[1]

This threefold increase of product involved only a trifling increase of feed. Soil deterioration over a period of years through improper utilisation of the land is the real problem of diminishing returns in agriculture, and where agriculture is most intensive, it is least to be feared. The deterioration shows itself not so much in the exhaustion of chemical properties as in soil drift and erosion ; and this is an especial danger in a continental area like North America and South Africa, where the accumulated soil of centuries, when denuded of its natural cover of forest or prairie grass, is carried away by great river streams and emptied into the sea.

It is not possible to travel either in the New World or in Asia without realising the revolutionary influence of

[1] E. H. Pearse, *Sheep Farm and Station Management* (Sydney, 1932), p. 162.

motor transport—the tractor on the farm, the farm truck and the private car. The motor-car is the last of four crucial inventions in transport: the railway, the steamship, refrigeration, and the internal-combustion engine, which England calls a motor and America an automobile. They form a sequence, though the relation of two of them—the railway and the motor—is now rival rather than complementary.

The Canadian Pacific Railway, which celebrated its jubilee on July 4th, 1936, created the Canadian West; and prairie wheat, delivered to the elevators located along its line of steel, provided the railway with its dividends. Wheat has been to Canada what coal was to England in the early railway age. It lent itself, even more than coal or ore, to bulk handling; and the conveyor system, which is a cardinal feature of modern industrial technique, had its origin in the terminal grain elevator. The Canadian West never used sacks, for the country was not dry enough to permit the stacking of wheat in sacks in the open, as has been the practice on the Pacific Coast of the United States and Australia; and the Government of Victoria, the leading wheat-growing state of Australia, has built recently a system of elevators for the bulk handling of wheat. Bulk handling yields definite economies in saving of labour and sacks and in protection from damage by vermin. But when a country with a similarly dry climate, such as the Punjab, considers whether it also, in view of the growing magnitude of its production, shall move over to bulk handling, it must remember that bulk handling assumes terminal elevators at the ports. If, as is possible, the internal market is destined shortly to replace the export market, large terminals at Karachi, the port of export, might prove to be a highly uneconomic proposition. And there is the further consideration that Calcutta jute provides the sacks which bulk handling eliminates. Jute has lost the cement bag to paper, it may lose the woolpack in New Zealand to New Zealand flax. The bulk handling scheme of Victoria proposes to retain the sack for the journey from the harvesting field to the local elevator, but the motor-truck may be expected in

time to take over this stage also, as is the practice already in Canada.

The relation of export agriculture to commercial agriculture and of both to railroad transportation is seen at its fullest in wheat and in Canada. For not only is wheat the commodity in which Canada has the greatest comparative advantage of production, but also and because of this a large capital equipment of railways and handling facilities has been erected on the basis of wheat, much of which would be sacrificed if wheat were replaced by other things. From one point of view the diversification of crops is a wise precaution, from another it is a sacrifice of specialisation and specialised equipment in production, transportation and exchange.

The steamship, in conjunction with two great canals, constructed for the accommodation of steamship traffic, was the second great crucial invention. The steamship and the Suez Canal, which was opened in 1869, if they did not create, at any rate multiplied the export agriculture of Punjab wheat, Burma rice, Ceylon and Indian tea, Malayan rubber. In particular the Suez spared Punjab wheat the double journey across the tropics. Similarly, the steamship and Panama Canal, opened in 1914, made it possible, among other changes, to ship Alberta wheat through Vancouver, which is an all-year port, to England. The Suez Canal, furthermore, consolidated the position of Colombo and Singapore as focal points in the stream of steamship traffic. Colombo calls itself the Clapham Junction of the East, but fortunately for Colombo's hotels passengers alight there more often than they do at Clapham Junction.

Economic nationalism might be carried to the point at which overseas trade was almost annihilated, especially as synthetic products become available or imminent in place of tropical plants—one thinks of indigo and other dyes, and of the reluctance of the British East Indies to rehabilitate the cultivation of cinchona. But steamship traffic has many strings to its bow: the growing tourist traffic and the growing traffics in mineral oil and oil-bearing seeds—copra, castor, ground-nut, soya beans, as well as in ores and planta-

tion produce, in so far as these are not curtailed by quota schemes. Indeed, the economic nationalism of an overseas empire might conceivably increase the amount of foodstuffs on the high seas by causing to be carried from New Zealand butter that under free trade would come from Denmark. It would be a return, under "liner" conditions, to that distant foreign trade which was so dear to the hearts of the mercantilists. The trouble ahead of the steamship lines is perhaps less in respect of cargo than in respect of high-priced mail and passenger business, which may be lost to the airship and aeroplane.

The third invention was refrigeration. Ice is a free good in countries near the poles in the winter season; and nowadays it is made artificially by chemical means also. The ammonia process was perfected about 1890. The ice industry began in North America with the shipment of natural ice from Boston to the West Indies. Then ice-cooling was adopted on the American railways in the form of ice-cooled cars for the conveyance of meat and fruits. This came along in the 1870's on the initiation of the packers, who provided the cars. It was a case of technique originating with the producer, and applied to transport:

> In the old times packing was done in the winter. The first change in method was the use of ice and the commencement of summer packing. This started in hog-packing, but with the introduction of the refrigator car beef was killed largely in the summer. About this time some of the packers adopted the method of packing and shipping meat in tin cans. The refrigerator car permitted beef to be killed near where it was grown, as it was cheaper to pay freight on 550 lbs. of carcase beef than on 1,000 lbs. of live animal.[1]

From the railways it was translated to the steamship, and the translation was of vital importance to the export agriculture of countries which had to cross the Equator to reach their market. From it came the frozen (or chilled) meat trade of New Zealand, Australia and the Argentine. New Zealand dates the year of its introduction in 1882, when the first shipment of frozen mutton left Port Chalmers

[1] J. O. Armour, *The Packers, the Private Car Lines and the Public*, p. 186.

in the *Dunedin*, to reach London in sound condition. Finally, the process of freezing has been taken back to the product, and in this respect it was a technical extension of a method which had been applied for preserving purposes to fish by a Scotsman named Dempster as far back as 1780. It is used for butter and fruit as well as for meat, while the frozen fish trade has itself been revolutionised by the introduction of instantaneous freezing, Canada being the pioneer here. In fine, of some countries it would be no exaggeration to say to-day that cold is as crucial to their agriculture as heat is to their industries.

The internal-combustion engine, being light and locomotive, has been of far more value to agriculture than the earlier experiments with a stationary steam-engine and cable to carry the plough. But crucial as it is to the operations of agriculture, it is of even more significance as a transformer of the environment of agriculture. Already in the so-called "backward" East the motor-'bus and the motor-lorry are ubiquitous; and while it pays the natives of the Gold Coast of West Africa to grow cocoa, even more does it delight them to rattle down in lorries with their produce to the shipping point. I doubt if a paved road could be constructed in any part of India without attracting to it a stream of motor-borne traffic and passengers to dispute the right of way with pedestrians, bullock-carts and cows. The East—Persia on the one side and Burma and Netherlands Indies on the other—is a great producer of oil, of kerosene for light and petrol for traction. India itself has little oil, and the sources of Indian supply are mainly in European hands. Therefore, though India is well situated for the use of Asiatic oil, Indian merchants have endeavoured to overcome the monopoly price of the established combines by importing oil from Russia.

Motor transport, though it may add indirectly to the taxpayer's burden by diminishing the revenue of the state-owned railways, in other respects helps the farmer. It widens the range of local assembly, for example of milk for the milk factory, which is reached now under ideal conditions—a single journey through fresh air at high speed

on a smooth road in a vehicle carrying pneumatic tyres; and it is of special value for the marketing of perishable fruits and vegetables. As the service can be supplied by a small unit of transport, the farmer, either personally or through his friends, has a chance of being associated with transport business. It also increases greatly his own mobility. The countryside instead of being the slowest is now the fastest traffic area. For the pressure on the roads of great towns is in all countries so severe that the dweller in the uncrowded countryside is the one who gets the most use from his car.

Motor-power on the farm, or—to employ the wider phrase which will include electricity—power farming, both helps and hinders the farming industry. It increases the speed of work, which in countries of light rainfall or treacherous weather is sometimes all-important; and if the cost of the machine and fuel is lower than that of the animal and animal feed which it replaces, it gives an economy of production. But it damages the farming industry in so far as it eliminates horses and oats. Power farming strikes at one of the permanently profitable lines of farming, namely, the supply of materials, whether of selected seed or pedigree stock, to other farmers. It also destroys the market of oats which often, apart from their cash value, it is desirable to grow as part of the rotation. Furthermore, it adds one further call on the farmer's purse. For no farm extracts its own petrol and nearly every farm can conveniently grow some oats. By keeping horses the farmer has a market for his oats inside his own yard. *Per contra* the power farmer retorts that the heavy losses of mares and foals make horse-raising a much less profitable business than it is popularly supposed to be.

The striking of a balance here is a factor making for a larger unit of enterprise in a country like Australia. For if the farm is large enough the operator can profitably employ tractors as well as horses: the tractor being for rush periods and hard ground, and the teams (say two teams of eight horses each) working steadily throughout the year and at harvest time on soft ground. It can no longer be counted a handicap that the tractor calls for technical knowledge.

For in any event the farmer will have his private car and truck for use on the roads. And so for Australia the present picture of wheat farming is the mechanised family farm of 1,000–1,200 acres: where it is remarkable how often one meets with a farmer and two sons, one of whom is exceptionally expert in machinery. The hired man is important, but hired labour rarely provides as much as one-half of the labour on the farm.

The above trends supply the background on which in the countries concerned the scope and limitation of agricultural co-operation must be appraised. In many countries the commodities which have lent themselves most successfully to co-operative handling are those which are raised primarily for the export market: or, if we think of Californian fruit, for a distant market within the same country. The special rôle of co-operation is to place the family farm using up-to-date methods of production on a level with the industrial company in respect of its commercial and financial activities. It can no longer be thought of as a device for supplying the small farmer with services which, if he were a large farmer, could be as well supplied by the ordinary channels of trade. It helps the small farmer proportionately more than the large, but it tackles only the fringe of its problem if it stops short at the little man. Its central task to-day is the stabilisation of the mechanised family farm; and in this task it stands between the isolation of the family unit and the collective system of Soviet Russia, which is the plantation system applied to the staples of agriculture on a background of urban socialism.

We have related export to commercial agriculture; and in view of the specialist nature of modern agriculture, which makes of it a bundle of industries, there is some temptation to speak of it for this reason as industrial agriculture also. But this is to make poor use of a distinctive concept. For even in its most mechanised form in the New World agriculture in general still differs fundamentally from the structure of urban industry.

Typically, the organisation of agricultural production is precapitalist: of industrial production capitalist. The for-

mer has inherited an organisation based on family labour and aims at the maximum gross yield: the latter has evolved a capitalist organisation based on hired labour and aims at the maximum net yield. The typical unit of agricultural production is the farm or village, which is also, and primarily, a social unit: the typical unit of industrial production is the business or firm, which is an economic unit.

In agricultural production the dominant factor is Nature, in industrial production man. Agriculture is conditioned by physical circumstances, by the diversity of the soil and the uncertainty of the weather; and with every extension of the cultivated area these variable factors impose more rigorous conditions, which limit the application of capital in such a way that the typical apparatus of agricultural finance is the farm mortgage. But modern industry is comparatively independent of physical circumstances, and can be reduced to routine by the application of machinery and the division of human labour. Unlike agriculture, industry is intensive in proportion as it is conducted on a large scale, and modern industry has called into existence a special financial apparatus, the joint-stock company, which signals its purely economic nature by the exercise of limited liability.

Conditions, however, may arise, in which the structure of agriculture is so close to that of industry that it merits the name of industrial agriculture. These cases occur (*a*) in a suddenly developed commercial agriculture of an exceptional type; (*b*) in plantation agriculture. Both are called into being by the export market. Burma is the outstanding example of the exceptional type. Natural conditions in the Irrawaddy delta led to the production of a single crop, rice, over a wide area under a general uniformity of soil and climate and consequently under a high degree of certainty. Abundant supplies of labour, imported from Madras and seasonably available as required, permitted an elaborate division of labour into a series of some ten operations, of which rarely more than two are performed by the same man and these often first on one holding and then on another. The constant changes in the ownership of the land allowed

occupancies to approximate to the size which gives the maximum net profit. This size has been determined not by the social conditions of a precapitalist period, as over most of Europe and Asia, where gross production was the main consideration : not by administrative rules, distributing the area available for settlement into sections, half-sections, quarter-sections, in accordance with public policy : but solely by economic considerations. Hence the real unit of production is not the individual occupancy holding. Land-holding becomes a business subordinate to rice-milling and money-lending, and the unit of production is the mill or money-lender, rather than the farm or village, even the village losing its character of a social unit and becoming an instrument of production rather than an expression of social life.

This is what in industry has been called " semi-capitalism," and it is capitalism in its most predatory form. Full capitalism is reached in the tea or rubber plantation. The relapse of the American cotton plantation into " semi-capitalism " after the abolition of slavery, and the arrest of Burman rice-growing at " semi-capitalism " because of its deadly cheapness, are twin tragedies for which no one can be brought to book. But the plantation economy of the East, having reached full capitalism, is amenable to control, and by its technical excellence is capable of yielding good wages and decent conditions. There is much co-operation among planters for regulation of output, technical research, recruitment of labour and provision of medical services ; but as the planters are themselves companies, it is not the co-operation of the co-operative movement. Co-operation of the latter type is pushed back, as in industrial England, to consumers' co-operation among the labourers on the estate, in which the European personnel, as consumers, may participate.

II. Status with Special Reference to North-West Europe

The peasant in history is a subject with a wide appeal—to the poet, the sociologist, the lawyer, the statesman, the

economist. To the economist it presents itself in two lights. In the one we study the economics of small-scale agriculture: in the other the institution of peasantry.

Let us begin with England and after glancing at the New World return to the heart of it on the Continent of Europe. We have no peasantry in England, we have landlords, tenant-farmers and labourers as the framework of our rural life; and although one-third of England and Wales is now farmed by its owners, the balance, after deduction of the home farms of landlords, has not the homogeneity required to make a peasant class. Small farmers, indeed, whether owners or tenants, have certain qualities in common the world over. They hate to spend money on what can be done without monetary outlay, even though the cost in human and animal labour is severe; they are conscious always of the partnership with Nature; and they are tougher than they have economically the right to be. The disappearance of the never very numerous peasantry of England goes back to the beginning of the British Empire, when colonial riches were brought home to be invested in British soil; and it was less a wiping out than an overlaying by something stronger. Between 1600 and 1800 there grew up a class of resident landlord, letting directly to substantial farmers, whose tenant status was held in honour. By tenancy, in association with rules of good husbandry secured by covenants or the custom of the county, England achieved a productive yet permanent agriculture, which was long the admiration of the world. If by revolution the landlords had been expelled, the fruits of victory would surely have gone not to the labourers who once were peasants, but to the farmers who now employed them. And if to-day a peasant proprietary were established by law, it would have to be guarded carefully from the consequences of the fact that land has nearly everywhere potential building, or actual amenity, value, which is greater than that issuing from its agricultural exploitation. Tenancy under the County Council is for this reason to be commended in the promotion of small holdings.

In America, contrary to the expectation of many, includ-

ing the Marxists of Europe, the bonanza [1] wheat farm has largely passed away; and the corporation (i.e. company) farm, though it may maintain itself on poor land by extensive cultivation, gives no sign of general increase. For where the land is good, or when it is made good, it is subdivided and sold off, this method yielding the greatest return, which is the purpose a company has in view. Under mechanisation the average size of farms in Saskatchawan, the prairie province with the largest farm units, rose from 295 acres in 1911 to 408 in 1931. But the most extreme change prompted by the hell in which the Canadian West lived during the 1930's, was a system of share tenants with central management, resembling closely the modernised métayage of Italy; and it may be questioned if the expedient will survive the return of better prices. The representative farm of Canada, like that of the American North and West, is the mechanised family farm. That of the American South is the plantation in dissolution, i.e. small family farming by dependent share tenants. There is no continuous trend in America either to the increase of tenancy at the expense of ownership, or the reverse. For local reasons it increases here and decreases there from decade to decade. But by all American farmers, including the poorest of poor whites, the name of peasantry, so honoured in Europe, is abhorred. For it is associated with the confinement and servitude from which so many escaped when they emigrated from Europe; and the greatest nightmare in a crisis like the recent one was that it might be a preface to peasantry. The farmer of popular pride is the homesteading pioneer, and though the frontier is gone, its ideology remains. The spirit is the same in Australia. As one motors northward from Melbourne

[1] Cf. N. S. B. Gras, *History of Agriculture* (1925), p. 367.

"The bonanza farm, on which cultivation of one or two suitable crops took place, still exists, but it is surely passing with the years. Sooner or later it is broken up into smaller units. Where there had been a few temporary labourers there soon appear numerous permanent cultivators; and where there had been but one or two large dwellings, sometimes barracks, there appear many scattered homesteads. The general reason for this is the fact that, as the original productivity is impaired, and as special attention is required for various crops and expensive livestock, the small farmer can make larger returns than the bonanza farmer who has to depend upon hired labourers."

past Bendigo and Ballarat, one sees the spoil of old gold workings, as well as of new re-workings, here and there among the cultivated fields. Both were adventures, and from the one the farmer hurried to the more adventurous other, if the most meagre prospect offered. The keynote of Australia, as of America, is a buoyant individualism, which is readily rallied to mass action. The loyalty is to the life rather than to the soil. No people are prouder of their dairy farming than the North Islanders of New Zealand, but farms there change hands with a frequency which in Europe or even in tenant-farming England would connote demoralisation.

From the English-speaking world we enter Europe via the Scandinavian countries. Here, and most of all in Denmark, whose agriculture is *sans reproche*, we encounter the model peasant. The land hunger of the Dane is insatiable, and therefore of late years the representative farm of 40 to 140 acres has been reinforced by smaller holdings, carved out of the few remaining large estates.[1] It is the genius of Danish agriculture that it is not only a " cash crop " agriculture, but highly specialised to a few things. Ninety-four per cent. of the production of the farm, that is of the value created by farming, is passed on to markets. Ninety per cent. of the value of the products sold represents live stock products. The cash outgoings are correspondingly great: tax payments; amortisation payments under an elaborate system of co-operative mortgage credit; payments for imported feed and native selected seed, for telephone and hydro-electric service, as well as for domestic goods, which are obtained in large part through co-operative stores. There is specialisation outward and inward, organised in co-operative form, and the degree both of specialisation and co-operation is even higher than in the New World.

In Norway we have a country which is divided between

[1] Farms of 25–148 acres " cover over two-thirds of the agricultural land of Denmark; they have also two-thirds of the livestock and they have the most productive cows " (E. Jensen, *Danish Agriculture* (1937), p. 124). The 25–37 class is a small one, with 9·6 per cent. of the area: the two large classes are 37–74, and 74–148, with 28·6 and 27·8 per cent. of the area respectively.

agriculture, forestry and fishing—like the Maritime Provinces of Canada. In Sweden, Holland and Belgium we have lands in which the home market is of decisive importance, and this brings them closer to central Continental Europe. They exhibit the pattern which, as Pirenne has shown, was woven first by the peasants of Italy and Flanders around the rising commercial towns of the twelfth and thirteenth centuries.[1] They supply the townsmen's food wants—alike in the numerous towns of the Low Countries and the great capital cities of Scandinavia and Finland.

The great inland area between the Baltic and the Alps, including Switzerland itself, is also a stronghold of peasant farming, and again, except in the south-west, it is not a very small peasantry. It is *Bauer* rather than *Kleinbauer*, which we must nevertheless translate peasant rather than farmer, just as the French equivalent is emphatically *paysan* and not *fermier*. When modern Germany was fashioned from the numberless small states into which the mediæval Empire had dissolved, the financial and military foundation for the reconstruction was provided by the great self-contained peasant farms of 75 to 100 acres, with their regulated family life, their great teams of oxen and horses and their efficient economic technique. In the Germany of to-day, not more than 20 per cent. of the land under cultivation is in properties of more than 250 acres. Of the 8½ million people engaged permanently in agriculture (1933) not less than 76 per cent. were members of the farm family, including the proprietor himself.[2] There and not in the towns (for Germany was not a maritime nation breathing the freedom of the seas) the freedom of Germany resided. The surplus population of the country did not go chiefly to swell the proletariat of a very new industrialism. Where it did not emigrate, it went town-wards to provide by preference the rather small-scale industry of the towns with craftsmen and technical leaders. The South-West, with its intensive vine-

[1] H. Pirenne, *Economic and Social History of Mediæval Europe*, pp. 67–86.
[2] Cf. Fourth International Congress of Agricultural Economists (St. Andrews, 1936), *Proceedings*, pp. 76–7.

growers of the Rhine and the Moselle, is the home of the very small farms, where we meet with unalloyed peasantry, but here also we are in contact with production for the market.

Viewed in great, the characteristics of countries and of the crops they grow point the finger to their type of co-operation. In Denmark it is co-operative purchase and marketing, without recourse to short-term credit, since dairy produce brings in a steady stream of cash. In Germany are two great overlapping systems: the one originating in Neuwied on the Rhine and streaming through Germany to the countries on its circumference, east, south and west, and especially south-east: the other originating in Delitzsch and Eilenburg, two small Prussian towns north of Leipzig, and spreading selectively to other regions and countries, which had the solidity to sustain its semi-urban pattern. But the nature of the co-operation was the same in both. It was co-operation for credit and other things, credit coming unmistakably first—for credit, which was the unifying nucleus, and for a variety of other things pertaining to purchase and sale in a near-by market. The peasantry of Switzerland added a further characteristic. They and the townsmen of the fifteenth century combined to overthrow the feudal nobility; and the complement of confederation (*Eidgenossenschaft*) accomplished then is the co-operative system (*Genossenschaftswesen*) of to-day. The Swiss peasant, too, produces overwhelmingly for the market. Of the produce from all farming concerns where books are kept, an average of 82 per cent. is marketed; and this average is almost as high as the percentage marketed by the over-250-acre farms of Germany.[1] The fact that in Eastern Europe agrarian revolution has led to the consumption by the peasantry of produce which formerly passed into the export market, must not mislead us into thinking that the old-established peasantry of the Scandinavian or German type behaves in similar fashion. An estimate of 1929 puts the rural consuming power of Poland

[1] Cf. Fourth International Congress of Agricultural Economists (St. Andrews, 1936), p. 79. The percentage is for the most recent figures available in 1936.

at £10 10s. per head per year in respect of unpaid services and at £2 3s. only in respect of money payments. The contrast between Western and Eastern Europe is thus profound.

France is not a stronghold of agricultural co-operation. When we picture the stubborn toil of the peasant in isolation, we have in mind the peasant as Arthur Young saw him, and the peasant woman, as we saw her, replacing her man in the years of the Great War. Peasantry goes deeper than tenure. There is much tenancy in the north of France (and adjacent Belgium is mainly a tenant country) and much of that intermediate tenure, called métayage, in other parts of France. But whatever the tenurial relation, the final fact in French economic life is the peasant on the land, which is his own or which he tends as his own. *Pauvres paysans, pauvre royaume* is as true to-day as it was when Quesnay appended it to his maxims. Where the French peasantry is in decline, it is the outcome of particular distress. In some parts rural depopulation has compelled consolidation: near the Mediterranean littoral the ravages of the phylloxera have led to the destruction of small vineyards and the re-establishment of the industry from American vines in larger holdings.

Three hundred years and more ago a miracle of migration was accomplished. A French peasantry was put into boats and came out uninjured on the St. Lawrence; and Canada is now a British Dominion because once Quebec was New France. The *habitant* of Quebec is the pure peasant transplanted; and you less rarely hear peasantry denounced in Canada for the reason, perhaps, that to jeer at Quebec would be a feeble, as well as a dangerous, joke. As Professor Lower says,

> The *habitant* is not worried because he cannot afford a car and a radio. He has his family, his church, his own people around him, plenty of fuel, plenty of food (of a crude sort), the fresh air and the freedom of the woods.[1]

The simple life is to him the good one. The priest and

[1] A. R. M. Lower and H. A. Innis, *Settlement and the Forest and Mining Frontiers*, p. 89.

not the price, determine what crops shall be sown: the mood is individualist under the fostering care of the Church. The population has spread into neighbouring towns, where we find those *caisses populaires* instituted by Desjardins from 1900 onwards, which Canadians are so glad to be able to mention, when asked for their record in co-operative credit. They are savings banks which do some local lending, and have been outside the main stream of agricultural co-operation in Canada.

Both in Western Europe and the overseas English-speaking world the unit of rural society is the single family. When we move east to Eastern Europe and beyond that to Asia, we encounter the joint family, and this introduces complications. The collective farming of Soviet Russia was a possible experiment because the single family had not firmly established itself as the indisputable basis of rural organisation. Communism and the joint family are cross loyalties. They illustrate co-operation, but do not always assist it as a movement. Co-operation is most happy in the middle ground between the atomism which saps even the family and the collectivism which rides roughshod over it. Let us place the peasant of north-west Europe in the world picture thus. He is higher and stronger than the fly-by-nights of industrial agriculture, as we see them in the rice delta of the Irrawaddy or in the cotton belt of the American South; and therefore he is capable of co-operation. He is more lowly than the estate-owners of East Prussia and Hungary, or than the large tenant-farmers once typical of England, and much more lowly than the company farm which has failed or the collective farm which is on trial; and therefore he has peculiar need of co-operation. But whatever his relation to co-operation may be, we have still to place him in the scheme of things.

Can we distinguish him by the fact that he is not an employer of labour? I think not; for this identifies him with the small family farmer, and thus with a multitude of farmers in New Zealand and the Canadian West. Moreover, the theoretical significance of the family farm lies in the fact that, whether small or relatively great, it cannot

resist the course of depression by discharging others, since it so largely employs itself. Quite logically, therefore, it meets depression by greater effort, which results in yet more production. And this occurs most strongly in the non-peasant (as we must call it, if we are not to add misunderstanding to insult) economy of the New World, when farmers, specialised to the supply of a great staple of export, are caught between the pincers of rigid costs (due in part to their high standard of life and in part to their distance from the market) and vanishing prices. But the European peasant, when he is supplying a miscellany of produce to a near-by market, can more easily evade cash outgoings for the necessaries of his simple life and is less tied to an expensive marketing system. For not all peasants are Danes, and Denmark itself is next door to its export market.

We must distinguish him rather in terms of the land, which is his heritage and his home. And the mention of heritage locates the answer in the field of law or of custom enshrined in law.

The Germanic family is a proprietary association. As long as the father and mother are alive, there exists between them and their children, in contrast to the Slav family, no kind of common land tenure. All the children have equal rights. But the custom dates back to the earliest times that only one of the sons may bring his wife into the paternal house. When the parents grow old, this son takes over the farm, not as the born ruler of his brothers and sisters but, according to the German principle of leadership, as the first among equals. He thus owes his brothers and sisters a settlement from the value of the farm. This is opposed to the feudal system and opposed to the English common law. The settlement is not reckoned according to the selling price, for the farm is in no sense a commercial object; it is decided on principle according to the producing capacity and in such a way that the burden on the successor to the estate shall not be more than the farm is capable of bearing, the guarantee of a suitable maintenance being preserved. A limit is thus set to the debt, which ensures the preservation of the farm for the family from generation to generation.[1]

In this separate world of shelter from capitalism, with its

[1] Fourth International Congress of Agricultural Economists, M. Sering, p. 81.

rich flowering of folk lore and village craft, lies the genius of peasantry; and the shelter is provided by customary law.

> This custom (of succession) was responsible for the fact that before the war in large regions of hereditary land tenure, such as Hanover and Westphalia, the (mortgage) burdens on the farms were on the whole statistically nil.[1]

America really need not be afraid of creating a peasantry. For it cannot, so long as real estate is a term which correctly describes property in the land. And I greatly doubt whether a country laced by motor roads, wireless and chain stores can approximate to it by "revamping" the subsistence farming of pioneer days, even in the most secluded Appalachian mountain-foot. It might seem that on the same argument Denmark in no short time should pass out of peasantry; for their agriculture is commercial *in excelsis*. But from this commerce the farm itself is guarded. For the engrossing not less than the fragmentation of land is rigorously restrained by law. And when we find our own agricultural economists "coming out," as they say,[2] "in favour of the nationalisation and complete community control of agricultural land," "coming out" exactly expresses it. The abnormality of our rural economy prompts an abnormal solution. We also in England, for reasons different from those of America, are incapable of creating a peasantry, and nationalisation is the only strong measure of land reform which is open to us. If we tried the Continental solution, we should come out not as Danish or German or French peasants, but as Scottish crofters nourished by charitable contributions from the Society of Friends.

But there is no danger of our trying it. For the spokesmen of agricultural labour do not desire it. Regarding agricultural wages as disgracefully low, they are forced to argue that the still lower income of the small family farmer is exploitation of the grossest type. The guarantee for the continuation of the subsidies and price-fixing of the new agricultural policy is the predominance of the wage-

[1] Fourth International Congress of Agricultural Economists, M. Sering, p. 81.

[2] *Ibid.*, G. Dallas of Wellingborough, England, p. 123.

earning labourer in English agriculture. For he, like the coal-miner under the Coal Acts, gets some of the benefit, and so the consumer of milk and coal is penalised by legislation which originated with a Labour Government in 1929–31 and which a future Labour Government will assuredly in some form continue. Perhaps it will be called then Agricultural Labour Adjustment. Nothing would illustrate so concisely the clean-cut difference between England and continental Europe in their attitude to the land.

CHAPTER XII

CO-OPERATION AND STATE CONTROL OF MARKETING

VOLUNTARY agricultural co-operation and State schemes for the regulation of marketing in the interest of primary producers are different sides of the general problem of the economic organisation of agriculture. In these State schemes quantitative control has latterly played a prominent part, and it has a different significance according as the country has a deficiency or surplus of the commodities controlled. In the former case market control may be associated with expansion of domestic production and may operate solely on the reduction of imports. This means for the surplus countries a corresponding contraction of output, except in so far as by agreement they secure a quota which is greater than their present production—as was the case with Canadian bacon under the Ottawa Agreements of 1932.[1] The United States, like England, have within their limits a great urban market; but though they may import some wheat or livestock from Canada, no serious change in the volume of supplies would be caused by the total exclusion of such imports. Therefore for them, as for the British Dominions in general, quantitative control means restriction of domestic output.

To New Zealand the depressing sequel of Ottawa was the contemplation of two undesired alternatives: a quota or an import levy, the proceeds of which would be used to assist British producers. The meat industry, being relatively mature—apart from the new trade in frozen pork—preferred the quota to the levy; for a quota acts as a form of protection against younger and perhaps more efficient producers. The dairy industry, being young and

[1] See below, p. 312.

expanding, preferred the levy to the quota as the lesser of two evils. But the New Zealand Government, having now guaranteed the price of dairy produce, may find that this requires to be supplemented by quantity control, if its commitment is to be kept within manageable limits; and henceforth it may prefer to the import levy a tax-free quota which defines in advance the limit of the main market.

State schemes for the regulations of marketing are not confined to farming. They exist in other primary production, in Great Britain in coal-mining and herring-fishing, in the East in tea and rubber planting, where they are on an international basis. The Coal Mines Act of 1930 gave monopoly power to a cartel of coal producers. The Agricultural Marketing Act of 1933 applied the same principle to specific agricultural products. But between the coal-producer and the farmer there is this great difference that the coal-producer is an employer of labour on a large scale. The equivalent of the coal-producer at home is the planter overseas. Liberal economists are quick to condemn restriction by the planting industry, but they are more reserved about coal control, which is defended as a means of securing for the coal-miner regular employment at a living wage. But planters may be in the same case. The Ceylon planter has to pay a legal minimum wage which relatively is as generous as that paid to British miners.

As we argued in the previous chapter, the family farm, which is the basis of modern agriculture in the world at large, is in a singularly weak position for the adjustment of supply to demand on a declining market. Hence with the farmer price is determined by supply, while with the manufacturer supply is determined by the price. The social cost of the adjustment process has led a country so individualist as America to embark on programmes of crop restriction. But the family farm makes it extremely difficult to work restriction successfully. For the units of operation are infinite beside those in mining or planting. Moreover, mine-owners merely extract a stock of metal provided by nature. They do not grow it. But the farmer

lives in partnership with Nature; and not to grow, or having grown to burn or plough in, wounds his psychology as much as it does that of the unsatisfied consumer.

Only in a few cases has State control been pushed back from marketing to direct limitation of output: the majority of it is concerned with the regulation of the home or export market. But is State-controlled marketing, however democratic it may be, and however greatly it may call on its members for co-operation in the working of the scheme, to be considered as outside the field of the co-operative movement? If we had England only in mind, we might answer, yes. For there agricultural co-operation was too weakly developed on the marketing side to allow it to be made the basis of the State schemes. But this was not the case in the United States or the Dominions. The co-operative organisations there have sponsored them and dovetailed with them. The export control boards of Australia and New Zealand have been connected in varying but intimate ways with the co-operative marketing organisations. President Hoover's Federal Farm Board and President Roosevelt's Agricultural Administration used the co-operatives as far as they could. They may have injured them by assigning to them unsuitable tasks, but the co-operators invited the intrusion. No country in the world has a finer record in voluntary co-operation than the Canadian West; yet we find the official spokesman of co-operation saying,

> Co-operators would, of course, prefer the voluntary form of association, but as we are compelled with regard to co-operative marketing [he is referring to grain] to choose between ineffective voluntary co-operation and effective co-operation with some compulsion, we choose the latter.[1]

We must look for the origins of State-controlled marketing in the Great War, which necessitated regulation and threw up machinery for giving effect to it. It brought together those who had formerly been in isolation; and when the continuance of regulation by voluntary effort broke down or failed to reach the whole way, there was a general desire

[1] J. T. Hull, Memorandum to the Royal Grain Enquiry Commission on behalf of Manitoba Co-operative Conference (1937), Offprint, p. 13.

to recover by compulsions the favourable conditions of the war years. The war, however, brought an aftermath of difficulties. With war prices in mind, the New World expanded its agriculture to feed a Europe which was rebuilding its economic life from agriculture upwards and was increasingly bent on policies of self-sufficiency. Moreover, in the post-war years the technique of advanced countries became general throughout peasant Europe. When Europe failed it, the New World turned hungrily to Asia, but to bring the surplus production of the underpeopled hemispheres of the West and South to the over-crowded East is a problem of infinite complexity, since the good food of the temperate area may be bad diet for tropical Asia and reliance on it, even when it is suitable, may dislocate the importing country's rural economy. Of the alternative solution, the transfer of the surplus population to the areas of surplus production, there is no prospect. The former statistician of the Canadian Wheat Pool is the present secretary of the Wheat Advisory Committee in London. His office is different, but his purpose is the same, the stabilisation of the wheat grower's life. As I left New Zealand for India, my co-operative hosts asked me, " Do you think there is any chance for our butter in India ? " Never was Malthus so significant for Asia, and so insignificant elsewhere. Birth control, which is most severe where least needed, is a basic cause of crop control. If we could but control the weather also, we of the West might cock a snook at Parson Malthus.

CHAPTER XIII

GREAT BRITAIN AND IRELAND

England and Wales

The agricultural co-operative movement in England begins with the establishment of E. O. Greening's Agricultural and Horticultural Association in 1868. Before that there had been only the interesting but isolated experiment in co-operative farming at Assington, Suffolk, and one or two other attempts at share-tenancy or profit-sharing with agricultural labourers. Greening was a Christian Socialist who had worked with the consumers' co-operative movement. His object was to combat high prices and especially the adulteration of feed and fertilisers which was common before the passing of the Fertilizers and Feeding Stuffs Act in 1893. The Association flourished for nearly fifty years and was only terminated during the war. It was closely followed by a group of similar societies set up by the spontaneous action of farmers in Cumberland and Lancashire, of which one or two (including the earliest, Aspatria, 1870) still exist and others have been merged with more recent co-operative enterprises. The first attempts at group marketing, such as the cheese factories set up in the 1870's in the Derbyshire and Staffordshire hills and the ambitious British Produce Supply Association of Lord Winchelsea's National Agricultural Union, were less successful. They disregarded the co-operative form and failed.

The movement increased slowly, but it remained sporadic and attracted only local attention. Agricultural thought was dominated by the persistence of depression and the fall in the value of agricultural land. Neither of the two Royal Commissions on Agricultural Depression, 1880–2 or 1894–7, considered co-operation to be central to their problem. In 1894, however, the foundation of the Irish Agricul-

tural Organisation Society at the instigation of Horace Plunkett brought agricultural organisation to the front, general interest began to stir and the example of Ireland was followed by England in 1901 and by Scotland in 1905. The Liberals, after their success at the polls in 1906, built their agricultural programme on the Small Holdings and Allotments Acts of 1907–8. And the policy was quietly successful. In some cases the County Councils, on whom the Act depended, were sluggish, in other cases small-holders were put on unsuitable land, but in the main the Act achieved its purpose, which was to supplement the natural forces that were making for an increase in the small products of the farm and to raise those products on small, intensively farmed areas. A recent investigation [1] into small-scale farming in the Eastern Counties of England showed that an area of 385 acres in small holdings of the 25–50 acre class is greatly superior both in gross output and net return to a single 385-acre farm of similar agricultural type (net return per acre being £6·49 against £3·81) (*op. cit.*, p. 663), and that " comparing the two groups, the small farms provide employment for rather more than twice the number of men per acre " (p. 664). A later report [2] by Mr. Kitchin establishes further that the specialised full-time vegetable or poultry-holding of a few acres is a precarious holding on account of dependence on purchased feed and liability to disease, in comparison with either the part-time holding or the small mixed farm of 30–50 acres, in which milk or arable produce is the main cash source. To some extent the Agricultural Organisation Society of England (A.O.S.), a State-aided body, found itself the servant of this movement and the preoccupation of the State with the small-holder stood in the way of the A.O.S. attaining the national position later held by the National Farmers' Union. The notion that co-operation was something for small-holders was unfortunate; for the co-operative movement which ultimately emerged was not a

[1] Analysed in A. W. M. Kitchin, " Small Holdings and the Agricultural Structure," *Economic Journal*, Vol. 44, Dec., 1934.
[2] Land Settlement: Report to Carnegie Trustees (1935).

movement of small-holders, but in the main of medium and even large farmers, with whom small-holders are associated.

It might have been supposed that the early strength of consumers' co-operation in England would have induced corresponding strength in agricultural co-operation. But this did not happen for two main reasons. (1) Although some co-operative societies from their earliest days engaged in farming, it was for the most part a gesture recalling the original enthusiasm for an Owenite land community. They generally lost money on their farms and therefore were not enthusiastic about extending their interest in farming. (2) In so far as the consumers' movement of the nineteenth century had any politics, they were unreservedly those of free trade; and therefore, while anxious to bring co-operative supply to rural parts, they viewed with suspicion attempts on the part of producers to improve the price of their produce. Agricultural co-operation, therefore, received little initial stimulus from the towns, though the Co-operative Union was for some years associated with the A.O.S., and the Co-operative Wholesale Society was later to play an important and useful part.

The structure of the English land system prevented agricultural organisation from growing around co-operative credit. For tenant-farmers had no need of mortgage credit, and being in general substantial farmers they were not in humiliating bondage to the money-lender or trader. But as depression developed, indebtedness to traders and dealers increased; and the organisation of co-operative supply was obstructed by the social conservatism of tenant-farmers, the ubiquity of vested interests (farmers having trading agencies, land agents and auctioneers controlling the local Chambers of Agriculture, publicans and hotel proprietors combining farming with their main business) and by the demoralising influence of wealthy estates, which encouraged the farmer to expect more from rent reduction than from personal effort. The co-operative organisation of the rank and file of farmers was, therefore, a task of unusual difficulty; and the A.O.S. did well to establish,

during the ten years before the war, a number of strong societies in the field mainly of agricultural supply.

The war, with its regulations and rationing, brought a rapid increase of agricultural co-operative trade, and it seemed to the A.O.S. that the time had come to establish the agricultural counterpart of the C.W.S. An Agricultural Wholesale Society was therefore promoted, but the slump in prices brought heavy losses which the A.W.S. tried to cover by increasing the shareholding of its member societies. This did not save the A.W.S., and Government aid was sought for some of the member societies which had increased their holding in order to support it. Almost equally important was the forbearance and generous aid of their other chief creditor, the Co-operative Wholesale Society. The failure of the A.W.S. brought down the A.O.S. The latter had received since 1908 a grant from the Government, in the first instance for its small-holdings and allotment work. This was now (1924) withdrawn, except from the Welsh Agricultural Organisation Society, which was separated from the parent society in 1922 and still exists. Henceforth English agriculture was without an organising authority which put co-operation in the front rank of its policy. It was a hasty and regrettable decision, which Horace Plunkett in part was able to neutralise by establishing in London the Horace Plunkett Foundation in 1925. The Ministry of Agriculture excused itself by endorsing the view that

> co-operation must be a farmers' movement, a movement by farmers for farmers: and that it must spring from within and not be imposed from without. From this point of view the National Farmers' Union was obviously the organisation to concern itself with co-operative developments; it has now accepted the responsibility.[1]

But a body like the Farmers' Union, which was primarily defensive and political and heavily immersed in other tasks, was neither inclined nor fitted for the task of organising agricultural co-operation. Agricultural co-operation indeed

[1] Ministry of Agriculture and Fisheries *Report on Co-operative Marketing of Agricultural Produce in England and Wales* (1925), p. 27.

fell between two stools. If the British co-operative movement had been more evenly balanced, an agricultural department of the Co-operative Union could well have discharged the task. As it was, the movement was left without effective guidance during a long and critical period.

The officials of the Ministry of Agriculture meantime blessed co-operation, but showed no signs of appreciating the difficulty of applying it to English agriculture. This is well illustrated by the still-born credit legislation of the period. The Agricultural Credit Acts of 1923 and 1928, the latter of which endeavoured to popularise the chattel mortgage, received an excellent press, but for short-term credit the farmers refused to use them. State-aided credit was only effective in the mortgage field, where it was a problem of credit for land-owners. The Agricultural Mortgage Corporation of England, set up under the legislation of 1928, is doing important work, but there is no scope in it for the co-operative form. The shareholders are the great banks. Not only is it a non-profit-making corporation, but it deliberately does business on less than commercial terms. Thus in 1934 it reduced its lending rate from 5 per cent. to 4½ per cent., though working with capital issued on a 5 per cent. basis, and it allowed repayments before they were due. Therefore it passed its dividend for 1936. Down to 1936 it had advanced £11·5 million on 800,000 acres of land, which with the buildings on them were valued at £18 million; and in March, 1936, 93 per cent. of dues were paid. It was the bankers' contribution to the rehabilitation of agriculture, just as the Derating Act and the Marketing Schemes were the contribution of the industrial and consuming population respectively.

Curiously enough, the co-operative history of the period was far more favourable in fact than it looked on paper. Without leadership or substantial central organisation the English movement received the double shock of the collapse of the A.W.S. and the direct impact of the post-war depression with surprising elasticity. A few societies, most of them small, succumbed, a few more wrote down their capital, many suspended the payment of bonus and even

interest, but each for itself or in some cases with advice from the C.W.S. struggled somehow through the difficult years. By 1928 the movement was once more stable and advancing and the subsequent slump did little to shake it.

The movement, as it stands, has grown naturally out of English farming conditions and owes little to Continental or overseas models. It consists of a small marketing movement concerned mainly with the lesser products of the farm and a considerable and steadily expanding co-operative trade in agricultural requirements, of which some 85 per cent. are feeding stuffs. In 1936–7 the total trade of the English societies amounted to the considerable figure of £11,600,000. Of this, £8,400,000 was carried on by ninety-nine societies selling agricultural requirements as their main business. No less than 77 per cent. of this trade was in the hands of twenty-three large societies, two of them with a turnover advancing to the £1,000,000 mark and with operations covering several counties. Most of the supply societies are now members of the C.W.S. of Manchester and buy perhaps a third of their supplies from it.

Of the 111 marketing societies with a turnover of roughly £3,100,000, those selling eggs, fruit and wool are all progressing. The best of the National Mark Egg Packing Stations are co-operative and probably about 8 per cent. of English eggs are now co-operatively marketed. The English Hop Growers' co-operative, which found it could not hold prices in spite of a membership of 90 per cent. of the growers, has been virtually reincarnated as the Hops Marketing Board with compulsory powers. A few large societies hold successful livestock auctions or manufacture bacon. The milk-selling societies alone are losing ground.

The milk wholesalers (the milk-selling co-operatives) were in effect bargaining associations. Now that the functions of bargaining have been taken over by the Milk Marketing Board, and all prices fixed, the societies have become mere transport agencies operating solely on the margin allowed for " transit " risks, which, though it may be and probably is ample for an organisation which does its own retailing or manufacturing, has proved inadequate where " transit " alone is the function of the organisation. Developments which have favoured the co-opera-

tive cheese factory and left the society producing graded milk untouched, have left the wholesaling society isolated. It is all the harder since such societies might well claim that they have pointed the way to the Milk Marketing Board which has superseded them. The problem before them is a hard one. They have a good record in the past and do not desire to wind up. They hold considerable farmers' capital. On the other hand, to launch into some fresh business—the manufacture of packet cheese, for instance, or of condensed milk—is a risk which they may hesitate to take.[1]

Direct trade between co-operative producers and co-operative consumers increases slowly.[2] The C.W.S. is a considerable supplier of agricultural requirements. It purchases grain, potatoes, eggs, cheese and other commodities from farmers' societies. Many retail societies are considerable buyers of co-operative milk, eggs and fruit. Links other than commercial are less readily forged. Though the agricultural societies are still without a central organisation of their own, the Co-operation Committee of the N.F.U. has of late shown a more lively interest in the movement it represents, and the setting up of a professional association by the managers of agricultural co-operative societies has renewed contacts between societies.

The Welsh movement is small but stable, and greatly aided by the liaison between Aberystwyth University College and the Welsh Agricultural Organisation Society. The majority of its eighty-odd societies trade in farm requirements, and as in England and Scotland, the trend is towards increase in turnover of the larger societies and decrease in that of the smaller. Sales of feed amount to three-quarters of the requirements business. A few supply societies are part marketing societies; there are several which market only; there are also a few implement, small-holding and electrical supply societies. It is claimed that the farmers are enthusiastic for co-operation, but handicapped by lack of capital. "If credit could be obtained at a reasonably low rate of interest, the co-operative movement in Wales could advance far more rapidly than at present."[3]

[1] *Plunkett Year Book* (1937), pp. 214–15.
[2] See below, p. 276.
[3] *Plunkett Year Book* (1936), p. 245.

This is possible, seeing that the farmers are mainly small farmers and have in their A.O.S. a body that could direct them in the wise use of credit.

SCOTLAND

Scotland was spared ministerial caprice, and the evolution of its agricultural organisation, though at first similar, was in the end different. The Scottish Agricultural Organisation Society (S.A.O.S.), established in 1905, has received important financial assistance from the Development Fund since 1911. Scotland is a country of substantial tenant-farmers who cultivate intensively in the Lowlands and extensively in the Highlands. It has also areas of small crofters interspersed with these, especially in the north. There was, therefore, no marked disposition to regard co-operation as peculiarly the province of the small man; and fortunately for the S.A.O.S., the Scottish Small-holders Organisation Society, which was established in 1913 and perished in 1923, was a rebel authority, organised outside its auspices. The rebel authority carried most of the dead-wood of the co-operative movement. The S.A.O.S. was fortunate also in not embarking on an Agricultural Wholesale Society. Finally, the presence of the Fleet in the Orkneys during the war brought a rich harvest to the farmers of those parts. Therefore in 1924, when the A.O.S. of England died, the S.A.O.S. lived on and was ready to participate in the forward movement which became possible as conditions improved in the middle 1920's. The supply societies are characterised by their wide area of operations. The three leading are the North-Eastern (Aberdeen), Central Farmers (Fife) and the Farmers' Supply Association (Leith). The North-Eastern's membership extends from Perth to Shetland and from Aberdeen to Stornoway. The North-Eastern and Farmers Central have plants for the manufacture of fertiliser and feeding stuffs. The Farmers' Supply Association was the pioneer society and organised as far back as 1884. It has sometimes acted as wholesale supplier to smaller societies. But the trend in agricultural

supply seems to be toward five or six large societies, with regional boundaries and their own manufacturing plant.

On the marketing side voluntary co-operation is ably represented by Scottish Wool Growers Ltd. In 1926 the S.A.O.S. and N.F.U. of Scotland formed a joint committee to consider the co-operative marketing of wool, and a society was started which in 1929 handled 12 per cent. of the wool clip; in 1932, 20 per cent.; in 1936, 25 per cent. Its membership included the big farmers, and it had, what is generally an aid to co-operative selling, an export market.[1] For large quantities of black-face wool are exported to America for carpet-making and to Italy for the manufacture of mattresses, while Germany and other European countries take considerable quantities of other varieties.[2] Either the society sells the clip of each farmer separately, which it can conveniently do because the number of different breeds is small. Or, when this is required, it grades the fleeces and pools those from different farmers in bulk lots. It gives a bonus to those who contract to deliver a part or the whole of their clip in advance, and in 1929 one-half of the deliveries were so contracted. The scheme is of peculiar interest as a successful achievement in commodity marketing in a field untouched by State marketing. It recalls the very similar organisation of Canadian Wool Growers (headquarters Toronto), which was organised on Dominion lines in 1920.

In Scotland, as in Ireland, America and the Dominions, co-operation was the precursor of State marketing. The co-operatively owned dairy associations of the south-west of Scotland, called "creameries,"[3] were the first attempt at large-scale marketing. By their means the small dairy-farmers in remote parts were able to enter the liquid milk market. But the rapid growth of motor transport changed the situation. Even the most distant producers came

[1] An export market, which formerly was an aid to co-operation, is a precarious asset in these days of highly restricted foreign trade.

[2] Cf. *Plunkett Year Book* (1937), p. 260.

[3] In Great Britain a creamery connotes any depot or factory where milk is received for manufacturing into milk products or for wholesaling to retail dairies.

within easy reach of the liquid market; and to handle the new situation the Scottish Milk Agency was formed in 1927, and consisted of 2,000 individual farmer members and another 500 or more delivering through co-operative creameries. It was based on a three-year contract under which the members bound themselves to deliver enough milk to satisfy the normal demand for liquid milk in the region served by the Agency. During the first contract period the Agency controlled about two-thirds of the milk supply to the Glasgow and Clydeside industrial area, in which area three-fifths of the population of Scotland reside. A decline in milk prices was arrested and the Agency gave reasonably satisfactory results to its members. Then it became apparent that those outside the membership of the Agency were better off than those within, since the latter bore the cost of the administration and the burden of surplus milk. Immediately, therefore, the Agricultural Marketing Act came into force in 1931, steps were taken to invoke the compulsory provisions of the Act, and the Agency's task was transferred to the Scottish Milk Marketing Board for this area. Co-operation suffered in the sense that there was no longer any room for the separate co-operative creameries. But a clause in the Act of 1933 applying to Scotland made it possible for agricultural co-operative societies to transform themselves into Marketing Boards and for the S.A.O.S. to act as a reorganisation commission for Scotland. Therefore, co-operation did not fall by the wayside. The co-operative creameries were taken over by the Boards (for there is more than one Milk Marketing Board in Scotland) or by distributive firms at a valuation; and the membership transferred its allegiance to the new marketing authority. Owing to the entry of Scotland into State marketing via co-operation, one's judgment of its bearing on co-operation is modified. It was here complementary rather than rival, and has thrown the emphasis of co-operation on to group action in regard to output and quality rather than in regard to price; so that the Secretary of the S.A.O.S. can write: "There is every possibility that the functions of the S.A.O.S., instead of being hampered

by the operations of the marketing schemes, will eventually be greatly extended along these lines." [1]

IRELAND

Since the establishment of the Irish Free State (now Eire) in 1922, the Irish co-operative movement has been divided by a political frontier and the Ulster Agricultural Organisation Society, an offshoot from the Irish Agricultural Organisation Society, has been formed to supervise the movement in the north. This division has not altered the general similarity of co-operative forms throughout the country, but it has introduced different elements of government policy, some of which have strongly influenced the co-operative movement.

The movement itself is the work of the Irish Agricultural Organisation Society which, founded in 1894 by Horace Plunkett and animated by social and, in the widest sense, patriotic ideals, operated first on a basis of private service and benevolence and later with the support of the State. The most important branch of Irish co-operation remains the creamery movement. The best dairying districts are in the south; in the north and west land is relatively poor and holdings small; in the centre, arable and stock-raising predominate. In 1929 there were 238 creameries in the Free State and sixty-four in Northern Ireland, with an average membership of 200. They are all based on limited liability, share capital and bank loans. They are mainly concerned with butter production, though a few sell liquid milk or cream, and one has undertaken melted cheese, an enterprise new to Ireland, which has never, since semi-mythical times, been a cheese-eating country. They vary in size and motor transport has greatly increased their sphere of operations. The system by which a central creamery is surrounded by separating stations or "skimmeries" is common. Sometimes the central owns the skimmeries, sometimes they belong to independent societies; the former is the better plan. The Free State creameries suffered materially during the "troubles" preceding the establish-

[1] *Plunkett Year Book* (1937), p. 267.

ment of the Free State. Many were burnt to the ground; others were cut off from their markets for longer or shorter periods. The Free State Government, once established, devoted considerable care to the dairy industry. In 1924 State control of butter quality, milk payment by fat content and a national mark for export were introduced. Similar legislation was passed in Northern Ireland. In 1927 the Free State Government created the Dairy Disposal Company, with funds to buy out, on agreed terms, those private creameries which were in flagrant and wasteful competition with co-operative creameries. In four years the Company had taken over fifty-three central creameries with auxiliaries, as well as some large condenseries. The creameries included some co-operative undertakings which were badly managed or in competition with their neighbours. It was proposed to transfer all these undertakings gradually to local co-operative management by means of deductions from the payments to supplying farmers. This has only been partially carried out, mainly owing to the fall in prices 1929–35, though it has been suggested that a desire for immortality on the part of the Company may not have been without influence. By these means private creameries have practically disappeared. A further influence of the State on the creamery movement has been through tariff policy. Ireland is a country of grass dairying, and, except in tillage districts and the neighbourhood of large towns, milk production almost ceases in winter. Formerly a heavy export took place in summer, balanced by imports in winter. A tariff on foreign butter has led to increased cold storing of Irish butter, and the imposition on political grounds of a tariff on Irish butter imported into Great Britain, although to some extent neutralised by an export bounty, has had the same effect. Several attempts have been made to centralise co-operative butter marketing. A central agency was established as early as 1893, but never secured wide support. In 1927 a new organisation was attempted. It secured the support of 70 per cent. of the central creameries and for a time sold most of the Irish butter, but was liquidated in 1931. The older agency followed it in 1933. The causes

of this failure—apart from the fall in prices, which was particularly crippling to a new organisation—appear to have been the reluctance of the local creameries to surrender their individual right to market, coupled with the speculative manner of selling which the centrals took over from the local creameries and they from private trade. In extenuation it has been said that, with an uneven supply, speculation is inevitable. The Swedish example shows that this is fallacious. In Northern Ireland a joint price-fixing committee of more limited scope, in which the consumers' movement participates, has been more successful.

Irish creameries fulfil two other functions more usually performed by special societies—supply of requirements and credit. With abundant natural grass and little tillage, the purchase of agricultural requirements in Ireland is limited, and societies formed for that purpose alone have rarely been able to maintain themselves. The I.A.O.S., on the other hand, a body supported by governments which feared the small shopkeeper, had difficulty in its early years in promoting societies which also dealt in domestic supplies. During the war the need became so great that the societies sprang up of their own accord, though many perished of insufficient guidance. At the same time the creameries took to shopkeeping and a considerable volume of mixed business passes now through their hands. Credit societies were formed by the I.A.O.S. on strict Raiffeisen principles. With a few exceptions, they have been failures. The cause seems to have been lack of local ability (in contrast to Continental countries, the priesthood rarely took any interest in the matter), and difficulty of central supervision, failure to develop a central bank, which went with failure to make adequate use of the considerable deposits which societies could at one time command, the development of supply societies selling on credit and of loans from creameries, which have to some extent fulfilled the same purpose. Creamery loans are an important source of credit, extending from a mere anticipation of the monthly milk cheque to loans of from £10 to £50 for productive purposes (usually the purchase of cows), repayable after several months,

usually at the flush season. The Agricultural Credit Corporation, set up by the State in 1927, has done something to supply long- and medium-term credit, but it has neither revived nor fully replaced the co-operative credit society.

The sale of eggs (regulated by law as to quality in 1924) might also be regarded as a function of the creameries, though a few special societies exist. There is no centralised marketing. There are four successful bacon factories and a fifth was formed in 1937. In Ulster co-operative pig-collecting and forwarding points have been organised in connection with the Northern Ireland (statutory) Pig Marketing Board. The policy of government in Eire has been to promote tillage and encourage national self-sufficiency. The area under wheat and sugar-beet has increased, but it is a development in which co-operation has played little part. On the other hand the revival of the turf (peat) industry has seen an interesting synthesis of State and co-operative activity.

CHAPTER XIV

THE MARKETING SCHEMES AND CONSUMERS' CO-OPERATION

AGRICULTURAL co-operation, as stated already, is part of the larger whole of agricultural organisation. Owing to the peculiar circumstances of English agriculture the share of the co-operative movement in the institution of the English Marketing Schemes has been very slight. But they are of importance to agricultural co-operation as indicating the sphere outside which it may still develop, and agricultural co-operation is important to them as indicating the ways in which the loyalty of members to the schemes may be retained.

They are of importance also to the consumers' movement, to which they have presented themselves in part as a disturbance to relations which have been built up over many years with producers overseas. Therefore in the second half of this chapter we study the relation between the organised consumer and the agricultural producer, whether at home or abroad and however organised; and working inwards from overseas we follow thus the line which fiscal policy has imposed on the consumers' movement.

The Marketing Schemes pursuant to the Agricultural Marketing Acts of 1931 and 1933 involve price-fixing or quantitative control or both. They are tied up with the new fiscal policy, of which the Ottawa Agreements of 1932 are a part. They are one of the two ways in which the State-aided British agriculture in depression, the other way being subsidies—whether straight subsidies paid from the Exchequer as in sugar and fat cattle, or indirect subsidies paid by the consumer through the machinery of a processing tax, as in wheat. With the exception of the Herring Scheme, which the State had to originate and administrate owing to

the disorganisation of the industry, they are democratic in origin and operation. The producers elaborated them in whole or part, and finally accepted them by majority vote; and very real collaboration is required for their working. Quite in the style of the old Manitoba Scoop Shovel, the Milk Marketing Board issues an excellent monthly, *The Home Farmer*, the frontispiece carrying as its first words "Your pool statement is on page —."

The first Scheme to come into operation (and the only one set up under the Act of 1931) was that for hops, July, 1932. This is a straight case of "compulsory co-operation." A voluntary society, established in 1925, was well managed, but failed owing to that trouble so familiar to the Dominions, the recalcitrant minority. The initial control of 99 per cent. of acreage fell to 80 per cent. by 1928, whereupon the Scheme, which depended for success on a rigid control of supplies, broke down; and then followed four years of confusion, falling prices and shrinking acreage. The State Scheme involved limitation of acreage according to a basic quota alloted to each registered producer. There was no direct limitation of output from this acreage, but hops grown in excess of the quota are not paid for until quota hops have been disposed of at the full price agreed with the brewers. At law the quota attaches to the land and not to the producer. Imports did not cause trouble since they were regulated by licence and might not exceed 15 per cent. of the total consumed. The Hops Scheme operated under favourable conditions; for brewing was on the upgrade, thanks to the reduction of the beer rates and the recovery in industry. In hops we have the example of a small but necessary ingredient of production. A very considerable rise in its price makes a very slight difference in the price of the final product. The hop is a trade material and its only other use is for manure, where its value is negligible.

The Potato Scheme, introduced in 1934 and devised by the potato growers themselves, was in principle similar to the Hops Scheme, and secured quantitative control of the marketed product by qualitative restriction. In excess years the lowest quality is removed from human con-

sumption by the use of a riddle, all potatoes passing through this being excluded. The Scheme depends on appropriate fiscal protection.

But these two Schemes are of minor importance. The Scheme by which the new marketing policy will stand or fall, is milk, which to the generality of English farmers is as important as wheat is in the economy of the Canadian West. It came into operation in October, 1933, after Ottawa and after the report of the Reorganisation Commission on Milk earlier in the year. It consolidated the method of collective bargaining, which arose after the war on the basis of experience provided by the war, and which applied primarily to the London market. But for the Scheme the method of collective bargaining would have culminated in disaster for milk producers. For the effect of this bargaining had been to introduce an artificial gap between the price of liquid and manufactured milk which did not exist before the war and after 1929 became insupportable in voluntary hands. Before the war farmers' milk prices followed the rising trend of agricultural prices generally. After the war they differed from it, holding their ground or rising, when the latter, including the prices of other forms of dairy produce, fell away. The Milk Scheme does not restrict production; indeed, its whole tendency is to encourage it. It is price control extending back from the retail price to the farm. Four prices enter in:

(1) *The Retail Price to the Consumer*

Under-cutting is illegal and offences are strictly punished in the courts. The purchase dividend of the consumers' co-operative movement is not held to be price-cutting; and this was a point for which it had to contend strenuously at the outset of the Scheme. Formally the co-operative societies receive no advantage over their competitors, because the latter also are allowed to grant a similar rebate, but they are not organised to do so, even if they had the competitive strength to afford it, and therefore in fact the minimum retail price has worked to the advantage of the co-operative movement, which in 1935–6 handled some 25

per cent. of the wholesale liquid sales of England and Wales. Producer retailers constitute a separate class. They, too, are subject to the minimum price, and they contribute by a special levy their fair share to the expenses of the Scheme.

Inasmuch as milk producers (provided that the wholesale price was secured) had every interest in a low retail margin, with a view to increased consumption, it may seem strange that a producers' board should have introduced a retail minimum. The explanation is historical. There were (May, 1937) approximately 90,000 producers selling on wholesale contracts and as many as 65,000 selling by retail direct to the consumer as producer-retailers. Though the latter by that time sold less than 20 per cent. of the milk, they had more of the trade before the starting of the Scheme, which incidentally induced greater production in areas distant from industrial centres, and thus unsuited to producer-retailing. Naturally the wholesalers buying on contract were nervous of price-cutting by the producer-retailer, and consequently, at the time of organising the Scheme, when wholesale prices were being negotiated, they not unfairly insisted that there should be inserted in the contract the appropriate minumum retail prices, which the Milk Board must enforce against everyone, both wholesale distributors and retail distributors. America tried retail price-fixing and quickly dropped it, but they have not the same structural problem. And we must be cautious about suggesting that the English provision is due to the pressure of " vested interests." The strong " vested interests " only objected to being tied to a price which the producer-retailers might escape. The weak " vested interests " were the small men either of the producer-retailer type or simply small distributors ; and these were people whom a producers' board, entrusted with a monopoly, dare not threaten.

(2) *The Wholesale Price paid by Distributors to the Board*

The Board is not a trader. Farmers sell to distributors (or the consuming public), as they did before, both fluid and manufacturing milk. But the Board is bound to accept all

unsold milk, and it is within its power to distribute milk if, as was threatened in the autumn of 1935, the milk distributors refuse their services. The wholesale price varies according as the milk is for (*a*) liquid and (*b*) manufacturing purposes. In the 1935–6 contract, the liquid price was 1*s.* 3½*d.* a gallon; and the manufacturing prices per gallon were: for cheese, 3½*d.*; for butter, *c.* 4*d.*; for milk powder, 4¼*d.*; for condensed milk, 6*d.*; for fresh cream, 7½*d.*

This contract was the subject of great controversy, since it raised the price which distributors must pay, while allowing them no increase of retail price. The liquid price was: 1933–4, 1*s.* 2*d.*; 1934–5, 1*s.* 3*d.*; 1935–6, 1*s.* 3½*d.* A Committee of Investigation (1936) found that the margin prescribed in the new contract was insufficient for the majority of distributors under present conditions of distribution. (The co-operative societies allowed that they could work on less, but desired that the saving should go forward to the consumer in lower price and not backward to the producer in higher price.) It, therefore, recommended a cut to 1*s.* 3½*d.* per gallon, which was accepted. A farthing seems a little, but the difference is enough to affect materially the profits of distributors.

(3) *The Pool Price*

There is no single pool price. The producers in the eleven regions into which England and Wales are divided are paid on a regional basis. The regional pool price is arrived at thus. First of all, within each region the receipts from liquid and non-liquid milk are averaged. Then each region's share in the administrative expenses of the general scheme, including publicity and emergency levies, is deducted. Finally, the differences between regions are reduced by an inter-regional compensation levy, which is distributed among all regions in proportion to the quantity of milk which goes to manufacturing purposes. Without such a levy the differences in regional price would be sharp. Under the levy the difference between the highest and lowest was (1935–6) only about 1*d.* a gallon. Producers in the south and east, where most of the milk is sold for liquid purposes, still

get a relatively higher price, but much less high than formerly.

(4) *The Farmer's Price*

The farmer gets the regional pool price less the transport charge attaching to his shipment, and less a small " transit risk " charge, which had its origin in the provision by distributors of collecting depots in the country.

The Milk Scheme achieved its immediate purpose. It saved the milk farmer, who is the very marrow of English agriculture, at a time of crisis. It saved him when there was no thought of refusing fiscal protection to industry or of re-establishing *laissez-faire* in agricultural wages. But the price was paid by the consumer; and our problem is, was the price payable in another and less burdensome way? For Great Britain to-day pays, perhaps, the highest price in the world for its milk (1937, 6*d*. a quart in summer and 7*d*. in winter), and the wage rate of its distributive labour is by no means the highest in the world.

The Milk Board has worked hard to popularise milk consumption by every other device than the reduction of producers' price. Milk is distributed to schoolchildren at half-rates, thus introducing the principle of differential price within liquid milk itself. The milk-drinking habit has been commended by advertisement and milk-bars have made their appearance in the cities, but by comparison with other countries the *per capita* consumption is low and increases but slowly.

The step which the Milk Board has been unwilling to take is experiment in the elasticity of demand in the fluid-milk market as a whole. What this is, no one knows. Of course it is certain that at a lower price the poor would consume more; and it is probable that the elasticity of demand among the poor is greater than unity. In Miss Cohen's words,

> It seems unlikely that a reduction in price confined to the poorest classes would reduce total returns, provided time were allowed to consumers to readjust their habits. The effect of a general reduction in price is more doubtful.[1]

[1] R. L. Cohen, *History of Milk Prices* (1936), p. 8.

Private conversations with the manager of more than one co-operative society have elicited the opinion that the regular working-class demand is very inelastic. "They drink tea with a dash of milk in it, and would not drink appreciably more if the price were half as low," one is told. In particular, any generalisation from America, with its very peculiar dietary habits, is dangerous. If this is the situation, any important increase of consumption would take time to develop, and there would be a loss for some time, which would fall mainly on the producer. For years past economists have made merry over the overlapping milk rounds. But to-day in England, something approaching one-half of the milk is distributed by two great organisations, the consumers' co-operative movement and United Dairies, and they probably operate under nearly optimum conditions. Of course, United Dairies could follow the co-operative societies and distribute only once daily. But this would be at the expense of service. Only the rich have refrigerators, and in summer under these conditions the withdrawal of the second delivery might well defeat itself.

In the absence of a greater fluid-milk consumption, the Milk Scheme has produced a steadily growing excess, for which the Board has had to find a vent outside the liquid market. For not only have farmers produced more, but also they have diverted to the Milk Board supplies which formerly were consumed by stock on the farm or made into farm cheese and butter. Hence about one third of the output goes to manufacturing uses (butter, cheese, etc.) at prices set by competing imports. To sustain the home prices, duties have been imposed on other than Empire supplies, and the home prices themselves have been pegged by a subsidy from the Exchequer costing £1½ million per annum and making, with the grant of £½ million for school milk, publicity and research, a subsidy of £2 million in all.

This was the economic problem facing the Milk Reorganisation Commission, which reported at the end of 1936. It clothed its problem in peculiar language, calling it that of releasing liquid milk from the burden of manufacturing surplus, though quite obviously the fluid-milk market had

artificially created this surplus. If the only alternative use of milk were for fertiliser, they would speak, presumably of releasing liquid milk from the burden of the fertiliser surplus. The key to this way of putting it is, perhaps, the presence of imported produce, which it is always convenient to assume sells at less than the minimum cost of home production. The Commission therefore proposed a further subsidy of £4–5 million, to be used for the reduction of fluid milk by an amount which corresponds roughly with the present difference between the liquid price and the pegged price of manufactured milk. It designated its scheme as planned control of production by "operation on the price factor"; and suggested for the financing of it an import levy on imported dairy produce, including Empire supplies.[1]

When the Report was published, comment was confined to an apparently simple [2] economic recommendation, the withdrawal of the retail minimum, and a major constitutional recommendation, the reorganisation of the Milk Board, now representing producers only, into a Permanent Milk Commission representing producers, distributors and the State. Quite clearly any scheme for the taxation of the Dominions, such as that just noted, could not come from a producers' board; and I think it may be urged that only a Commission representing distributors as well as producers could withdraw the retail minimum. The producers, through their national organs, hotly contested the Commission idea. Their opposition was interpreted as sectionalism. But they have a case, which was well stated by an official of the Milk Marketing Board, at the St. Andrews' Conference of 1936:

My own feeling about a public body is that when it tries to control an industry it tends to maintain all the interests, so to

[1] The levy-subsidy on Dominion dairy produce is not a specific recommendation of the Commission, but they hint at it, pp. 164, 168 and 218; and their calculations assume it. They rightly say that "if Empire supplies of milk products were to continue to enter this country without restriction, the effect of any measures designed to discourage imports would be greatly reduced" (p. 164).

[2] Those who think it simple should study carefully the Stockholm Milk Central, where the whole scheme rests on an assumed retail price. The experience of England under the old Assize of Bread is illuminating here.

speak, as they were. I would say that a producers' organisation —if it has the right point of view and aims not only at maintaining prices but also at cultivating and expanding the market— is likely to do more in real improved marketing and distribution than a public body which decides policy but has no part in organisation or administration. We should probably have bigger margins for distributors and a more secure basis for all the redundant interests in the milk industry than we have even at the present time. At any rate, that is my experience of public bodies in this country, even although in theory it might look as if a public body, looking at the problem impartially from a consumers' point of view, might rationalise matters. But our experience is, and I am sure it is in the United States too, that when a public body does take charge it has to listen to both sides or as many sides as there happen to be. All these sides can put up their cases so well, and it is so difficult for people who are not technicians and who are not in the milk trade to know and to realise the whole truth of the matter, that what they do is in effect to maintain the *status quo*. We get no rationalisation, no improvement, no extension of the market which, I venture to suggest, a producers' body, full of courage and with the backing of producers and having their eye on the public interest as well, can bring about. So on the whole I have come down on the side of the producers' organisation, with some public corrective, but handled by themselves, and having compulsory powers to handle all the milk and determine all the conditions.[1]

The record of the Milk Board is a good one, and any criticism which may be directed against it applies in double measure to the new coal-selling schemes, which have been accepted with a resignation befitting a country that hands out millions to owners of mining royalties and way-leaves and hardly dares even to hope for cheaper domestic coal. If only coal were raised by thousands of little entrepreneurs, whose price was their wage, and not by miners who have been known to strike, how hotly we should dispute their demands!

The Pig Scheme, which was a pig and bacon scheme, came into force in November, 1933, but had broken down in its intended form by the end of 1936. The pig-producers voted for it almost unanimously, the bacon-curers were lukewarm, but accepted it by a majority. The industry had

[1] *Proceedings of Fourth International Conference of Agricultural Economists*, pp. 319–20.

no record of collective bargaining behind it, and it was a straight jump to a legal monopoly in the hands of the primary and secondary producers of an important foodstuff, hitherto mainly imported. The weak point in it was that it left the fresh-pork market unregulated ; and the producers, finding the latter more profitable, failed in 1935 and 1936 to deliver the pigs required by the Bacon Board, so that curers' factories could not be operated economically. Meanwhile, through drastic curtailment of Danish supplies, which from the standpoint of international co-operation was a regrettable exercise of fiscal force, prices were raised sharply and consumption was reduced. In the milk industry the manufactured product was left unregulated ; in the pig industry the fresh product. The Milk Scheme promoted plenty at home, while withholding it by price fixation from the high-priced use. The Pig Scheme obstructed plenty from abroad and diverted home production to a use which it did not control. We later describe certain points in the Pig Scheme, not because it has anything to do with agricultural co-operation, but because of the embarrassment which it caused to the consumers' movement.

Marketing schemes have been framed for eggs and poultry and for certain fruits, but they were rejected by the producers. Egg control would encounter the difficulty of the consumer producer. If its effect were to raise materially the price of eggs, consumer production would be stimulated as happened with home-brewed liquor in the days of American prohibition. There can be little doubt that in these fields the true line of advance is from the Grading and Marking Act of 1928. The use of it is optional, but retailers have testified to its great value to the trade.

Even growers who are not yet in the scheme—retailers report—are copying it by grading their qualities and giving the exact weight on their boxes. Ungraded fruit is always unsaleable. Often it is packed unripe and loses weight on the journey. Often it is deliberately short weight, or the vegetables are loaded up with earth.

When full allowance has been made for the known difficulty of co-operative marketing in a suburban agriculture like

that of Britain, there must surely be scope for district organisation of voluntary grading, which would be co-operative in effect, even if it did not involve a formal marketing society.

As we saw in our picture of the English Retail Movement, the retail societies have numerous informal contacts with local producers, buying fruit, vegetable and poultry products from them and selling to them as members. The two Co-operative Wholesale Societies, being merchants in a great free-trading country, went farther afield, and built up their first contacts with organised agriculture overseas, first in Denmark, after that in Canada and the East, and finally in Australia and New Zealand.

In 1931 the C.W.S. celebrated the jubilee of its activities in Denmark. In 1881 it opened its first depot in Copenhagen ; for Danish butter was now coming into fame and no longer called Kiel butter through the fact of its exportation via Kiel or Hamburg. Other depots followed in Aarhus, 1891 ; in Odense, 1898 ; in Esbjerg, 1905. In 1926 it appointed a Dane to manage its new central depot in Copenhagen. Denmark has two great exports, butter and bacon. In 1900 the C.W.S. established a slaughtery at Herning and in 1929 a second at Skjern. In addition the C.W.S. purchases eggs, seeds, potatoes, condensed milk, cream and cheese in Denmark. By setting up in Denmark, the C.W.S. became independent of intermediate merchants. The organised consumer bought directly from the organised producer. Danish co-operation was so firmly established that the presence of the C.W.S. was no threat to producers' co-operation there, but rather an aid, as increasing the stake of the British consumers in Danish produce and introducing them to the quality of Danish production. The C.W.S. has always co-operated with Danish State advisers in the service of inspection, and in the butter competitions and dairy shows which they direct ; and sells Danish butter in England under the Danish official brand. In 1930 the C.W.S.'s share of Danish butter exported to England was nearly 40 per

cent. It is the oldest and greatest customer of the Danes. But there is no organic contact. The competitive market sets the price, and the C.W.S. was simply the largest unit in this free competitive market.

The C.W.S. has depots in New York and Montreal, but for a time the contact of the S.C.W.S. was much closer. In 1906 it opened an agency in Winnipeg, later bought a small line of local elevators [1] and finally a large wheat-farm in Hughton, Saskatchewan. Scotland saw many of its people leaving for Canada in these years: and it was a great consumer of Canadian wheat. It was appropriate as well as conformable with co-operative doctrine that it should furnish itself with its own bread from this new Scotland of the Canadian West. But the structure of the wheat trade precluded this; for in the course of terminal storage and shipment the produce of a particular farm loses its identity. The S.C.W.S., therefore, was in effect an absentee landlord operating with a paid farm manager in a country where even large-scale operation by resident owners does not pay. In 1925 it sold its farm to a community of Mennonites, and when they were unable to complete the transaction, to a land company for division and resale to individual family farmers. Pushing back to the source of supply was here an excess of literalism. In Australia the C.W.S. supplied bank credit to the West Australian Wheat Pool for a number of years. Australian bankers were at first shy of the pool idea, but the C.W.S. Bank, having no prejudices and protecting itself by an adequate margin, made the advances necessary to the pool plan. Moreover, as the Australian wheat harvest occurred in the English winter and the peak of the Australian demand for credit came in March, this demand dovetailed with the domestic situation, where the winter months are the season in which funds for investment are ample. But the C.W.S. as an importer was not committed to purchase the wheat which the C.W.S. Bank thus

[1] The S.C.W.S. to-day operates fifteen wheat elevators in Canada, and in May, 1938, decided to erect another one. Relations between the S.C.W.S. and co-operative organisations in the Canadian West have been uniformly cordial.

financed. The Bank has done similar business with equal success with the Russian Government.

The East was a different proposition; for this is the theatre of plantation economy. Tea is one of the two great plantation crops, and the British co-operative movement controls at least one-sixth of the tea trade of Great Britain. The business is operated through the English and Scottish Joint Co-operative Wholesale Society, Ltd. (English and Scottish for short); and the tea is obtained either on the London market through the London office, or on the Colombo market through the Colombo office, or directly from its own plantations in Ceylon and South India. The "English and Scottish" began in Ceylon, the older district. The first purchase of tea land was made in 1903. During and after the war, further purchases were made, especially in South India, with the result that the movement now produces 5 million lb. of its own tea, 4 in South India, 1 in Ceylon. This is only a small part of its trade, which for 1933–4 was 110 million lb. (home trade 70 million lb., re-export trade 40 million lb.). It produced 6½ million lb. before the introduction of International Tea Control in 1933. It would like to grow more and indeed had bought new land for this purpose. But while restriction lasts, it cannot exceed the quota assigned to it, except by the expensive device of purchasing export rights from others. British co-operators regret this check, but the "English and Scottish," as planters, are aware that the price stabilisation which the scheme ensured, helped to place their tea estates on a sounder financial basis.

The Indian business is worked from Calicut, which in addition to forwarding the tea of its own estates does a considerable business of import. It buys materials for its estates on which it charges a buying commission, as well as machinery from the agents of British firms in the East; and it has developed a business of general supply to the Indian wholesale trade. There is no indigenous consumers' movement on the Malabar coast, and therefore it sells to native traders, with whom it has a high reputation for straight dealing and fair terms, so that from nil a few years ago the

turnover grew quickly to over 1 million rupees per annum. The goods consist of cottons, umbrellas (a great item in rainy Malabar, the best (1935) being of German and the cheapest of Japanese origin), belts by the thousand, and proprietary articles which come in part from C.W.S. factories; foods, fountain-pens, inks, etc. When this business is mentioned to a gathering of co-operative theorists, it is apt to be received with protest. It is called "un-co-operative," "mere capitalism." But the stricture surely is unreasonable. When co-operators are in business overseas, they must conform to the structure of that business. The trade brings a fixed commission, which helps to reduce the cost of the Calicut office. To set up dummy co-operation as a vent for C.W.S. products would be a foolish waste of money, as well as un-co-operative. The "English and Scottish" would only be to blame if, when an Indian consumers' movement arose in its area, it failed to establish relations with it which were satisfactory to both.

Ceylon has shown the line on which true extension of the co-operative principle is possible: namely, estate labourers' co-operative stores. In Passara, a tea estate on the farther (eastern) side of the highlands where tea is grown, Ceylon has its Rochdale. It was started in 1927 by a private company which operates that estate, and it has been imitated elsewhere, notably by the "English and Scottish" on their own group of tea estates at Westhall. They are not benevolently run truck shops. The Co-operative Department of the Government of Ceylon has them under careful inspection. The members manage their own stores. The European staff assist by acting as treasurers, and they get goods, such as canned goods, which they themselves need. Both classes of members draw their purchase dividend. The Passara Society was so successful that it attracted the custom of labourers outside its own estate, and in order that it should not incur the stigma of making profit out of non-members, it devoted the surplus to erecting an open-air school. I rank as the three purest manifestations of co-operation which I have witnessed in my co-operative life: the pool meetings of Canadian farmers in the

winter of 1925–6; the committee meeting of a village bank, with the priest in the chair, in Hungary in 1936; and the activities of the estate labourers' co-operative stores at Passara and Westhall, as I saw them in 1936 also.

The "English and Scottish" has 4,000 estate labourers in Ceylon and 11,000 estate labourers in South India. Ceylon leads India in labour regulation—in its regularly paid legal minimum wage, as well as in the conditions of recruitment and housing. Estate labourers' co-operation has not yet been established in South India. Could not the "English and Scottish" be the instrument of its institution and thus erect in the Wynaad or Anamallais a Rochdale for the coolies of India? There is something fundamentally unsatisfying in the thought that a consumers' co-operative movement can discharge its whole co-operative duty by service to itself only. Let it give to the East, as well as take from it; and let it give not charity, but a replica of itself, to the people whose working lives are spent in its service. A common bondage of debt makes the whole East kin, be they coolies, ryots, handloom weavers or Government clerks; and where they are wage-earners, there is a sure escape, the escape of 1844.

New Zealand brings us back to family farming. New Zealand is the Denmark of the New World, and here, too, the C.W.S. is established. The large majority of New Zealand butter is made co-operatively, but there are only two direct co-operative contacts with the English consumer. The first is through the New Zealand Dairy Company, with its London selling organisation, Amalgamated Dairies; the second is through the New Zealand Produce Association, which, though less important as a trader than the former, is of special co-operative significance, since it is an example of organic contact between co-operative producers and co-operative consumers. The shares of the New Zealand Produce Association are held jointly by the C.W.S. and the dairy societies constituting the New Zealand Co-operative Marketing Association, which is the selling offshoot of a supply organisation, the National Dairy Association. But even with this organic contact, the commercial relations are

elastic. There is no compulsion on the New Zealand dairies to sell only through the Produce Association, or on the C.W.S. to buy any or all of the produce handled by it. But as the C.W.S. has a capital interest in it and promoted it in order to make a co-operative contact with New Zealand, the buyers of the C.W.S. give it the preference when quotations are satisfactory. There is already evidence that the new dairy legislation of New Zealand [1] will not disturb the business of the New Zealand Produce Association.

As in India, so also in New Zealand there is some organised reciprocal trade. In 1929 the export manager of the C.W.S., after touring New Zealand, decided that the National Dairy Association (N.D.A.) was the best channel for the sale of C.W.S. goods, and the N.D.A. accepted the agency. Consumers' co-operation, except here and there in a mining town, being weak, the C.W.S. and N.D.A. have endeavoured to set the consumers' movement on its feet through an organising Union, the New Zealand Co-operative Alliance, and some progress has been made, e.g. in residential districts adjacent to Wellington, the capital city. The difference between the C.W.S. and English firms contemplating the opening of retail establishments in New Zealand is plain. It is precluded from this by co-operative first principles: it can only give a helping hand to effort originating with New Zealand consumers, and the resultant stores will only deal with it if it is to their advantage. Elasticity is the necessary characteristic of inter-co-operative trading, whether of import or of export.

At home the co-operative problem of consumer and producer is much wider than the functions of the Wholesale Societies, though these play a central part. There are three main sides to it: the place of the consumers' movement in the milk trade, in the pig and bacon trade, and in the trade of agricultural supply.

As the milk business of the retail societies developed, they became an important and distinctive element in milk distribution, and were involved in the collective bargaining promoted by the National Farmers' Union after the war.

[1] See below, pp. 369–70.

This bargaining culminated in the arrangement reached in 1928 by the National Farmers' Union and the National Federation of Dairymen's Associations, which the National Co-operative Milk Committee refused to accept on the ground that there was no representation of consumers in the scheme. They were, therefore, admitted to the Joint Committee, and in deference to their wishes the proposed fixation of the retail price was dropped. Having thus aligned itself with its competitors, the consumers' movement rallied its forces by the creation of a National Co-operative Milk Trade Association

> to unite and centre in a single representative body the whole Co-operative Milk Trade and as such to negotiate with the Government and with bodies such as the Permanent Joint Milk Committee on matters affecting the trade.

But it did not find it easy to secure from Congress an agreed policy, and the Co-operative Party had yet other ideas, which were under consideration when the hands of the movement were bound by the Government's Milk Scheme of 1933. Friction had developed between the Scottish Milk Agency (above, p. 253) and retail societies in the south-west of Scotland; and co-operators entered the era of State-controlled marketing with considerable suspicion. Especially did they dislike the Scheme being administered by a producers' board. However, they accommodated themselves to it and have prospered under it, though they would like to be freed from the retail mimimum. In Birmingham and district in 1935 two important societies submitted a proposal for the reduction of the retail price by 2*d.* a gallon, but they were easily outvoted by the host of small distributors.

The position of the Wholesale Societies in the trade is an internal affair, which is unaffected by the Milk Scheme. In England the C.W.S. has had a difficult, because heterogeneous, rôle to play. In the South it has had a more manageable task, namely to supply certain societies with the whole of their requirements in balanced quantities. But in the North it has frequently been called upon to supply

accommodation milk to societies which get the regular part of their supply locally.

The Pig Scheme of Great Britain consists of the Pigs Board, the Bacon Board (both of 1933); and the Bacon Development Board (of 1935), representing producers, curers and Government. It thus avoids the reproach of representing producers only; and it can also claim that in conjunction with import restrictions it was responsible for the increase of 36·3 per cent. in the production of bacon between 1934 and 1935. But there its success ends. For it did not control the fresh-pork market and it cannot compel producers to contract to the Bacon Board. In January, 1936, it had to allow curers to buy in the open market the majority of their immediate requirements; and "free pigs" sold at a premium of as much as 15*s.* per pig over contracted pigs. For the remainder of 1936 it was patched up by adjustments, which left it increasingly less able to carry out its purpose of stabilising the production and curing of bacon pigs.

The main function of the Bacon Development Board (to state the situation of 1937) is to license bacon factories, and this gives it the power to control the erection of new factories. It advises the Board of Trade on the restriction of imports, and sets a national quota, which the Bacon Board divides up among registered curers on the basis of existing productive capacity. The great fear of farmers at the outset was that it would stimulate the erection of company piggeries; and therefore it was provided in 1933 that registered curers should buy only from registered producers, and in 1935 (when the restriction of domestic pig-production was under consideration) that the restriction should apply equally to farmers selling pigs and to curers raising their own pigs. But there has been no restriction of pig-production as such. The restriction applies to the number and size of bacon factories under the new licensing arrangements; and with farmers refusing to contract, the curers have been compelled to work at greatly under capacity.

We can now see how the C.W.S., as a producer of bacon in Denmark and England, was affected by the scheme. The

position, as at August, 1936, was this: its Danish importations had been reduced by 50 per cent; and since the import restrictions compelled all Danish bacon factories to curtail output, the Danish Government quite fairly insisted that the two C.W.S. factories in Denmark should share in the curtailment. The next step was to try and transfer the curtailed overseas production to increased domestic production, and this was very difficult. The C.W.S. had bacon factories at Shepton Mallet and Crewe. It was entitled to claim increases on the ground (*a*) that its existing production was under the amount required for efficient operation, (*b*) that it was shifting from overseas to domestic production; and it was rightly dissatisfied with the quota assigned by the Bacon Board. For the quota assigned to one of its factories was exceptionally low because in the year selected the factory was being extended and therefore working on a low figure of output; and the additional quota assigned in respect of claims (*a*) *and* (*b*) was not more than enough to satisfy the claims under (*a*) *or* (*b*). Finally, it had to receive its quota from a body controlled by its trade rivals. The situation was almost Gilbertian. It was not allowed in its own country to produce on its own premises the bacon required for its own people.

The Pig Scheme is control at its worst, as the Milk Scheme is control at its best. It illustrates the futility of a partial control over producers, and the iniquity of a licensing monopoly, for which, indeed, the representatives of the bacon trade were not to blame, as they were brought into the Scheme and required to work it. Moreover it was an unfair blow (and the same must be said of the exceptionally liberal bacon quota to Canada) to a country whose excellent bacon was the foundation of the bacon-eating habit; and the consumers' movement, in opposing it, was supporting the cause of international goodwill.

In the field of voluntary purchase from agricultural co-operative societies, the consumers' movement has a moderate record. There is some trade by agricultural marketing societies with retail societies and the C.W.S., especially in

Wales. Such sales include dairy produce, vegetables and fruit. In a few cases the relationship is close. In the Littleton and Badsey growers, a Midland fruit-marketing society, retail societies are among the members. The Derby (Retail) society sends regular orders to it and pays on the basis of the prices actually received on resale. In milk the co-operative movement was encountering a difficulty before the Marketing Schemes came along, for the C.W.S., as a collector of milk, was sometimes rival to a local milk-selling society. Thus in 1930 the Gloucester Farmers' Milk Depot reported that " customers formerly included several industrial co-operative societies, but during 1929 this trade was lost, as the C.W.S. opened a depot in the neighbourhood."[1] But the advent of the Marketing Schemes has altered the emphasis. More than one farmers' society engaged in milk-selling and bacon-production has greatly benefited from the support of the C.W.S., and sold out to it on advantageous terms. Under the Milk and Pig Schemes there is no longer room for the local selling society ; and indirectly, the Schemes as a whole may be considered as indicating the true fields of co-operative expansion, namely, co-operative supply by requirements societies in membership with the C.W.S.

Conscious since the war of its duties to agriculture, the Co-operative Union of Great Britain has endeavoured to breach the gap between its industrial and agricultural membership in a variety of ways. The C.W.S. has strengthened its agricultural department which it opened in 1915, and most of the requirements societies are now members of the C.W.S.[2] As a big corn-miller and dealer in imported produce, it is in a position to supply articles such as offals and fertiliser on favourable terms. But it would be wrong to think of it as a pioneer in this field. It has added this to its older business, and rather tardily.

[1] Horace Plunkett Foundation, *Agricultural Co-operation in England* (1930), p. 97.
[2] See above, p. 249.

CHAPTER XV

THE UNITED STATES

Farm Credits

The historical approach to American agricultural co-operation is assuredly not through co-operative credit, as it is in Germany and India, where the village bank has been the genetic nucleus. As a matter of history, America reached modern co-operation through Associationism and the Granges, as narrated in Chapter II. In dynamic significance this co-operation is co-operative marketing *plus*, as analysed in Chapter III. But for administrative reasons the statistics of American co-operation to-day are issued by the Co-operative Division of the Farm Credit Administration of Washington, D.C.; and this for the external student has three distinct advantages. (1) It brings to the front the problem of land tenure. On the broad and scarred back of "1862" rests the manifold garment of modern American co-operation, which was fashioned to fit and protect its energetic frame. And Danish co-operation, which stands to American as miniature to fresco, is rooted not less surely in its tenurial past. (2) It brings together (since farm credit is a general need) the detached heads of America's otherwise specialised agriculture. But here again we are not describing a historical process. The Government did not enter the co-operative field via the credit gate. One gate of entry was that of legal status—to find for co-operative association a definitive rôle and in particular to protect it from the anti-trust legislation.[1] The other gate was that of quasi-educational aid to administrative efficiency; and here the story begins with the marketing

[1] The Capper-Volstead Act of 1922 authorised co-operatives to organise and combine for joint marketing of their products, subject to review of the price-enhancing effects of their operations by the Secretary of Agriculture.

service rendered by the Department of Agriculture, and continues through the Co-operative Marketing Act of 1925, which established a Co-operative Marketing Division, to the Agricultural Marketing Act of 1929, when the Federal Farm Board, with its co-operative ramifications, was set up. The importance of the new lending provisions for the benefit of agricultural co-operatives accounts, perhaps, for the organisation of co-operative statistics under the Farm Credit Administration. (3) It gives us an insight into very recent history. For the statistics are presented on a commodity basis, with a final and rapidly growing entry for purchasing. To one who last saw the United States in 1930 the significance of the increase here must be interpreted by reliance on published figures and the written word.

As in Germany and Denmark, so also in the United States the public organisation of farm credit began with mortgage credit, and was extended to personal credit, where the co-operative form has more scope for manifesting itself. Jealousy of the financial East led many years ago to the chartering of State banks with power to lend on mortgage. Owing to the great rise in land values before and during the war, these were unable to cover adequately the mortgage field; and after the banking system of America had been unified by the Federal Reserve legislation, a parallel unification was introduced for rural mortgage credit by the Federal Farm Loan System of 1916. This was supplemented by the Intermediate Credit System of 1923. Mortgage credit is for a term of years. What is intermediate credit? America invented the term, and the persistent belief held outside America that America had discovered a new Raiffeisenism free of the non-assimilable elements in Raiffeisenism invites us to consider the topic a little more fully than American co-operators themselves are disposed to do.

Such credit is intermediate in time between the long term of the mortgage and the short term which is the special province of the commercial bank. It was, presumably, not called short-term credit in order that it might be clear that the Federal Government was not proposing to compete with the local banker: nor personal credit,

as in Europe, because in fact the personal element was subordinated to an elaborate machinery of *ad hoc* membership possessing a face value only. It is intermediate also in two other senses. Just as we conceive of a co-operative sector which occupies the middle place between the sectors of private capitalism and the State, so intermediate credit is midway between the private capitalism of the local banker and a central reservoir of federal credit. And again, the credit is intermediate in that it passes from a superior source not directly to the individual but through a corporate medium. In certain imitations of the American scheme these peculiarities have been neglected, and intermediate credit has become synonymous with non-mortgage farm credit, whether intermediate in any sense or not.

Is the credit extended by the Land Banks of the Federal Farm Loan System co-operative? It is co-operative in the sense of uniting the resources of the investing East with the borrowing wants of the South and West; co-operative also in the sense that it groups liabilities, so that the obligations of each of the twelve Federal Land Banks are the obligations of all. This latter is in virtue of an amendment to the original Act. It aimed also at introducing the co-operation of the local group by the proviso that borrowers must form an association of at least ten persons and leave in the association, as shares in its capital stock, 5 per cent. of the amount borrowed. But there was no continuous co-operative contact: the manager was frequently the local bank manager; and liability was limited to 10 per cent. of the amount borrowed. Thus the local association was no more than one of a series of approved borrowers who formed an association in order to qualify for a loan. For the borrower the system has the great advantage that the loans are amortised over a period of years and not liable to recall at short notice.

The credit of the Intermediate Credit System has been hardly more co-operative in respect of its local associations. These were termed livestock credit corporations, or agricultural credit corporations, according to their purpose. They could be formed by private corporations; and in the first

ten years of the system, at any rate, they were often no more than the subsidiary of a local bank or cattle-loan company, operating under the rules laid down by the federal authority. But in another and distinctive respect the system was co-operative. For it was designed to provide finance for co-operative societies themselves and in particular for co-operative marketing societies, which were in high vogue in 1923.

Between 1923 and 1933 the bulk of intermediate credit destined for individuals went to livestock growers through the medium of livestock credit corporations. The majority of the latter were existing small banks or loan companies, which hoped thereby to unfreeze their cattle loans. Later more substantial corporations were set up, and when they were owned by strong commercial banks, they no doubt served the farmer well, but it was not co-operative service. However, co-operative livestock commission firms were on the increase in the 1920's and some of these operated credit subsidiaries, which qualified for intermediate credit.

The remainder went to general agriculture, either to individuals through agricultural credit corporations, or to co-operative associations as such. In both cases the main beneficiaries were the growers of cotton and tobacco, where the two purposes were interlocked. For the growers were many of them share tenants and nearly all of them in debt. The production loan to the individual freed the crop and thereby allowed the co-operative to take delivery of it. Where it was mortgaged to the trader or landlord, they controlled its disposal, and they were hostile to a system which they considered to be new-fangled, especially when it involved deferred payment under the pool method.

The co-operative associations required investment credit for the erection of warehouses and packing plants, which they usually obtained from privately placed loans. They also required marketing credit for the crop year. At first this was extended in the form of loans, later in the more recoverable form of discounts.

The complete breakdown of co-operative marketing of tobacco in Kentucky and in the South-Eastern States was the most

conspicuous single instance of rapid decline in direct loans after the first few years, although all co-operatives handling staple crops have suffered from irregular and partial deliveries.[1]

There was a renewed demand for intermediate credit after 1929, when many large commercial banks withdrew from the financing of co-operatives, because they feared their failure. On the other hand, certain co-operative organisations, as they became strong, preferred to transfer their business to a commercial bank with its more elastic terms. In all, between 1923 and 1933, the loans and discounts to co-operative marketing associations exceeded 1½ billion dollars.

The Federal Farm Loan System was a great success. It was able to borrow cheaply and therefore it lent cheaply. It got the cream of the mortgage business, and its debentures were not only well-secured, but tax-free. It reduced first mortgage rates from 7–8 per cent. to 5–6 per cent., and in recent years there have been further reductions—in part at federal cost. A distinction is drawn now between Federal Land Bank loans, which are on first mortgage only and Land Bank Commissioner loans, which may be on first or second mortgage. The basic interest rate (January, 1938) on first mortgage loans made through an association was 4 per cent.: on similar loans made direct to an individual (covering communities in which associations had not been formed) it was 4½ per cent. But by Act of Congress the rates both of Federal Land Bank and of Commissioner loans have been further reduced for a limited period to 3½ per cent. and 4 per cent. respectively.

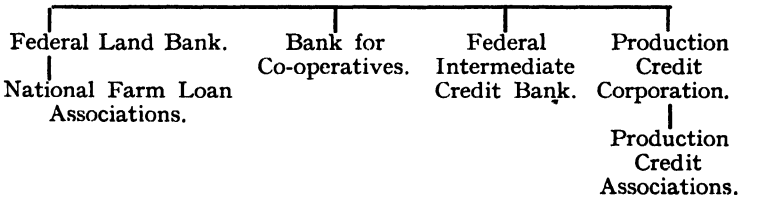
The Intermediate Credit System took much longer to find itself. The mortality among the local credit corporations (cattle or agricultural) has been heavy; and not improbably the loans to the co-operatives themselves will in final balance reveal a loss. But it seems clear that whatever the price, Washington has both the will and the resources to put the system on its feet.

The Farm Credit Administration is a new creation, i.e. a

[1] F. Baird and C. L. Benner, *Ten Years of Federal Intermediate Credit*, Brookings Institution, 1933, p. 240.

new co-ordination of previous agencies dealing with farm credit. It was brought into being by the Agricultural Marketing Act of 1929 and received its present form in conjunction with the policies instituted by the " Triple A " in 1933—as described in the following chapter. Its task in 1933 was to arrest the wholesale process of farm foreclosures and to refinance the necessary " scale-downs." Its long-period task is to determine how far the local association can be made sufficiently legal and self-sustaining to be co-operative in final fact as well as in original hope. It is the policy of the Farm Credit Administration to work towards this, but admittedly the goal is far away.[1] However, the co-operators of Europe will see in the American co-ordination a determination to bring all farm credit into an ordered whole, exactly as they are doing themselves—in Sweden and Finland, to mention two prominent cases. And the latest official literature of the Farm Credit Administration depicts this happily in chart form.

FARM CREDIT ADMINISTRATION—12 Districts.



The Production Credit Associations (550 in all, Jan., 1938) are the former cattle and agricultural credit corporations. The Bank for Co-operatives is the lending organisation for farmers' co-operatives ; and all such co-operatives, whether for marketing or purchasing, are eligible, provided that they are operated for the material benefit of members on approved co-operative lines and that they do not conduct more business with non-members than with members. The Federal Intermediate Credit Bank acts as the bank of dis-

[1] Cf. F. F. Hill, Deputy Governor of Farm Credit Administration, *Proceedings of Fourth International Conference of Agricultural Economists* (St. Andrews, 1936), pp. 141–3.

count to supply short-term funds required by the production credit associations and farmer co-operatives.

Notes given by those who borrow from production credit associations are discounted with the Federal Intermediate Credit Bank, which in turn issues debentures which are sold to the investing public. Investors, therefore, are the source of funds provided by the production credit associations.[1]

The farmers of other lands will rub their eyes with envious wonder.

Co-operative Marketing

American co-operatives are classed by commodities, with "purchasing" as a final entry. In the marketing seasons of 1934–5 and 1935–6 their estimated business was:

	1934–5.		1935–6.	
	$ 000's	%	$ 000's	%
Dairy Products	440,000	28·8	520,000	28·3
Grain	315,000	20·6	360,000	19·6
Livestock	175,000	11·4	250,000	13·6
Fruit and Vegetables	200,000	13·1	212,000	11·5
Cotton and Products	100,000	6·5	110,000	6·0
Poultry and Products	53,000	3·5	69,000	3·7
Wool and Mohair	15,750	1·0	11,000	0·6
Tobacco	7,500	0·5	11,500	0·6
Nuts	11,300	0·7	13,100	0·7
Purchasing	187,000	12·2	254,000	13·8
Total	1,530,000	100	1,840,000	100

Of these we must make a selection. When in the 1920's American co-operators sent speakers to the Canadian schools of co-operation, they would generally lecture on one or other of the following: Californian fruits (a rich, bewildering miscellany); terminal livestock marketing; Land o' Lakes Creameries; one or other of the great milk associations of the East. Of grain they would not talk, since Canada led the way here. The Canadian, visiting the American schools in return, would listen with special interest to the

[1] *Agricultural Financing* (Bulletin of Farm Credit Administration, Jan. 1938), p. 15.

bouncing record of walnuts and the poignant tales of tobacco and cotton.

California was the child of a gold rush. From gold it turned to wheat, and in the 1860's and 1870's exported heavily to Liverpool. This involved the long voyage around Cape Horn, but avoided any long overland rail movement. When the American Middle West and the Canadian Prairies were successively settled and equipped with railways, the comparative advantage in wheat-growing passed to them, and California switched to fruits—the southern part to citrus fruits. There by 1885 the growers found themselves with a glut of production which local merchants were unable to disperse. Therefore they organised for themselves; for they were high-spirited settlers in a new State and quite unlike the poor whites or depressed negroes of the old South, and within a generation they had captured the metropolitan markets of North America. In 1905 they took their present title of Californian Fruit Growers' Exchange (head office, Los Angeles). In 1903 they had made a blunder when they linked themselves with the traders in a Fruit Agency, but they repaired this in 1905 by becoming an organisation of growers representing henceforth the whole of California, instead of the southern part only, and in their new form they proceeded by research, with the help of the man who became their General Manager, 1912–22—G. H. Powell—to solve the acute technical problem of fruit damage.[1] How it was solved, and with what consequence to the discipline of membership, we have seen already in our analysis of the co-operative form. The growers are almost communal growers. They must sell the whole of their fruit through their organisation and entrust to it the picking as well as the packing of the crop. They have even been known to form associations which spray the fruit and cultivate the intervals of ground with soil-enriching crops. They are organised also in the southern belt for the reception of weather news by radio report (formerly by

[1] *Co-operation in Agriculture* (1915), by G. H. Powell, was the first comprehensive American book on American agricultural co-operation. Practice preceded theory.

telephone): when frost threatens, they stand to and are ready to light the stove which stands under every tree.

We have seen, too, the nature of their "set-up," with its happy blend of local, regional and central activities. The Exchange quotes to wholesale buyers a fixed price on delivered basis, which is possible because east of an irregular line running from Havre (Montana) to Beaumont (Texas) there is a blanket freight rate which disregards distance. And they were assisted in the delicate task of price-naming by the existence of auction markets in New York and other large cities, at which some 40 per cent. of the crop is sold. Auction price is dependent on a number of factors, one of the chief being the supply offered at any given time. But the Exchange, while not a slave to the auction price, accepts it as a guide to the intelligent control of shipments and their distribution between individual markets.

In lemons the control of supply has been made the object of a formal plan. This was first done in 1924 through the instrument of a distributive committee appointed to regulate the order of dispatch from different centres. The demand for lemons is very variable. A hot spell on Independence Day or in a town which is holding a political convention sends up the demand enormously. The lemon plan has been continued. But a similar treatment of oranges was unsuccessful. The control of Summer (Valencia) oranges, attempted in 1932, caused dissatisfaction because it took the form of joint action with independent distributors in the State. California, moreover, is not the only orange-growing State, and a tightening of supply in California runs the risk of being neutralised by stimulation of supply from Florida and other States where co-operation is less advanced. In fine, the record of the Californian citrus fruit-growers is one of technical excellence and commercial prudence. In 1928 (when the writer had the pleasure of visiting the region) some 15,000 growers raised on 260,000 acres (making seventeen acres per grove) $120 million of citrus fruits; and of this volume the California Fruit Growers (C.F.G.) handled some 75 per cent., another 10 per cent. being handled by Mutual Orange Distributors, a

private company which was converted into a co-operative in 1906. In 1933 a Report of the State Department of Agriculture gave full details of the prices received for Navel oranges by all distributors, from which it emerged that C.F.G. had the pick of the trade and made for its members the best prices.

Oranges are Sunkist, prunes are Sunsweet, raisins are Sunmaid; and these brands are a valuable commercial property. Regional specialisation is high. The centre of prunes and apricots is San José, south of San Francisco, in which region a majority of the world's commercial raisin supply is raised: of deciduous fruit Sacramento, which lies inland to the north of San Francisco. The prune-growers and raisin-growers suffered from attempts to expand too quickly after the war. They became bitten with the virtue of "iron-clad" contracts and with an excessive faith in monopoly. The prune-growers made the error, which is so often encountered in co-operative history, of buying out independent packers in order to handle new volume at a time of expansion. What happens then is that the co-operative pays too much; and when, having got volume, it withholds this from the market, the independents build better plants and persuade new growers to deliver to them.

The Californian Fruit Exchange, which markets mainly fresh grapes, although it has a much smaller percentage than the citrus growers, held its ground well in the difficult years of the early 1920's. It has met the problems of seasonal operation by an arrangement with the C.F.G., whereby it has used the latter's selling organisation continuously since 1901, with the exception of a short period in 1903–4 when the C.F.G. Exchange was associated with the California Fruit Agency.

An organisation which approximates in energy and service to the C.F.G., is the California Walnut Growers' Association, founded in 1912. It handles some 85 per cent. of the crop, which increased sixfold between 1906 and 1927, and it survived the formidable increase by fertile salesmanship. It guarantees its grades 90 per cent. to crack perfect. It puts up fifty different packs, the top grade having the

Diamond brand stamped on each nut. In 1928 it compensated dealers, when it had to lower the price which had been named at the start of the season; and though the step was costly, the dealers responded so heartily that a crop, bigger by 100 per cent. than the four-year average, was moved into consumption at a price only 11 per cent. under that average. In 1932–3, when there was again a glut—this time at a period of general economic depression—the Association became a party to the plan of surplus control sponsored by the Federal Administration and enjoyed the facilities offered in the plan. But it did not lean passively on Government aid. It conducted a spirited campaign in North Europe with such success that its carry-over into 1934 was again normal. The fact that at the time American currency was depreciating and French currency appreciating, helped it to gain a market which had hitherto been supplied by France.

California has no monopoly of success in co-operative fruit marketing. A small fruit, the cranberry, which is raised intensively from planted bogs in three States, Massachusetts, New Jersey and Wisconsin, supplies an example of efficient interstate federalism. The two landmarks in the history of the American Cranberry Exchange are: (1) the formation of a single organisation containing a central exchange and three State companies in place of two rival organisations, one employing the older form of individual sales and individual brands, the other (originating in Wisconsin in 1907) employing the fuller form of pooling; (2) the extension of the market by national advertisement (EATMOR CRANBERRIES) since 1916–8. The Exchange handled 56 per cent. of the 1936 crop; and by attention to quality and the unremitting cultivation of demand for the fresh and canned product (its advertisement fund supplies a fellowship at the Massachusetts State College for research into the food value of cranberries), it has been able to associate improved price with increase of production on an unrestricted market. The production increase has been moderate: is this due to the natural limitation of bog land? The philosophy of the Exchange is well ex-

pressed in an underlined statement in the General Manager's report for 1936:

Cost of production, or price desire, is a minor factor in setting value on the crop. . . . They are not a prime necessity and cannot be held for ransom. Their sale is dependent—First on the consumers' desire for them, and Second, a price at which the consuming public will take the entire production.[1]

30-YEAR RECORD.

10-Year Periods.	*Av. Total Production in Barrels of 100 lb.*	*Av. Exchange Price per Barrels.* $	*Av. per Barrel Advertising Expense.* Cents.
1907–1916 . .	486,900	6·07	—
1917–1926 . .	502,700	9·50	37·65
1927–1936 . .	524,250	10·74	44·62

Co-operation among livestock growers has taken the form of co-operative commission agencies, called Terminal Associations. The original effort was local, a challenge to the itinerant drover, and was the equivalent of the farmers' local elevator. But success did not come till the point of organisation was shifted from the shipping point to the terminal market. This happened in 1917, and by 1926 two groups of association, one sponsored by the Farmers' Union and the other, named National Livestock Producers' Association, by the Farm Bureaus, handled ten million animals in the nineteen leading cattle markets of the United States. On certain markets they had 30–40 per cent. of the business, and their share of the national trade was 16 per cent. The farmers were in business for themselves—"in the hands of a friend from beginning to end," as the slogan of the National Association ran; and there was a combination of local and central effort, in particular in the eastern and mid-western agencies. For the terminal associations got nearly the whole of their custom from local shipping associations, which gave them nearly the whole of their business. In the range country they naturally got a large volume from individual ranchers and feeders. Their central function was the sale of fat stock to the packers —they were not in the packing business themselves.

[1] *Annual Report*, Crop Season of 1936, American Cranberry Exchange, New York, Chicago, p. 3.

1923–6 saw the terminal co-operatives at their strongest, since when their importance has slowly declined, not from mistaken policy or disillusionment with the co-operative idea, but because of the emergence of new technical factors. Till then livestock (alone among bulky perishables) came physically to the market in which they were sold—to be packed subsequently on adjacent premises; and this for the good reason that cattle are bought on individual appraisal. But improved grading has made this unnecessary for hogs, and furthermore, the decline of the export trade has favoured decentralisation away from the great markets on which the co-operative commission houses were firmly entrenched. Many animals now move direct to the packer, and new concentration points have arisen in the country, where new packing plants have been erected. Direct movement has been facilitated by the building of hard-surface roads in rural parts.

Some reorientation of co-operative effort was therefore necessary; and it has been successfully carried through with the result that the volume of business handled in 1937 by co-operative livestock marketing associations of every type was greater than in 1926. The aggregate of services which the associations render is impressive. They include the grading of livestock at country points, so that they may command a premium on the central market: movement of stocker and feeder animals direct from the range to the feed lots: co-ordination of credit and marketing programmes: research service, transportation service, operation of stocker and feeder and marketing companies designed to grade and weigh up odd lots of fat stock so that they can be sold to advantage in carload lots: service to boys' and girls' clubs and to vocational groups in purchasing and financing lambs and calves on their behalf, awarding medals to prize winners and selling the animals: the conduct of market tours arranged to acquaint producers with their marketing problems and the way in which their livestock is handled.

Most of the 6,289,000 farms enumerated in the American census of 1930 kept one or more cows, but barely one-

twentieth of these were dairy farms in the census meaning of deriving 40 per cent. or more of the farm income from the dairy herd. Specialised dairying has two great divisions: (1) manufactured milk products, (2) liquid milk. The distinctive feature of the former is that certain States, through regional specialisation, now produce for a national market, Minnesota leading in butter and Wisconsin in cheese. The group of States lying to the south-west of the Great Lakes form the producing territory of Land o' Lakes Creameries, Inc., the outstanding example of a federated selling organisation—though the Challenge Cream and Butter Association of California is older (1911) and more strongly financed. In 1930 more than half the creamery (i.e. non-farm) butter of Minnesota and Wisconsin was produced co-operatively, and in the most intensive regions as much as 80 per cent. In cheese the proportion is not so high, since technical factors stand in the way of central production. But in Oregon State the Tillamook County Creamery, established in 1909, has some 65 per cent. of the State's cheese and a highly creditable price record behind it. In Wisconsin, the leading cheese State, only 28 per cent. of the output is made co-operatively, and the Wisconsin Cheese Producers' Corporation has not the same weight in cheese as Land o' Lakes in butter.

The distinctive feature of liquid milk is the service of what one may term a local metropolitan market. The area of each market is called the milk-shed; and especially in the East, where great towns are close together, there is overlapping. Often a large milk-shed contains within itself a number of small or secondary milk-sheds. Co-operative associations (1933)

furnish from 70 per cent. to 90 per cent. of the fluid milk sold in such markets as Chicago, Philadelphia, Boston, Baltimore, Washington, Detroit and Minneapolis-St. Paul. In other markets such as New York, St. Louis and Kansas City, the proportion runs around 50 per cent.[1]

There is nothing in the United States corresponding to

[1] J. D. Black, *The Dairy Industry and the A.A.A.* (Brookings Institution, 1935), p. 48.

the metropolitan pull of London, whose milk demand is met in part from counties on the opposite side of England. Therefore a national milk board of the English type is not possible in America.

American co-operators discuss at length the rival merits of the small local and the large centralised association, assigning to the one quality and co-operative spirit and to the other expansion and selling power. The distinction rests on principle when applied to fruit or cotton, but it has a rather different and technical significance when applied to butter. For butter, co-operative or non-co-operative, falls into three groups: (1) farm butter; (2) local creamery butter made from sweet cream or whole milk delivered every day to near-by creameries; (3) centralised creamery butter made mostly from sour cream hauled longer distances at longer intervals. The "centraliser" creamery occurs in areas which are not specialised to dairying and is mainly in commercial hands, though co-operative adaptations have been sponsored by various farm bodies. The line of co-operative advance, however, has been the federal selling organisation which markets the butter of local creameries, the outstanding example being Land o' Lakes, Inc. Before 1911 each co-operative creamery in Minnesota marketed its butter independently. About that date Minnesota Co-operative Dairies was organised with a brokerage house in New York. Land o' Lakes took the lead after the war. By degrees it elaborated its sales and service organisation, the stated objects being to assist members in the manufacture of high-quality butter, to secure low freight rates, to create markets and to obtain better prices. It operated on a trade brand, conferred on all of its members' butter which scored "93 or better," and in 1926 took for its own title the name of its brand. Its growth in the 1920's was rapid: 1924, butter sold, 32·8 million lb.; total business, $14·4 million; 1927, butter sold, 84·4 million lb., total business, $46·3 million; 1930, butter sold, 100·9 million lb., total business, $47·2 million. It replaced tub butter by the printed package, attacked different markets in turn with its new brand (the tariff protected it from foreign

competition) and instituted subsidiaries for the supply of trade requisites and the processing of powdered milk. But all this expansion rested on the better product which it persuaded its members to produce. Thus federal centralisation of this type was the cause of quality and not a deterrent to it. The organisation, like the product, was " all-sweet."

The fluid-milk associations are of two types. The majority (and these are mainly in the East) are bargaining associations only, the actual distribution being done by the trade—" the distributors."

> For a small deduction from the producers' check ordinarily made by the milk distributors and turned over to them [*sc.* the associations], they negotiate prices, terms of sale, charges for transportation, receiving station changes and all similar matters of concern to the members ; ordinarily guarantee to the members payment for their milk ; check the weighing and testing of milk ; and look after the members' interest in city, State and federal affairs.[1]

The other type actually receives the milk and disposes of it to retailers, for example, the Twin Cities Milk Producers' Association and other bodies in the Middle West. The former type frequently controls the bulk of output, perhaps up to 90 per cent. : in the latter type the percentage is less. But it is unusual in the United States to carry co-operative enterprise up to the point of house-to-house delivery, as is done by the Fraser Valley Milk Producers' Association of British Columbia, or as in England, where the co-operative dairy is a consumers' dairy, which buys milk on contract from adjacent producers.

The milk marketing associations, in conjunction with the distributors or for themselves—according to their type—take care of their own surplus. Clearly this is most feasible in type 1, where the great bulk of the business is under co-operative control. The Philadelphia Association (called " Interstate Milk Producers' Association " because its supply comes from the four States of Pennsylvania, New Jersey, Maryland and Delaware) was prominent in the 1920's for

[1] J. D. Black, *op. cit.*, p. 49.

its success in levelling production between the summer and winter months, but it is understood that the City of Philadelphia itself maintains very little supervision over the milk supply. In certain other organisations, e.g. the Maryland and Virginia Milk Producers' Association of Washington, D.C., and the Maryland Co-operative Milk Producers' of Baltimore, Maryland, the close relations existing between the milk trade and the civic authorities have been instrumental in preventing the invasion of the milk-shed from without—not formally, but virtually by reason of the strict rules relating to sanitation and pasteurisation of city milk. Whether enjoying this protection or not, milk producers have strengthened their position by strong advocacy of the value of milk in diet. The popularity of the health appeal and the existence of prohibition on alcohol aided the Drink-More-Milk campaign. The North Atlantic States have the high figure of one pint per head of daily consumption in the form of whole milk or cream.

From strength and success, verging sometimes on monopoly, we pass south to courageous venture and chequered fortune among the growers of tobacco and cotton. Neither of these products is taken to final form in a farmer-owned factory. The commercial atmosphere is one of high capitalism with mass buying by a few great firms in the case of tobacco, and with keen and manifold competition by a variety of buyers in the case of cotton. But this difference is less important than the necessitous social structure, which is common to both in the Old South; and it is a record in tobacco of rise and fall, which is seen most vividly in the Burley Tobacco Growers' Co-operation Association.

Of the three types of tobacco—fire-cured, flue-cured and air-cured—the farmers of the Blue Grass region of Kentucky grow mainly the air-cured Burley type. The tobacco "trust" was an old bugbear of the Burley Growers, whose headquarters are at Lexington. In one famous year, 1908, "night-riders" burned the barns and destroyed the crop of those who would not join them in the fight for a higher price. No tobacco was raised that year. After the war, when prices slumped, they mobilised for a new struggle,

this time on more constitutional lines. Led by Judge Bingham (later Ambassador at the Court of St. James) they signed 55,000 growers, representing 85 per cent. of production, to a five-year contract pool in 1921. The Association raised the necessary capital for its warehouses and operated them efficiently for four years. But in 1923–4 it made the fatal mistake of holding out for a fair margin over cost of production in the presence of a bumper crop. For a second bumper crop followed, and meanwhile, encouraged by the price which the withholding policy sustained, non-members increased their plantings. Hill-sides, bottom lands and old pastures were set out in tobacco. In 1927 the members refused to renew their contract. They were determined to market with the outsider and to secure, like him, the full return at once. In any event they had a stiff problem. For by doing their own grading they were forcing a new way of marketing on a strong trade. The buyers were only half a dozen in all, and it was not possible to increase co-operative business by use of a farmer-owned brand. Moreover, the growers' condition was as lowly as their purpose was high.

> For many weeks [writes their historian], the roads are lined with battered cars and waggons, their cargo a bit of worn furniture, one or two bundles of clothing, a few human beings, tired-eyed, listless, bespeaking the futility of an endless struggle.[1]

I have seen them myself, and the running noses of their children.

In 1920 the tobacco co-operatives handled 0·5 per cent. of the American crop; in 1922, 48·8 per cent.; in 1925, 20·1 per cent.; in 1929, 1·9 per cent.

The cotton situation is more hopeful. In the old South, indeed, the social economy, like the land itself, is sickly; but in the new South, and particularly in Texas, there is fresh weevil-free land and progressive farming. The States west of the Mississippi, with their holdings of 50 to 200 acres, instead of the 15 to 20 acre plots of the East, grow

[1] Verna Elsinger, *The Burley Tobacco Growers' Experiment*, American Institute of Co-operation (California Meeting), II, 504.

the bulk of the cotton crop of to-day. As in tobacco, so in cotton, there was an upswing of co-operation after the war: Aaron Sapiro, the California lawyer, in each case waving the magic wand. But no debacle followed the decline of contract pooling. One reason, perhaps, was the superior quality of the human stock, another, certainly, was the number of opportunities for specific co-operative service inherent in the structure of the industry; and these lay along two lines, integrated marketing and local processing.

Since 1930 the regional cotton-marketing associations (which now handle well over 1 million bales) have had a federal crown in the American Cotton Co-operative Association; and this stands to its members in relations parallel to those which formerly prevailed between the Central Sales Agency and Provincial Pools of the Canadian Wheat Producers. In the 1920's the cotton-growers became alive to the importance of quality, though at first this was overlaid by a great faith in monopoly control. The classing offices in the interior, which the American Cotton Co-operative Association and the regional associations operate jointly, have latterly brought quality into the limelight. These offices, staffed by experts, maintain close relations with growers and have been the means of reducing the amount of "flat-price" country buying. In place of the old binding contract the members have now a variety of pooling or selling options, and the Association not only secures for growers adequate finance from the commercial banks and Farm Credit Administration, but also is a strong seller on terminal markets. It maintains sales offices in all important domestic and foreign consuming centres, selling when possible to domestic mills direct. At the beginning of the 1937–8 season, it had on hand over 100,000 bales of old cotton; at the beginning of the 1938–9 it will have 200,000–300,000 bales of 1937–8 cotton. But it is only the severe recession in trade which has prevented it from fulfilling its normal policy of disposing of the crop within the current marketing season.

Co-operative processing takes the form of ginning, which removes the fibre from the seed, and corresponds roughly

to the cleaning which takes place in wheat at the terminal elevators. Originally the gin was part of the plantation equipment. Later, custom gins appeared to serve the small independent grower. To assure their supply of cotton seed, cotton crushing-mills subsequently built lines of gins, and the farmers retorted with community gins. Many of the pre-war gins, as well as of the pre-war cotton warehouses, started as farmer-owned concerns, only to become profit-making companies. But since the war, with two States, Oklahoma and Texas, leading the way, great progress has been made with gins operated on a strictly co-operative basis—co-operative community gins, as we may call them. In 1920 there were in the South less than six such gins, ginning around 10,000 bales. By 1933 there were approximately 180, ginning 600,000 bales. By the end of 1937 there were 437, with a membership of 60,000, and they were expecting to handle over 1¼ million bales of the 1937–8 crop. The most spectacular growth in 1936 and 1937 was in the State of Mississippi, where there were at the beginning of 1938 some sixty gins against half a dozen in 1933. It is of interest to note that south-western Oklahoma and north-western Texas, where the growth first took root, are areas of relatively large farms, occupied by operators, 95 per cent. white and mostly owners or renters rather than croppers.

At this point we must advert to the analogy of wheat. While in Canada co-operation has taken the form of elevator chains, operated by companies or pools, in the United States the local elevator has held its ground against central pooling, with which it never identified itself and which therefore quickly subsided. One reason frequently given for this local outlook is the reluctance of the manager to break relations with the grain trade from which his class has been recruited. In the cotton-growing South the positive side of this preference is clearly brought out. For some ten years there was a real rivalry between the local gin and the gin chain of the regional cotton-marketing associations. A Canadian would have expected the latter form to prevail because of its superior integration. But

only in California, the banner State of American co-operation, has the regional cotton-marketing association an active gin programme to-day. Elsewhere, the cotton-growers have followed the tradition of the wheat-growers. It is contended that the gin chain stifles individual initiative and penalises local efficiency, and that good plants have to carry poor ones, with the result that dissatisfaction arises and results in a demand for liquidation.[1] No doubt this is formally correct, but it is, perhaps, testimony to the weakness of regional co-operative spirit in the South rather than proof of the inherent superiority of localism.

Co-operative Purchasing

In the depression of 1930–6 co-operative purchasing increased greatly in relative importance. Such co-operation, indeed, is as old as any; but just as Danish farmers progressed from co-operative marketing to co-operative supply, so did American, with the difference that they have made little impression yet on general storekeeping, the grave of old co-operative hopes. Co-operative purchasing got its chance because of the increasing momentum of commercial agriculture, as the pull of subsistence farming faded away; and the chance was taken because the vanishing prices of depression compelled economy in those thirty cents which nowadays go to purchase farm supplies for every dollar's worth of farm product. Economy, however, meant self-supply, not no supply: the wherewithal to pay coming in part from the liberal outlay of the Government on farm relief. Of the total business of all co-operative associations in America, purchasing accounted for under 2 per cent. in 1913 and for over 12 per cent. in 1934–5. Furthermore, many marketing associations themselves handle supply as a side-line, which in some cases has become almost as important as the marketing activity; and the sum total of co-operative purchasing by purchasing and marketing associations was in 1934–5 well over $250 million.

[1] Cf. O. W. Herrmann, *Some Essentials to Sound Co-operative Gin Organisation* (Farm Credit Administration, Feb., 1938), p. 7.

	$
Purchasing Associations	187 million
Marketing Associations (estimated) . .	90 ,,
Total	277 ,, *

* 1935–6: 247 + 68 = 315.

It has been calculated [1] that whereas in 1925 less than 3 per cent. of farm supplies was purchased co-operatively, in 1935 the percentage was 12·5; and if this figure be correct, it affords an interesting coincidence with the British consumers' movement, which in 1935 handled about the same percentage of the national retail trade in principal foodstuffs.

The marketing associations handle supplies appropriate to their commodity—dairy and poultry feed, seeds, sprays, packing materials, etc. The purchasing associations are representative of the mixed farming areas. But the most distinctive feature of the modern phase is the swift growth in the co-operative handling of petroleum products. This development illustrates exactly the nature of the urge to co-operation. In the days of horse-power the farmer grew his own feed. The automobile took away from him that means of self-supply; and he could only recover his old control by going after it co-operatively. In so doing he had the zest of fighting the great oil chains, which bade him mind his own business. (The story of fertiliser is similar: first obtained from the farm itself, then purchased on exorbitant credit terms from powerful fertiliser companies, now being manufactured and bought co-operatively.) Success with oil has encouraged extension, both vertical and lateral. The organisations which specialise on petroleum products are pushing back from oil-selling to oil-blending, and interesting themselves in the co-operative sale of motor-tyres. How far and in what districts the range of supply is being extended to include domestic goods, it is not easy to discover; and here above all the external student would welcome an academic monograph.

It is hard to present a simple scheme of co-operative

[1] Cf. J. G. Knapp, *Theory and History of Co-operative Purchasing by Farmers* (Kansas Agricultural Convention, Topeka, Jan., 1937), p. 14.

supply in American agriculture. Communities are served in a variety of ways—by a local purchasing association, by a marketing association with a side-line of supply (outstanding examples of which are the poultry associations of the Pacific Coast), by centralised purchasing associations with a retail-wholesale business. Prominent among the last is the Grange League Federation (G.L.F.), which was established in 1922 to co-ordinate the buying efforts of the New York State Grange, the New York Farm Federation and the Dairymen's League, and which in 1936 did a total supply business of $59 million and distributed a considerable part of this through a chain of 160 centrally directed retail warehouses.

Back of the local unit is a variety of regional wholesales, sponsored by the organisation which has developed the local movement—the Grange League, Farm Bureau, Farmers' Union, etc.; and one of these is the Consumers' Co-operative Association, which specialises in wholesale service to associations handling petroleum products.

Back of the regional wholesales are super-regional bodies, such as United Co-operatives, Inc., with headquarters in Indianapolis. Its purpose is inter-regional co-ordination and collective bargaining on behalf of its membership. This body in turn is a member of a national bargaining association, National Co-operatives, Inc., to which the Farmers' Union Central Exchange, the Midland Co-operative Wholesale and other large regional organisations belong. Indeed, one might be chronicling the multiformity of U.S.S.R.!

Even the South is mobilised now; and there are several successful negro co-operatives which are drawing inspiration from their group consciousness. But the most dynamic element is supplied by the Finns, Danes and other Scandinavians of the Middle West and elsewhere. For to them co-operation is a habit, and they will not rest content till, in the field of agricultural supply at any rate, they have reached percentages approaching those which now distinguish their old homelands. May one indulge the thought that whereas efficient marketing irons out community distinctiveness, co-operative consumption conserves it?

CHAPTER XVI

BEFORE AND AFTER THE A.A.A.

WHEN the early hopes of post-war co-operation began to fade, the feeling arose that co-operation of itself could not solve the agricultural problem, but a general dependence on the State was distasteful to the American character and the problem had to be isolated before it could become the subject of public policy. This took the form of envisaging it as the problem of a surplus which must be removed from the market if the home price was to be maintained at a level permitting of an American standard of life. The Republicans were in power and the removal of the surplus was regarded as an offset to the support of industry by tariff protection.

In the years 1921–9, whilst industry was generally prosperous, agriculture was healthy only in patches; and in nearly every year some great staple was in trouble. The politicians, therefore, were able to persuade the farmers that for general prosperity a general policy, which only Congress could authorise, was necessary. There was, however, very little thought of reducing the amount of domestic production. The surplus was something to be dissipated. It was either the surplus of a bumper harvest, and here it was still believed that the co-operatives had a major part to play; or it was the permanent export surplus, where federal action was appropriate, inasmuch as foreign commerce was in its province. The final objective was the restoration of pre-war parity between agricultural and industrial prices, which in 1921 had been upset to the disadvantage of the farmer. Index numbers were becoming the fashion and those showing the relation of farm to non-farm prices were constantly before the farmer's eye. In Russia, which was then working to a planned economy, the contrast was presented

in the metaphor of the scissors which public policy must close.

The bill sponsored by Senator McNary and Representative Haugen was known as the McNary-Haugen programme. It never became law, but the efforts to pass it occupied a period of five years and remind an Englishman of the struggle for the Reform Bill of 1832. In its first form it was defeated in June, 1924, when with higher wheat prices due in chief to the failure of the Canadian crop the agricultural sky seemed to be clearing. But in 1925 depression returned, and this time the cotton-growers were in the abyss. Hence in May 1926, just when the general strike of England was occurring, the second bill was introduced and again defeated. Thereupon an agrarian bloc representing Republicans as well as Democrats was formed, which carried the third bill through both houses of Congress; but it did not become law owing to the veto of President Coolidge. In an amended form designed to meet the President's objections it was introduced for a fourth and last time, and again vetoed, on May 23rd, 1928.

The bill in its final form was entitled Surplus Control Act, its purpose being to provide for the control and disposition of surpluses of agricultural commodities in such a way as not to depress unduly the price in the domestic market. It set up a Federal Farm Board and a series of Commodity Advisory Councils, one for each great commodity. The Boards and the Councils were to work through existing co-operatives, for it was contemplated throughout that the co-operative movement should be used and strengthened in the direction of "compulsory co-operation."

The special function of the Board was to insure to co-operative associations the means of handling their crop surplus. Each great commodity was to have a stabilisation fund composed of: (i) advances from the Federal Treasury; (ii) "equalisation fees collected in respect of the commodity and its imported food products." Out of this fund the Board was to make "the payments required by marketing or other non-premium insurance agreements." Three terms here require explanation.

The Equalisation Fee was a processing tax used in a special way, to be paid as the commodity moved to market. It was called a fee because it was a charge for marketing service: and an equalisation fee because it was used to equate the returns of domestic and export sales.

The Marketing Agreements were to be between the Board on the one part and the co-operative or group of co-operatives on the other. They might provide either for the withholding by the co-operative of any part of the commodity delivered to it by its members, or for the purchase, withholding and disposal of any part of the commodity not controlled by the co-operative. The stabilisation fund was to meet the costs of withholding.

The Non-Premium Insurance Agreement was a special type of marketing agreement. Its purpose was to allow the co-operative to function with satisfaction to its members, while carrying the burden of surplus control. This satisfaction could only be given if members of the co-operative received on delivery of their produce a full payment representing "the current market value." For the deferred payments, on which the Canadian Wheat Pool was operating, had never been popular in America and were now in acute disfavour. The effect of such an agreement was to insure the co-operative against overpayment in any year. It was called "non-premium" because it cost the co-operative nothing, and was thus distinguished from other forms of insurance for which the co-operative would have to pay a premium to the Board, where in the latter's opinion the holding policy of the co-operative was not necessary to the stabilisation of the market.

President Coolidge held:

(i) that the bill imposed price-fixing, and price-fixing was not commerce regulation as intended by the Constitution;

(ii) that the equalisation fee, by compelling some citizens to contribute to the expense of business operations conducted at a loss by others, was a violation of the provisions in the Constitution which forbade the taking of property without due process of law;

(iii) that the bill delegated powers to private bodies which under the Constitution could not be delegated.

After the veto the struggle was merged in the presidential campaign in the fall of 1928. Both candidates promised special relief to agriculture, but Mr. Hoover associated his plan with a renewed declaration of faith in tariffs, and tariffs won. In 1929 on reaching the White House he implemented his promise by instituting a Federal Farm Board. It had, however, only just begun when it was caught in the deluge, and its end was as inglorious as its life was short.

In 1929, in a desperate attempt to alleviate the situation, the Federal Farm Board was set up, under which the Government undertook to finance the purchase of wheat and short staple cotton and to store excess supply. The creation of this surplus of wheat and cotton was an important factor in the break of price in 1930, and after vast sums of money had been lost, the scheme finally broke down.[1]

This is a comment by two English observers, and perhaps exaggerates the Board's rôle in the price fall. In retrospect the significance of the experiment is that it represented an attempt to use co-operation as a corner stone of policy. The Federal Farm Board's stabilisation corporation was a "super-co-operative," and it was only when the full limits of co-operation, even with the State behind it, seemed to be exhausted, that public policy turned to the more drastic course of regulating the quantity of production by restriction of acreage.

Thorstein Veblen, that most pungent of economists, had a rugged sympathy for the American farmer which was inherited from his Scandinavian ancestry and strengthened by the hardships of a youth spent in the wheat belt of the north-west; and of rural America he wrote in one of his last works:

The country town and the townsmen are by way of becoming ways and means in the hands of Big Business. Barring accidents, Bolshevism, and the acts of God or of the United States Congress,

[1] E. M. Hugh-Jones and E. A. Radice, *The American Experiment*, p. 52.

such would appear to be the drift of things in the calculable future.[1]

Under which of these headings the New Deal falls posterity must decide.

The Agricultural Adjustment Act setting up the Agricultural Adjustment Administration (A.A.A.) was passed in May, 1933. In February, 1936, it was radically amended by what was practically a new act, the Soil Conservation and Domestic Allotment Act. This was the result of the adverse decision in the Supreme Court of January 6th, 1936, which declared illegal the main machinery of the Act and cast such doubts over supplementary legislation, such as the Bankhead Cotton Control Act, that these were withdrawn at the President's request. The scope of the new act is thus defined:

(i) preservation and improvement of soil fertility; (ii) promotion of the economic use and conservation of land; (iii) diminution of exploitation and wasteful and unscientific use of natural land resources; (iv) the protection of rivers and harbors against the results of soil erosion . . .; and (v) re-establishment, at as rapid a rate as the Secretary of Agriculture determines to be practicable and in the general public interest, of the ratio between the purchasing power of the net income per person on farms and that of the income per person not on farms that prevailed during the five-year period August 1909—July, 1914.[2]

The new act was a logical continuation of the old. Before 1933 marketing control; in 1933 production control; in 1936 control of land utilisation. But the main purpose in 1933 becomes an appendix in 1936. The phrase in the title, " domestic allotment," signifies the share of production allotted to a grower to make up that proportion of his production which is acquired for domestic consumption. The new parity sought was parity of income instead of parity of price—a more satisfactory but far more elusive test. The appendix may have a large history before it, but it was reduced to abeyance by the crop shortages which between 1933 and 1936 did drastically what agricultural adjustment was aiming to do. The first act was passed

[1] T. Veblen, *Absentee Ownership* (1923), p. 155.

[2] E. G. Nourse and others, *Three Years of the Agricultural Adjustment Administration* (Brookings Institution, 1937), p. 50.

when North America was groaning under surpluses, the second act on the morrow of their dispersal. Thus in wheat there was a small crop in 1933, a very small crop after a drought in 1934, a small crop in 1935 and again a very small crop in 1936, when in some districts both of America and Canada there was a complete crop failure. Appraisal of the A.A.A. is rendered difficult not only by the intervention of abnormal weather but also by the fact that it never had time to distinguish its emergency purposes from its long-period policy. It was passed after the desperate winter of 1932–3, when the United States were not only without work but without banks, and when the very term adjustment was grotesque, seeing that the condition of the towns was now as bad as that of the country.

The Act of 1933 had two parts. The first and more important part provided for the control of production in certain named basic commodities (dubbed the " political " crops) through the machinery of processing taxes paid by the consumers of the product and benefit payments made to participants in the scheme. The programmes which got furthest were the Corn and Hog Programme and the Cotton Programme (the latter being supplemented by the Bankhead Act of March, 1934). The Corn and Hog Programme set out to regulate jointly the corn and hog output, but the corn surplus was removed by the shortage of 1933 and the drought of 1934, and therefore reduction took the form of hurrying hogs to market under the pressure of a shortage of feed. A campaign for the purchasing of pigs and sows was initiated. Some part of the extra marketings was converted into salted meat and distributed through the Federal Emergency Relief Administration; another part into edible fats and oils; a third part into grease and fertiliser tankage. The slaughter of human food undoubtedly wounded the psychology of the nation; and as a means of long-term restriction it was thwarted by the fact that the farmers, where possible, were keeping back farrowing sows in the belief that the necessity was only temporary.

The Cotton Programme aimed at a maximum of 10 million bales for 1934–5; and acreage reduction, assisted

by drought, reduced it to 9½ million. In consequence, the price of cotton rose from six cents in December, 1932, to over twelve in 1934. But while successful as a short-run measure it disclosed long-run dangers. For cotton is the raw material of an important American industry as well as one of the few large-scale agricultural exports remaining to the country. The scheme acted as a stimulus to rayon, which was subjected to no processing tax, and was responsible in part for the fact that the world consumption of United States' cotton fell at a time when total cotton consumption was steadily rising. Brazil in particular benefited. Moreover the options offered to farmers under the scheme increased the speculative spirit. They were offered with the view of giving the farmer a free choice and thus of avoiding bureaucracy and compulsion, but they made a heavy drain on the organisers' time and appealed fundamentally to individualism. The scheme being received in this spirit led to circumventions, such as the extra manuring of the reduced acreage with fertiliser purchased from the proceeds of the benefit money itself.

Weather conditions removed the need for a programme of quantitative reduction in wheat, but America from 1933 onwards has taken an active part in attempts to secure limitation of production by international agreement; and in 1933 it had a special local problem as well. For the wheat grown on the North Pacific coast was an export wheat, not readily transferable to the internal trade, and therefore under the A.A.A. an export pool was formed, which supported domestic prices by a subsidy on export. This was an echo of the old McNary-Haugen proposals, but clearly could not become the basis of a general wheat policy when America was inviting other countries to join in limitation.

The second part of the Agricultural Adjustment Act of 1933 concerned marketing agreements and licences to trade, and was most effective in milk and fruit.

In butter schemes were submitted, but nothing was done. For the A.A.A. would not accept the Land o' Lakes Creameries' plan; and the Land o' Lakes Creameries, which had the major voice in butter marketing, would have no other

than its own, which proposed: (i) the purchase of excess stocks of farm products and disposal of them through dumping abroad, or in uses of a lower order in the domestic market, or through relief channels, the losses being assessed against producers in the form of an equalisation fee: (ii) the reduction of excess agricultural output through a general programme for leasing or purchasing sub-marginal land at present in farms.

In fluid milk the collective bargaining associations, which dominated the eastern trade, were at first disposed favourably towards the new Act. For the depression had brought a decline of demand and price-cutting, accompanied by the invasion of "milk-sheds" from without. The agreements sponsored by the Act employed the instrument of the licence, which was binding upon everybody in the trade under the penalty of exclusion from trade if the licence was forfeited. But the "independents" defied the agreements and the lawyers of the A.A.A. were loth to invite decisions from the courts. The fixing of the retail price of milk, attempted at first, was soon dropped, and before long the co-operatives themselves evinced hostility to the scheme. It seemed to them that the milk-marketing Administration was becoming an instrument for regularising and white-washing the independents and that it was ranging itself with them against the co-operatives and their allies, the regular distributors. Moreover, while it was incumbent on the Administration to preserve a national outlook, that of the co-operatives was strictly and necessarily regional. Hence in the papers of the American Institute of Co-operation (1935) one finds few regrets among the dairymen over the breakdown of control.

Our courts move too slowly to be effective even though the Supreme Court might uphold decisions in all cases. The responsible distributor can be brought to account even a year or two years after violations occur and prosecution started. The irresponsible dealer is here to-day and gone to-morrow, and can readily transfer his assets when the Courts are about to catch up with his "chiseling" operations. Therefore we do not believe that federal or state control can be effective in a milk market. We do believe the only effective and sound way to bring about any

measure of control is to permit by law the co-operatives to sell all of the milk market, and to enjoin any distributor who refuses to buy through the co-operatives.[1]

In fruit there was less friction with the co-operatives. California was in support with its own " Proration " Act of 1933. The purpose of the latter was to give to each producer his fair share of the available market and was based on the successful lemon control of the Californian Fruit Growers. But State proration compelled all in the industry to associate in a " clearing-house." This was an idea of which California was full in 1928, and the Proration Act of 1933 endeavoured to remove the weaknesses which the voluntary clearing-house had encountered between 1928 and 1933. For it had been found that such a body, representing at the outset perhaps 95 per cent. of packers' business and 80 per cent. of growers' acreage, always lost ground by slow degrees to the few outside packers who worked on increased supplies from non-co-operating growers or from member-growers who broke away. The State therefore was called in to solve the problem of the recalcitrant minority.

But California was not the only grower of fruit; and Florida with a new and increasing acreage felt as New Zealand does in the matter of butter, that stabilisation would penalise it in favour of older established rivals. Therefore the plan of national co-ordination, which was projected at the instance of California, never got beyond the paper stage. Nevertheless the fruit co-operatives by no means condemn the A.A.A. It gave them a breathing space in which to think out further measures of stabilisation and planting control. It brought them credit facilities of which they made wide use.

By assuming responsibility for proration and the like [said the marketing specialist of the University of California in 1935] the co-operative will not be hurt and may in some instances be able to improve its position, and at the same time render a service to the entire industry, which has been the goal of so many co-operatives.[2]

[1] *American Co-operation* (1935), p. 558. Address by D. N. Geyser, Manager of the Pure Milk Association, Chicago.

[2] F. R. Wilcox, marketing specialist in the University of California, *American Co-operation* (1935), p. 396.

The publications of the Brookings Institution of Washington, D.C., are concerned with a detailed appraisal of the A.A.A. more often than with the economic philosophy behind it, but this at times emerges. For example, in the Dairy Volume Professor John D. Black writes, " A society composed largely of organised groups each seeking its own ends would defeat itself utterly," [1] and finds in this the justification for a planned or partly planned society; " the time [he adds] seems to be approaching when the Government can resume a more vigorous programme of developing agricultural co-operatives." [2]

But why Government? Is not such a sentence the negation of co-operative philosophy? If it is desired to avoid a society of organised warring groups, is not one way to this the strengthening of consumers' co-operation, which is essentially voluntary and general in its appeal? I recall with interest a letter received from an agricultural colleague in America in early 1934. He said,

> There is evidence already that consumers' sentiment will swing against the destruction of crops already growing and the use of animal carcases for tankage. If retail food prices rise sharply, I look for some increase in consumers' co-operation. The promoters of both state and national legislation declare that it is the intention to strengthen the co-operative programme. I think I can see some danger that it may be just the opposite.

Some increase has taken place, and public attention has been focused on consumers' co-operation and the co-ordination of it with producers' co-operation by the Report of the Inquiry on Co-operative Enterprise in Europe which was presented to President Roosevelt in February, 1937.

Will the Report be pigeon-holed? It is contrary to the genius of consumers' co-operation that it should be launched as a Government plan, as was the Federal Reserve System after an exhaustive enquiry into European banking practice. But consumers' co-operation in the urban circles of America undoubtedly requires a starter. One starter may be agri-

[1] J. D. Black, *The Dairy Industry and the A.A.A.*, p. 448.
[2] E. D. Nourse and others, *Three Years of the Agricultural Adjustment Administration* (1937), p. 501.

cultural co-operation itself, as hinted in the foregoing chapter. For gasolene supply takes rural co-operation to town, with a view to strengthening itself by the attachment of urban custom, since gasolène is a family as well as a farm want. Another starter may be the credit union, if one may advert to the experience of Eastern Canada. The Federal Credit Union Act of 1934 places approved federal credit unions under the Farm Credit Administration (disregarding their occupational composition), and its strict provisions ensure that members' savings will be well guarded. The credit union is a thrift and loan association, and the thrift enables the loaning; so that members " with their savings and under their own management " may " meet their short-term credit requirements at reasonable rates of interest." [1] But has the urban wage-earner, as contrasted with the fisher-farmer of the Canadian Maritimes, any imperative short-term credit requirements? In Great Britain the answer of co-operative circles would be a clear " no." In India the association of the co-operative store with co-operative credit has brought nothing but mis-direction. There is more hope, therefore, for consumers' co-operation as an outgrowth of co-operative supply in agriculture, with emphasis on cash payment from beginning to end. If it comes about thus, we shall witness a pleasing reversal of the English sequence. For the starters of Rochdale, truck and rotten retailing, are absent. Alternatively, the urban movement may find itself in life insurance and adjacent services, with the lapsed policy in the room of truck.

[1] Farm Credit Administration, *2nd Annual Report* (1934), p. 76.

CHAPTER XVII

CANADA

The General Background

" Canada remained British in spite of free trade and chiefly because she continued as an exporter of staples to a progressively industrialised mother country." [1] These staples in turn were furs, fish, timber, and finally foodstuffs of wheat, cheese and fruit, with wheat easily leading in strategic importance. First the St. Lawrence and then the railways united the West with the East ; and on this West-East contact, projected by ocean transport to Great Britain, the marketing structure of Canada rests. The long distances and scattered settlement gave the railway companies and commercial middlemen unusual power, as well as special inducement to combine among themselves ; and resistance to domination by these interests stimulated co-operative effort among the farming population.

But Canada, pivoted on the Laurentian shield, is rich in water power, minerals and forest resources, and the expansion of the forest and mining frontiers northward as well as westward increased the importance of the home market, which in recent years has absorbed approximately 85 per cent. of Canadian produce. It is now almost the sole output for animal products, with the exception of bacon,[2] and there are only three farm products, viz. wheat, apples and cheese, of which more than 50 per cent. of production is exported. The growing importance of the home market and the fact that since 1930 the value of dairy produce (which comes

[1] H. A. Innis, *The Fur Trade in Canada*, p. 388.

[2] The export of bacon was stimulated by the favourable quota assigned to Canada in the Ottawa Agreements of 1932. At a time when export was trifling, it got free entry up to 2½ million cwt. ; and accordingly bacon shipments to Great Britain rose in thousand cwt. as follows : 1931, 97 ; 1932, 274 ; 1933, 638 ; 1934, 1,068 ; 1935, 1,110 ; 1936, 1,680

mainly from the East) has exceeded that of the wheat crop (which is grown almost wholly in the West) has compelled the reorientation of co-operative enterprise on the home market and weakened temporarily the strength of the Canadian West in the co-operative pattern.

In technique, as contrasted with markets, propinquity is more important than Empire. What must we say of movements? The Canadian labour movement has been hurt by contact with America, because fear of domination by the international unions has provoked rival organisations, appealing to national or provincial loyalties. In co-operation the contact has been of a different order. The organisation of the Grange or Patrons of Husbandry in the 1870's and of the Patrons of Industry in the 1890's was carried over into Ontario; but though one or two of the ventures to which it gave birth had a long life,[1] it did not endure as a movement. Co-operation, indeed, has no chance unless it is related to the geography and personality of its region and takes its inspiration from these. In proportion as marketing conditions are similar, one country can learn from the other, and there has been much interchange of experience between the two, but American co-operation has not been of more importance to Canada than the fact that many settlers have come from Europe—from the Continent as well as from Great Britain—with a predisposition to co-operation derived from their familiarity with it in their own country. Naturally Canadian farmers have studied most carefully fields in which America has achieved conspicuous success, e.g. the marketing of Californian fruits, as well as fields in which recent growth has confronted them with an analogous problem, e.g. the organisation of the city market for fluid milk.

Dairy Produce

Before the war cheese was the leading agricultural export of Eastern Canada, and this reached its peak in 1904, when Canada supplied 72 per cent. of the British market; but

[1] The People's Salt Manufacturing Company (Ontario), started by the Grange to fight a salt combine, lived thirty-eight years.

owing to New Zealand competition and the diversion of Canadian milk to other uses Canadian cheese exports have declined since then by more than one-half. The growth of the export trade was coincident with that of the cheese factory system, but though since the 1870's the dairymen of Ontario have had their professional associations and the Government supported the industry in technical education and research—in 1879 it sent an expert to study Danish methods—, no strong co-operative movement was built up around it. In North America, as in Europe, cheese has lent itself less readily than butter to co-operative handling. Since the introduction of the factory system in the 1860's, there have been both proprietary and co-operative cheese factories, the co-operative factories possessing the larger units and the proprietary factories being the more numerous. The latter were service organisations which charged a standard rate to cover costs and profit, and this half-way house discouraged, perhaps, the full co-operative form. Attention, therefore, was concentrated on the improvement of the mercantile channels and in particular of the Cheese Boards, which registered offerings and conducted auctions. But these lost importance through the growth of direct sale from factories to merchants and the suspicion that their quotation was being used as a lever for lowering the price.

During the war a strong wave of co-operation spread over Ontario, and the United Farmers of Ontario led a combined economic and political movement. The economic movement embraced a number of co-operative stores, which in general were a failure, and a more successful entry into the marketing of cattle and dairy produce. Out of the latter arose the United Dairymen's Co-operative, which undertook the co-operative auctioning of cheese. Yet, while it has helped to improve grading and has exercised a salutary check on the merchants' Cheese Boards, it was never a controlling force in the industry. When the Dominion Natural Products Marketing Act of 1934 was passed, a compulsory Cheese Board, representing producers as well as merchants, was set up, but was discontinued when that Act was disallowed by the Supreme Court in 1936.

War conditions stimulated organisation in the fluid-milk trade, and since the distributors were now much fewer in number than before, they formed organisations for the purchase of milk at a uniform price, to which the suppliers replied with organisations of their own, and the result was a system of voluntary collective bargaining between the distributors and suppliers of leading urban markets. While economic conditions were normal, the high sanitary standards required from the suppliers of city milk served to protect the milkshed of the bargaining associations from invasion; but after 1930, as prices slumped, the effort to maintain these in fluid milk alone, though it had public support behind it, brought chaos. Some distributors broke away and new distributors entered the field; and the most recent investigation into the situation comes to the depressing conclusion that there is no alternative to a return at whatever cost to a competitive price in line with that for butter and cheese.[1]

In the West similar trouble was encountered. In Winnipeg it was met by the institution of a Milk Board in 1937, milk having been declared a public utility. This was the outcome of five years of demoralised selling, during which the price fell to numerous levels and milk at one time was sold as a "loss leader" at 3 quarts for 10 cents (5*d*.). The Board has raised the producers' price, but even so this price only covers the cost of producing milk if no allowance is made for the labour of the wife and children. "The Winnipeg consumer," said the Board's counsel recently, "cannot at the present time afford to pay a price for milk which would enable producers to pay union wages or anything near union wages."[2]

In British Columbia, as in certain of the Western States, the milk producers have gone beyond the stage of collective bargaining. The geographical segregation of the Fraser Valley, which supplies the milk of Vancouver, resembles that of the hinterland of Wellington, New Zealand. But whereas Wellington instituted a municipal milk supply,

[1] *The Dairy Industry in Canada* (1937), ed. H. A. Innis, pp. 177–88.
[2] Quoted by J. T. Hull in *Western Producer*, March 3, 1938.

which buys its milk from the organised farmers, the Fraser Valley Milk Producers' Association, formed in 1913, advanced from collective bargaining to retail delivery after the war. By 1928 they handled three-quarters of the Valley's production and operated a butter and casein plant for the disposal of surplus milk. But the independents had the advantage of them, since they bore no part of the surplus burden, and therefore the Association appealed for provincial legislation, which would compel them to pay to a Central Committee a levy proportionate to their share of the trade. However, the Bill passed in 1929 was disallowed as *ultra vires* of the Province, and in 1935 a second attempt under the Dominion Natural Producers' Marketing Act was similarly thwarted.

In the East butter factories, called creameries,[1] appeared later than cheese factories by the best part of twenty years, and being based on European technique suited French Quebec better. In Ontario regions suited to cheese concentrated on butter and (later) on condensed-milk products. However, the scattered production of Canada, the importance of local mining and industrial markets, and the seniority of the co-operatively disinclined cheese industry were factors militating against an intensive co-operative butter industry of the Danish or New Zealand type. In the West, often under the lead of Danish settlers, successful co-operative creameries were established, and the pool structure was adopted to dairying, eggs and poultry. Thus Alberta has now three dairy pools: Northern, Central and Southern; and the Central Alberta Pool recently erected a condensery to handle its local problem of surplus fluid milk. Between 1929 and 1934 the butter output of the three pools doubled, and in 1934 was 18·8 per cent. of provincial production. The genesis of the tripartite structure is significant. The early pool enthusiasts had visions of a single pool; and

[1] It is said that the word "creameries" was first used in New York State to denote cheese factories in which part of the cream was removed from the milk before making it into cheese. Later in Ontario it was applied to butter factories: and modern statistics distinguish dairy (i.e. farm-made) from creamery (i.e. factory-made) butter—*The Dairy Industry in Canada*, p. 37.

lacking capital and technique they tried to advance rapidly under arrangements which would have left them at the mercy of a powerful private trader. But at Alix, Alberta, there was an efficient private company under Danish management with a good sales outlet in Vancouver, and this company itself reformed in 1925 into the Central Alberta Pool of to-day. Its strength was its attention to regional quality, and being Danish already in this respect, it easily became Danish in respect of co-operation also. Manitoba led the way in eggs and poultry. The Canadian Poultry Pool, under a Dominion charter, now acts as a Central Sales agency for local associations in the three Prairie Provinces. In 1933 it handled 4½ million dozen of eggs and 4 million lb. of poultry, and has been very active on the export market.

Fruit and Wool

Outside of the Maritime Provinces, whose record in dairy produce and fruit is described later, there are two highly specialised fruit districts in Canada—the Okanagan Valley of British Columbia, and the Niagara Peninsula. In British Columbia the problem centred around the struggle between the co-operatives and independent shippers. The Okanagan United Growers, a federation of co-operative shipping associations established in 1913, tried to buy out the independents in 1922 and signed their members, who now were called the Associated Growers of British Columbia, to a five-year contract; but by 1927 owing to defections and new production some 30 to 40 per cent. of the apple and cherry crops were outside co-operative control. There was blind competition in the prairie market: unsold cars with no buyer in view were sent forward, and in some seasons some growers received a price for their crop which was less than the cost of picking and transport. The Okanagan Valley was in a difficult situation. It was inland, and its best market, the Prairie Provinces, involved a mountain haul. This market was itself very variable owing to the variability of the wheat crop, and it was exposed to competition from the earlier-ripening fruit of the United States. Therefore in 1927 the Interior Fruit and Vegetable Com-

mittee of Direction was established by Provincial Act. It did not engage in selling, but fixed the prices and the times at which different varieties of apples and cherries might move out of the Valley. In particular it eliminated blind consignment. However, the legislation was disallowed in 1931, and joint action with the Dominion under the Natural Products Marketing Act was frustrated by the disallowance of that Act also. The constitutional question which has arisen in Canada again and again is a complicated one, and the farmers' attitude to the course of events which resulted in the recent unfavourable decision by the Privy Council is ably expressed in the following statement:

> The judgment was expected by the leaders of the organised farmers, who protested but in vain, against the manner in which the legislation was submitted to both the Supreme Court of Canada and the Privy Council. The Privy Council had long before decided that legislation of this character was *ultra vires* the Dominion Government except by co-operation of the provinces. In this case all of the provinces had passed the necessary complementary legislation but that fact was not specifically included in the reference of the Dominion Government to the Courts.[1]

British Columbia is strongly English in its composition. During and after the war it was influenced by California in the direction of the binding contract, but later it was anxious to follow the control-board legislation pioneered in Australia and New Zealand.

In Ontario the proximity of the Niagara Peninsula to the towns of Toronto and Hamilton with their well-established middlemen was unfavourable to the co-operative effort of the Niagara fruit- and grape-growers after the war; but in an allied field, honey, a strong commodity organisation, the Ontario Honey Producers' Co-operative, has been built up since 1923, and in recent years has marketed approximately 4 million lb. of honey per annum.

Toronto is also the headquarters of the Canadian Co-operative Wool Growers, which is nearing the end of its second decade of operation on a national basis. It operates in each province through the medium of sheep-breeders'

[1] *Plunkett Year Book* (1938), p. 190.

and wool-growers' associations, and its business is to store, grade, and market the wool received from its suppliers, some 6,500 in 1933. It handles about a quarter of the Canadian clip. Wool is a side-line in Canadian agriculture; and the application of co-operative methods involved no challenge to an established wool-broking machinery such as exists in Australia.

Wheat and the Canadian West

Canada is a country of great length and little depth, and the long winter builds up high peak-load costs in a few months of the year. The system of transportation is therefore expensive. These costs are rigid, as also are taxes, mortgage rates, and to some extent wages. On the other hand, the returns from wheat, owing to a wide variability of supply in conjunction with an inelastic demand, fluctuate widely. Unhappily, too, in the years of great expansion before the war large areas of bald prairie with an inadequate rainfall were opened to home steading and boomed momentarily on a few lucky harvests. Between 1930 and 1935, however, wheat prices were disastrously low, and between 1933 and 1937 the West had a run of small wheat crops, which culminated in the record crop failure of 1937 in Saskatchewan, the chief grain-growing province. The abnormal events of 1929–37 divide the co-operative story into two chapters: (1) 1900–29; (2) 1929 to date.

While there is of necessity much informal co-operation in frontier life, the keynote of settlement in North America has been individual. The Canadian West peopled itself: the Canadian Pacific Railway was built by private enterprise, aided by land grants. Later came the control of immigration and the Government ownership of other railways, which form the Canadian National Railways of to-day. Spanning the two periods is the rise of the grain-growers' co-operative movement. The wage-earners of the Old World protected themselves against capitalism by trade unions and co-operative stores, but these remedies were inappropriate to the Canadian farmer's need. The capitalism was around him and beyond him. He shipped

through it, sold to it, and borrowed from it, and the very fact that the system was technically efficient from the trader's point of view impelled him to seek a co-operative entry into the grain trade.

The Manitoba Grain Act of 1900, out of which grew the Canada Grain Act of 1912, submitted the trade to an effective system of uniform regulation, and the grain-growers' associations which sprang up in 1901 to enforce the rights of growers under the Act were the prelude to the establishment of two co-operative grain companies: (1) the Grain Growers' Grain Company of 1906, which by subsequent amalgamation with an Albertan body became the United Grain Growers of 1917 (U.G.G.), and (2) the Saskatchewan Co-operative Elevator Company of 1913 (Sask. Co-op.). They were farmer-owned and farmer-controlled, but there was no exact correspondence between wheat deliveries and the distribution of final surplus. They operated local and terminal elevators, and bought and sold wheat, using the machinery of the Winnipeg Grain Exchange with its system of hedging and futures.

The U.G.G.[1] had a successful supply department. The Sask. Co-op., which was weak here, was outstandingly successful in its elevator business. The elevators were built with the help of advances from the Provincial Government, but the advances were repaid in full, and in 1926, when the Sask. Co-op. was taken over by the Saskatchewan Pool, its shareholders found themselves with an equity of $155 per share on which they had paid only $7·50.

When the war broke out, the machinery of the grain trade was suspended, and wheat was marketed at fixed prices through an export commission; and its post-war successor, the Dominion Wheat Board, under favourable price conditions, successfully marketed the 1919 crop, but it was not continued and when prices slumped the farmers agitated for its restoration. Unable to secure this they tried, with the backing of their Provincial Governments,

[1] The U.G.G., as it was not absorbed by the Pools, has continued to operate its elevators and supply department. It should be possible, surely, at the present day to forget old frictions and to make this company the nucleus of a strong agricultural wholesale society for the West.

the next best thing, contract pooling. In this way the three Provincial Pools came into being, the Alberta Pool being the first, and operating alone in 1923. The difference between the pool method and that of the older grain co-operatives may be summarised thus: (1) it was a non-capital association operating at cost and financed by deductions from the wheat when sold; (2) it did not commence business until it had a guaranteed volume based on a legally enforceable contract; (3) it sold through a central selling agency (styled Canadian Co-operative Wheat Producers) [1]; (4) it paid to all its members the average price received for the commodity, grade for grade, over the marketing period.

Operating in this way, the Pool, unlike the older co-operatives, drove through the established machinery of the Grain Exchange. It did not hedge because it could not: for the hedge is a device by which a trader buying from one party and selling to another protects himself against price fluctuations in the interval, but the Pools and their members were one and the same party.

The method by which the Pools paid their members was that of instalments; an initial payment at the beginning of the crop year (in Canada, August 1) and further payments, interim and final, as the crop was disposed of and the final return ascertained. This method was inherited from the practice of the Dominion Wheat Board, and it had, while prices were reasonably good, the incidental advantage of placing the grain-grower in funds at more than one season of the year.

The three Provincial Pools in the five years 1924–8 handled approximately 50 per cent. of the crop and at the end of that term successfully signed their membership to a second five-year contract. They conducted their elevator business provincially and their selling business through the Central Sales Agency (C.S.A.). By 1929 the elevator reserves, obtained by deductions of 2½ cents per bushel, amounted to some $20 million. They were credited to the

[1] In the agreement constituting this central body the three Provincial Pools are similarly styled Alberta (Manitoba, Saskatchewan) Co-operative Wheat Producers. It is customary to call the pool structure as a whole "the Pool."

individual accounts of Pool members and bore interest at 6 per cent. The C.S.A., which had its head office in Winnipeg and a branch office in Vancouver, engaged in direct marketing overseas, for which purpose it opened offices in London and on the Continent. To the farmer the greatest change which pooling brought was that it relieved him of the difficult task of deciding when to sell. The Pool assumed this task and sold its grain as evenly as possible through the year. The danger of the method was that the initial payment might be too high; and this became a reality in 1929. When the price was about $1·50 per bushel (basis No. 1 Wheat at Fort William, the terminal centre), the Pool announced an initial payment of $1·00 on the 1929 crop. But between October, 1929, and December, 1930, the price slumped from $1·05 in October, 1929, to under $1 in July, 1930 and to 55 cents in December, 1930. The result in retrospect was a heavy over-payment, but before its magnitude was established the Provincial Governments intervened to stem the price collapse which was the cause of it. The situation developed as follows. The Provincial Pools and the C.S.A., like the rest of the grain trade, obtained their working capital from the Banks, and were under the customary obligation to maintain a margin of 15–20 per cent. between their loans and the value of their stocks, as determined by Winnipeg prices. Therefore, as prices descended, they were threatened with the necessity of forced selling at sacrifice prices, and to avoid this the Prairie Governments in February, 1930, came to their aid. On November 27, 1930, Mr. John I. McFarland, with the approval of the Banks, the Provincial Governments and the Provincial Pools, was installed as General Manager of the Central Selling Agency until the new 1930 crop as well as the still largely unsold 1929 crop should be disposed of. He closed the overseas office of the Pools, making all sales henceforth through the Winnipeg Grain Exchange. In January, 1931, the Dominion Government intervened to guarantee the Banks against loss on the Pool grain of the 1930 crop, and some months later Mr. McFarland was authorised by the Dominion Government to use the C.S.A. as a stabilisation agency for the pro-

tection of all wheat producers, whether in the Pool or not. Henceforth the story is twofold: (1) the Government stabilisation programme based on machinery and stocks taken over from the Pools; (2) the operation of the Pool elevator systems unaccompanied by pooling for sale. For on August 7, 1931, the Dominion Government announced that the growers would be released from their five-year contract; and although between 1931 and 1935 small amounts were pooled voluntarily, the initial price that could be paid was so low and the need of the farmer for cash so great that the method came to a necessary end.

The stabilisation programme culminated in the formation of a National Wheat Board, which in the spring of 1935 took over the stocks of the C.S.A. on agreed terms. In the fall of that year, when the price trend was strongly upward, the new Liberal Government stopped the stabilisation operations, changed the personnel of the Board, and instituted a policy of speedy sale. In 1936 the Board guaranteed a minimum price of 87½ cents per bushel, but would not take deliveries unless the price fell below 90 cents; and as it was continuously above this, there were no deliveries to the Board, which thus took no part in marketing the 1936 crop. Competitive selling and the futures market were restored. In 1936 a Royal Commission on Grain was appointed, which reported June, 1938.

Improving prices reduced the total deficiency on the Board's operations from its inception to the moderate figure of $2 million, as at July 31, 1937. While not doing any selling in the United Kingdom, it conducted an advertising campaign, in conjunction with the British baking industry, to encourage the greater consumption of Canadian wheat. The campaign, it claims, has "created much general goodwill towards Canada which should be of great help in any campaign to promote the increased use of other Canadian food products in Britain." [1]

Though pooling went, the Pool elevator systems remained in successful operation during the difficult years of 1929–36; and their achievement is the subject of an unsought testi-

[1] Report of the Canadian Wheat Board, January, 1938, p. 7.

monial in the *Canadian Chartered Accountant* of March, 1937.[1] By the arrangement of February, 1930, the Provincial Governments discharged the liability of the Provincial Pools to the Banks by the issue of debentures, and the Pools engaged to repay, over a period of years, the overpayment of 1929 which was established in September 30, 1931, at $22 million (Sask. 13·7; Alberta 5·6; Manitoba 3·4). The Manitoba Government in arriving at this figure wrote down a part of the Manitoba Pool's indebtedness to it; for this Pool was in a weak position, the elevators there being a federation of autonomous units, many of them expensively built and at points unwarranted by the volume of local deliveries. (Manitoba has become a mixed farming province.) But in Saskatchewan and Alberta the assets were in excess of the liability, and there was no writing down.

Thus the elevator systems, which formerly were only auxiliaries of pool marketing, became the main feature of the Pools after 1930, and they held their volume of the elevator business with a slightly upward trend. The percentage handled by the Saskatchewan system rose from 41·5 in 1930–1 to 45·3 in 1935–6. In all three Provinces the earnings were sufficient to meet all obligations, including the agreed instalment to the Provincial Governments and the full repayment of working capital advanced by the Dominion Government in 1931–3, and to allow, further, of substantial contributions to working capital and reserve. This was, indeed, a remarkable financial recovery and was due to the loyalty with which the members, when released from their pooling contract, continued to use the Pool elevators and their selling departments.

The events of 1923–1938 bristle with controversy. Four main charges have been made against the Pool, to each of which there is a strong reply:

(1) That, while it was in successful operation, Pool grain brought a lower return than non-Pool grain. This is difficult to prove and is unproven. The Pool returns were actual

[1] A. I. Bloomfield, *The Canadian Wheat Pools, 1929–36.*

figures ; the non-Pool returns were estimates calculated from market price and using an average which took no account of the fact that the great bulk of grain passes out of the farmers' hands in the three months of low price—September, October, November. The conclusion of a competent American scholar in 1927 was that the " average price actually received by non-Pool growers, especially those selling on street—was appreciably less." [1]

(2) That the Pool by a policy of holding up wheat caused the Canadian West to be loaded with a burden of unsold grain to the disadvantage both of the farmer and the grain trade. The evidence in rebuttal of this, as presented to the Royal Commission on Grain, is :

(*a*) That at the end of the first big crop year (1927–8), i.e. August 1, 1928, the Pool had less than its proportionate share of the carry-over.

(*b*) That at the end of the second big crop year (1928–9), i.e. August 1, 1929, it had more than its share, but against this it had made heavy forward sales on the futures market.

(*c*) That at the end of the short crop year (1929–30), i.e. August 1, 1930, it had less than its share, this being the year in which it was most consistently alleged that the Pool withheld supplies.

It is not to be denied that in 1929 the Pool shared the bullish sentiment which was common to North America and which (according to report) caused the grain trade for the first time to go largely unhedged. There was no shortage of non-Pool grain at any time, yet such grain was not freely sold either before or after October, 1929, when the New York stock market collapsed.

The Pool, selling direct in London, was constantly making offers there between July and October, 1929, at prices well under the Winnipeg closing-price. But a gap appeared on the Liverpool market of as much as 30 cents a bushel between Canadian No. 3 Wheat and Argentine Rosafé, which normally sold in line with it. Therefore Canada did

[1] H. S. Patton, *Grain Growers' Co-operation in Western Canada*, p. 343. " On street " means sale in less than carload lots.

hold the umbrella for the Argentine. But it was not distinctively a Pool umbrella. Technically the Pool could have corrected the position by heavy sales on the Winnipeg futures market, but this was contrary to its policy of selling to actual consumers, and no one can say how much lower the price would have fallen if Canada had followed the Argentine practice of shipping wheat unsold to fetch what it could in Liverpool.

(3) That but for the Pool the grain trade could have coped with the situation. This was the view underlying the Stamp Commission of Enquiry into Trading in Grain Futures, which reported in April, 1931.

The strongest reply to this is provided by the experience in 1931–5 of Mr. McFarland, who, be it noted, was by profession a grain merchant. At the end of his period of office he was of the opinion: (*a*) That on a European market protected by tariffs, quotas, currency, depreciation and subsidies, the forcing of wheat into consumption there was impossible, and especially so in view of the fact that good harvests in Europe had reduced the need for overseas supply. It was, therefore, better to hold it in Canada than to transfer it into foreign hands at sacrifice prices to be held there. (*b*) That the constructive speculator, so dear to the Stamp Commission, was largely a myth. He does not function in critical times and will not carry the hedges. The real carriers are the optimistic, ill-informed public, among whom in normal times none is more optimistic and ill-informed than the farmer himself, who buys back on margin what he has sold in the firm belief that it will later fetch more.[1]

(4) That the Pool by its system of direct marketing estranged its customers. Undoubtedly the strong selling policy of the Pool aroused the suspicion of the British consumers' movement. But just as the Pools integrated their selling, so at the same time had the British movement centralised its buying. The British co-operative movement and two large milling concerns controlled between them in

[1] Cf. J. I. McFarland, *The Story of Stabilisation* (Calgary, February, 1936).

1928 60 per cent. of the British milling trade; and none of these found it impossible to deal direct with the Pool. It was the grain men in Winnipeg and the small traders in Liverpool who protested most loudly against a development which threatened to eliminate them.

This is controversy. But without imputing blame to one side or the other, one may, perhaps, note two instabilities in the situation from 1918 onwards. First: the futures system and the pooling system were so different that they robbed each other of their distinctive worth. Which was right? Can the futures system—which grew up in a free-trade era when there was a real world-price—serve an era when this no longer exists? The growers' view is that it cannot: the view of the present Wheat Board is that it can. In view of the enormous contingent liability which would be involved in a permanent policy of guaranteed prices for wheat, one must sympathise with the Dominion Government in its reluctance to follow the lead of New Zealand in dairy produce.

Secondly: within the co-operative movement itself there was civil war between the old co-operative companies and the Pools. The head of the Pool organisation, Mr. A. J. McPhail, who gave his life to the cause, was confronted with a dilemma. The old school was entrenched in an organisation which was imperfectly representative of the growers and desired to leave well alone. The new leaders realised that to the left of them was a large body of restless thought which might cross the borderline of economic sanity into social credit and such-like, unless it was related to a co-operative movement which was at once sane and progressive. By comparison with the cost of remedies adopted in other countries the cost of the wheat crisis to the Canadian public has been remarkably small. The grain growers through their Pool bore the most of it. The only cash subsidy given to them was the bonus of 5 cents a bushel, amounting to $12 million, on wheat marketed in 1932–3. Before 1929 the American grain trade was constantly urging American farmers to stand on their own legs as the Canadians did; and few persons realised how greatly they have done

so since 1929 as the result of their association with the Pool.

Wheat pooling inspired imitations of it in coarse grains, poultry, dairying and cattle-marketing. We have noted its adaptation to poultry and dairying. The coarse-grain pools seem to have been ill-advised, being started as a bye-product of wheat pooling with insufficient regard to the problems involved in the marketing of feed grain. Cattle pooling, as in America, took the form of a terminal marketing organisation with shipping " locals," and developed an inter-provincial system, which would have been stronger if the Provinces had responded to the very sincere efforts of the United Grain Growers to adapt its cattle commission business to the pool form. The Canadian Livestock Co-operative (Western Section) has frequently headed the list of suppliers to the Boniface (Winnipeg) market; and there is a parallel organisation in the East. In 1931 the C.W.S. of England agreed to take delivery of uniform supplies of quality livestock from the Canadian Livestock Co-operative, but the poor state of the export trade after 1932 did not justify its operation as a business unit, and it is now only a co-ordinating authority between the Western and Eastern Sections.

The Wheat Pool thus was an inspiration to all Canada, and under its influence the West learnt the necessity for co-ordination between provinces, as well as between different forms of co-operation in each province. Western farmers have not been blind to the possibilities of consumers' co-operation, but the isolation of life on the prairies and the fact that the organising body—the Co-operative Union of Canada—was in the East were unfavourable to an intensive development. However, there were in the 1920's a greater number of successful stores on the prairies than in Ontario, and the West is now studying with keenness the new development in Nova Scotia. The Wheat Pool, in putting first things first, followed, perhaps unconsciously, the example of Denmark, which progressed from co-operative dairying to rural co-operative stores; and the emphasis which it has always laid on education and the schools of co-operation which its

leaders have promoted rebut the suggestion that its difficulties have arisen from lack of an educated membership.

The New Movement in the Maritime Provinces

In the 1920's, when the rest of Canada was buoyant, the Maritime Provinces were in the doldrums. The new life momentarily breathed into the shipbuilding industry (for war has always been kind to the Maritimes) disappeared with the return of peace. The Provinces had lost or were losing their people to New England and New York, and their banking to Montreal and Toronto. Their heavy industry of iron and steel was in alien and unfriendly hands. Railroads connected them with the rest of Canada, but the mass of wheat moved by the St. Lawrence or Vancouver to Europe and their ports were only used in the sparse season of winter. They had, however, a rich agricultural hinterland—the broad valley of the St. John River, the apple-growing valley of Annapolis with its well-drained sandy slopes, and the sheltered fertility of Prince Edward Island famous for seed potatoes and silver foxes. Their social culture, too, was mature, but they were training teachers and leaders for other parts. Their population was remarkably homogeneous with a strong flavour of Gaelic, especially in Cape Breton, but they lacked the lever of a staple product or a central position in the stream of transport. What could co-operation do to rectify this, was the problem to which certain zealous teachers and priests of St. Francis Xavier University in Antigonish, Nova Scotia, addressed themselves at this time.[1]

Co-operation was already established in three fields. First among the coal-miners and iron- and steel-workers of Sydney mines and Glace Bay. Their society, the British Canadian Co-operative Society, was founded in 1906 by immigrant Lancashire miners, to whom co-operation was second nature and who resented the unscrupulous exploitation of immigrants by the local merchants. Between 1906

[1] In or about 1927 I had the honour of meeting several of them at my lectures in Toronto, and spent many hours discussing co-operation with them.

and 1928 it distributed 1½ million dollars in purchase dividend, growing from strength to strength under the guidance of one man, its devoted Secretary and General Manager. It was a centre of community life in an outpost of bleak and restless industrialism; but the concern on which it rested was unprosperous and there was no broad belt of industry to carry a regional consumers' movement.

Secondly, in the Annapolis Valley, where since 1910 there had been co-operative fruit associations, owning packing-houses and marketing fruit through a central sales organisation, the United Fruit Companies of Nova Scotia. As against the Niagara Peninsula, they had the advantage of an export market: as against British Columbia, they were much nearer to that market, for the Valley adjoins the coast from which ships sail to England. In 1933 the United Fruit Companies handled approximately 25 per cent. of the apples exported from the Province, and it is not the only regional marketing association. This was as nearly an agricultural export staple as the Maritime Provinces possessed, but it lay within a small area and could not provide the basis for a general organisation.

Thirdly, in dairy produce. The Dominion Government, conscious of the special difficulties of the Maritime Provinces, has always been anxious to keep them abreast of new agricultural technique. In 1891 it sent down its dairy commissioner to organise cheese and butter factories on the co-operative method, some of which after a time operated with success independently. Good results also attended the egg circles, which under Dominion guidance were organised in Prince Edward Island from 1912 onwards and were federated in 1914 in a central selling agency.

But fishing, the most ancient and widespread occupation of the Provinces, was in a difficult period of transition, as steam trawlers forcibly recast the old individual basis of the industry. The staple product was dry cod, and both here and in Newfoundland rapid technical transition was accompanied by growing subordination and indebtedness to merchants. The Fishermen's Union of Nova Scotia, which

was incorporated in 1905, made no progress after 1909 and disappeared in 1913.

The tie-in between fishing and farming was close. Many of the coastal population were part farmers and part fishers. This had obstructed the technical improvement of agriculture; but it contained the possibility, that if agriculture could be strengthened co-operatively the fishing population might be associated with co-operation in the common field of supply. What the leaders of the new movement did was nothing less than to find a new staple in co-operative fibre itself. The instrument was the study group or "club," which builds up local loyalty and helps the farmer to understand what he is about. The aim is slow growth inspired from within to the discouragement of mushroom growth inspired from without. The study groups are organised by the extension department of the University; and in eastern Nova Scotia alone their number rose from 173 with 1,384 members in 1931 to 1,063 with 10,000 members in 1937. These are long-term students and only a fraction of the number participating in smaller courses of co-operative instruction. St. Francis Xavier is a Roman Catholic institution and the basis of the appeal is spiritual, as it was and is in so many of the co-operative strongholds of Western and Central Europe. The majority of the local leaders are parish priests, but Protestant ministers are collaborating and there are no signs of sectarian division. From education the local community proceeds to co-operation, beginning with a credit union, which, because it rests on local thrift, is easy to start and provides business training without external commitments. The credit union is like a building society in this respect: its members are both depositors and borrowers. And as the deposits come from the local community, the safeguarding of them must be the first consideration if the movement is to endure.

The credit model was supplied by Quebec, which has had its *caisses populaires* since 1900. These are for the most part in agricultural districts, and the purposes of the loans are to purchase implements for cash, to purchase livestock, to improve property, to pay off the merchant, etc. In sym-

pathy with the Nova Scotian development their growth has been rapid in the last four years. In April, 1937, there were 335 of them, double the number existing in 1933. The credit union development in the Maritime Provinces is thus part of a larger development in Eastern Canada. It is also part of a larger development in Eastern North America. In the United States it has expanded rapidly among the wage-earning population, being organised frequently with the support of employers around an industrial establishment.

The second stage in the programme of St. Francis Xavier, and that on which its expert thought has been concentrated, is the building of co-operative enterprise of consumption and production on this educational-cum-credit base; and it is an attack on two fronts.

Co-operative stores and buying clubs form one front. In eastern Nova Scotia there were two stores in 1932, twenty-five in 1937. These stores have arisen in centres of homogeneous vocational groups: farming areas, fishing villages, mines and mill towns. In August, 1937, it was decided to form a Central Wholesale with a branch warehouse at Sydney and a main warehouse at Moncton. The Wholesale will supply both trade and domestic requirements. The old-established British Canadian Co-operative Society at Sydney Mines is associated with it; and the new Wholesale will absorb the Maritime branch of the Canadian Livestock Co-operative, which since 1927 has been engaged in a mixed selling and supply business. The Maritimes will have thus a Wholesale Centre which combines the local sale of produce with the purchase both of domestic and trade requirements. The relatively unspecialised and markedly diverse nature of Maritime economy favours this kind of unit.

The fishing industry, because of its importance and acute depression, called for the more difficult task of producers' co-operation. The line of attack here was the processing of a speciality, the lobster. The United Maritime Fishermen, formed in 1930 in conjunction with St. Francis Xavier, have promoted co-operative lobster canneries: the number of which in eastern Nova Scotia rose from three in 1932 to seventeen in 1937. For the Maritimes as a whole thirty-

five are reported. The fishermen have gained notably thereby. Prices to members, it is claimed, have been doubled and trebled. The fishermen have also gained remarkably from the co-operative purchase of gasolene; and the tie-in between fishing and farming is now working favourably. It is broadening the base of co-operative purchasing and stimulating renewed effort in agricultural marketing. The Dominion Government is assisting in technical problems, but the Provinces at last are working on their own momentum.

In a certain lecture at Toronto University I used to take as my text:—Co-operation: the goad, necessity: the stimulus, education; and as examples: Great Britain, the truck system and Robert Owen: Denmark, military invasion and the Folk School: Germany, cattle usury and Father Raiffeisen: Canada, post-war deflation and the Pool idea. But I little thought then that the Canadian East would so soon supply a further illustration with the emphasis so directly on the educational stimulus. The movement is new and it would be a poor tribute to it to say that it is now showing the way which Canadian co-operation should have taken from the beginning. The Canadian West made the response proper to its environment. It was confronted by a combination of large-scale merchant capitalism and scrambling individual settlement; and its task was to meet strength with strength and to convert the frontier into a corporate home. The Maritime Provinces have undertaken the complementary task of putting new life into an old community and have drawn, as Catholic Europe has drawn, on the social values of religious discipline.

CHAPTER XVIII

AUSTRALIA

Export Economy

All writers emphasise the importance of the export trade to the economy of Australia and of primary industry in that trade. In 1932–3 in Australian currency [1] the exports of Australia totalled £119 million, of which £100 million was provided by the following: wool (36), gold (22), wheat and flour (22), butter (9), meats (6) and fruits (5). Out of these exports had to come the interest on overseas debt, and this required in 1932–3 a payment of a sum nearly equal to the value of exported wool.

Wool and gold supply more than half of the £100 million; and these commodities are exceptional in that they enjoy a free international market. Wool control existed during and immediately after the war in the person of B.A.W.R.A. (British-Australian Wool Realisation Association), which handled both the merino wools of Australia and the cross-bred wools of New Zealand. Its task was the orderly marketing in civilian channels of the huge stocks of wool held by the Australian and British Governments. After it had done this to advantage, the Chairman, Sir John Higgins, desired to perpetuate it as a control board, but the proposal was defeated by a combination of wool-selling firms and pastoralists, and the *status quo ante bellum* was restored. Under the pressure of increased demand wool prices rose dramatically at the end of 1933, and after one relapse remained high for several years; and this in conjunction with exchange depreciation and the increasing value of gold financed Australia's recovery programme.

[1] £1 Australian (or New Zealand) is equal to about 16*s.* sterling. The pounds quoted in this chapter are Australian pounds when the reference is to Australian business in Australia.

New Zealand retained control in the minor matter of regulated wool offerings, but this heritage of war-time was far less important than the impetus which the war gave to the institution of wool auctions in New Zealand after the model set up by Sydney and Melbourne. The great bulk of Australian and New Zealand wool is now auctioned in the country of origin, instead of being consigned to London for sale at the London auctions. Buyers from all parts of the world, from England, Europe and Japan, make the round of the wool auctions in Australia and New Zealand; and the development strengthened the position of the wool-broking firms (the stock and station agency companies) in the fabric of the pastoral industry.[1]

Wheat and flour are commodities which it would have been proper to class with wool before 1929. But since 1929 the countries of Europe have imposed such severe restrictions on the import of wheat that the exporting countries of the New World have been all but confined to two markets, Great Britain and Asia, both of which are important to Australia. To meet the depression the Government gave a bounty on wheat calculated with reference to the estimated domestic consumption (in Victoria, for example, this worked out to 3*d.* per bushel on the whole crop of 40 million bushels for 1935–6) and the Royal Commission on Wheat (1st Report, 1934) recommended the transference of the burden in part on to the shoulders of consumers in the form of a processing tax on flour. But it did so with reluctance, and when in 1936 wheat prices improved, the flour tax was discontinued and the larger recommendation of the Royal Commission (2nd Report, 1935) for a compulsory marketing scheme for Australian wheat faded into the background. Australia allied itself in principle with the efforts of the United States in 1933 to secure an agreement to the limitation of wheat exports to the existing level, but the terms on which it entered were so liberal that no restriction of production was required. Thus neither in wool nor in wheat has governmental machinery seriously affected the terms of trade.

[1] The nature of their services to the farmer is described below, pp. 365–6.

Butter, meat and fruits are the commodities in which such machinery has been important, but it will be noted that in the year given these exports totalled only £20 million out of £119 in all. The overseas market for these is almost exclusively in Great Britain; and it is one which was under pressure not only from other countries, both Empire and foreign, but also from new British production consequent on agricultural reconstruction.

However, between 1928 and 1933 there was an important difference in the destination of Australian exports to countries other than Great Britain. The latter increased its takings, but the United States, France, Germany and Belgium fell away, and China, Japan and India took their place. In wheat and wool for 1932–3 the share of China and Japan was nearly equal to that of Great Britain: £17 million (wool 7, wheat 10) against £19 million (wool 11, wheat 8). In 1936 the severe curtailment of textile imports from Japan provoked retaliation, and Japan for a time boycotted the wool auctions. Wheat, however, is more vulnerable than wool, until such time as Japan, either by continental expansion or by shift to a different fibre, becomes less dependent on imported wool[1]; and it was the exporters of wheat and flour who stood to lose most from a tariff war with Japan. On this background of an export market which is partly controlled and partly free and, where free, is exposed to major political disturbance, we may proceed to study the internal organisation of Australian agriculture.

There is in rural Australia no trace of inferior status. There are no "poor whites" or "new" Australians comparable to those of North America. Australian agriculture retains its pioneer spirit and the pastoral element keeps alive the spacious tradition. It is true that the capital cities of the Australian States contain over half the total population. Nevertheless the trade of these cities is so dependent on wool, wheat and other primary products, and the area from which they come is so vast, that metropolis and hinterland are in equilibrium. The optimism of Aus-

[1] The weaker prices of 1937–8 are associated with the marked increase of wool substitutes in Europe and Japan.

tralia is not more pronounced than the determination to secure by public action, whenever this may be necessary, a fair deal between capital and labour and between town and country. When (as before and during the war) farming returns and land values were steadily mounting, the industrialists by tariffs and the wage-earners by State awards secured compensating increases of income. When (as after the war) the trend of agricultural values was reversed, the farmers came forward with demands for compensation and the community was not reluctant to grant them. This policy of compensation has set the pace of agricultural organisation since the war.

Marketing Boards

Queensland set the ball rolling in 1922, as soon as the disappearance of war conditions threatened agricultural distress. Its agricultural economy consists in doing with a white population what under free trade and free immigration would be largely done on the plantation method by the aid of coloured labour, and its leading speciality, sugar, is virtually a State enterprise. For the Queensland Government acquires the crop of cane, delivers it to the refineries and fixes the price of the raw and refined product. By agreement with the Commonwealth there is a uniform price throughout Australia, which is much above the export price. But this is a special industry ; and for other branches of agriculture Queensland introduced marketing boards, in which the intervention of the State was less direct but which had as their overriding purpose a sheltered home price. This home price was itself graded: the highest being the State price, the next highest the interstate price, the lowest the export price.

The marketing boards introduced a combination of voluntary and compulsory action, which has come to enjoy the name of compulsory co-operation and has been widely imitated. The producers of a commodity vote themselves into a marketing scheme : that was the co-operative element. But the vote of the majority is binding on the minority: that was the compulsory element. At first the required

majority was 75 per cent., later 60 per cent. or less. The original idea was to replace the various war controls by a State-wide organisation with multiple tasks, but in 1923 this was dropped in favour of commodity marketing under legislation known as " The Primary Producers' Co-operative Association Acts," 1923–6 ; and the change was opportune. For it allowed producers to go their own way. It allowed pastoralists and graziers to return to free marketing—no boards were set up for wool or meat. And it allowed special legislation elsewhere. Thus, wheat remained under the Wheat Pool Act of 1921, which introduced the principle of compulsory pooling based on the vote of the growers, and fruit was put under a Committee of Direction of Fruit Marketing. These were alternative routes to the same goal. The boards are called Pool Boards. Fifteen of these Pools were in operation in 1935 for the following commodities: arrowroot, Atherton maize, barley, broom millet, butter, canary seed, cheese, cotton, eggs, fruit, honey, northern pigs, peanuts, plywood and veneer, wheat. It will be noted that in the main they have an internal market. The Butter Pool on the export side was operated in conjunction with the all-Australian Paterson scheme.

We pass now from the schemes of one State to the larger schemes of export control, which have been operated by the Commonwealth Government in conjunction with the different States, and which have had as their purpose the orderly service of the British market in dairy produce, fruit and meat—the two first in association with arrangements for the maintenance of a remunerative home price.

The Paterson butter scheme, named after the Hon. T. Paterson, who later was Federal Minister of Markets, came into force in January, 1926. It was at first voluntary, but with the exception of West Australia most butter producers adhered to it and it was not until May, 1934, that its operation was strengthened by statutory control. While the scheme was voluntary, it was difficult to regulate interstate trade, and the purpose of statutory control was to subject this trade to licences. The Commonwealth and States acted concurrently; the States fixed the proportion of

their own production which might be sold within their own borders and the Commonwealth by licences protected them from invasion by other States. Both in its earlier and later forms the scheme presupposes (1) full protection against imports from abroad, and accordingly in 1928 the duty on New Zealand butter was raised from 2*d.* to 6*d.* per lb; (2) a large home market. For if, as in New Zealand, the great majority of the product was exported, no worthwhile bonus on export could be financed in this way—the home market would not stand it. It is obvious that from the standpoint of rival suppliers the scheme was equivalent to dumping; and since in Australia higher food prices are automatically followed by a compensating increase in wages, the ulterior effect was to bonus butter at the expense of the great unsheltered export of wool.

A great fillip was given to butter production. In 1925–6 exports were only 36 per cent. of total production, in 1934–5 55 per cent.; and as Queensland had by far the greatest percentage of export to total production, it was specially benefited.

The original Paterson scheme provided for a levy of 1*d.* per lb. paid by all butter factories on their production, and the distribution of this levy as a bonus on exports. Exports were then only one-third of production, so that the levy provided an export bonus of 3*d.* per lb. This of course automatically raised the price of butter for home consumption by 3*d.* above export parity. There was no occasion to interfere with free trade between States, except in so far as one State, Queensland, tried to raise the home price by more than 3*d.* Under the subsidy exports rose to equal home consumption, and the levy was raised to 1¾*d.* to provide a bounty of 3½*d.* on exports. There was dissatisfaction over the adjustments and the fund was threatened with insolvency. In addition, the farm production of butter, which paid no levy, increased greatly in the depression and cut the home consumption price.

Recourse was then had to the statutory stabilisation scheme under the concurrent legislation of 1934. Hitherto the Commonwealth had taken no part except to raise the

tariff on butter. The new scheme, which was similar to that already operating in dried fruits, fixed a proportion of production to be exported from each State, so that the amount remaining should only be sufficient for home consumption, and the prices for this could be fixed at *any* figure. The Commonwealth took power to prevent interstate transfers from producers who had not filled their (lower-priced) export quota; and the home price was fixed at 1*s*. 3*d*. per lb. or 140*s*. a cwt. For nearly a year after the new scheme came into operation London butter prices were low, and the Australian price averaged about 6*d*. per lb. above export parity. Since then prices have fluctuated and once at least for a short time export parity rose over 140*s*., but the Australian home price was kept steady at that figure.

The dried-fruits industry was ahead of the butter industry in introducing interstate licensing. This was by legislation of 1928. The chief dried fruits of Australia are vine fruits, currants, sultanas and lexias (raisins). They are grown on irrigated land; and the Government, as a promoter of irrigation colonies, felt itself bound to provide a market for the new produce. The Australian Dried Fruits Association, established in 1907, had a miscellaneous membership of growers, co-operative societies and traders, and for a time it was able, by the aid of the tariff, to maintain home prices. But when output increased and prices fell, the Government came to the assistance of the Association, first in 1924 by the institution of State Dried Fruit Boards and a federal Export Control Board, and then by the licensing legislation of 1928.

Much as the marketing boards have been criticised by economists, the fact remains that once instituted they have been retained and rounded off by export control in London. The licensing policy, however, encountered constitutional difficulties under Section 92 of the Constitution, which provides that between the States "trade, commerce and intercourse shall be absolutely free." The Privy Council in 1936 held that Section 92 bound the Commonwealth as well as the States, and when the Commonwealth Govern-

ment submitted a referendum to amend the constitution in this respect, it did not secure from the Australian people the required support.[1] This decision, however, in no way affects the operations of export control in London.

The Australian Dairy Produce Control Board, on which the co-operative factories have a majority, was instituted by the law of 1924. It supervises the export and the subsequent sale and distribution of Australian dairy produce, regulates shipments with a view to even supply, controls forward selling, negotiates freights and insurance, and advertises Australian produce. It is not a trading body and limits itself to the general supervision of an accredited panel of importing agents. In fruit the control is closer. No fruit may be exported except under licence; and the control is divided among different boards. There is a Dried Fruits Board (which on the home market employed the now invalidated interstate licensing), a Canned Fruits Board and a Wine Overseas Marketing Board. In a highly competitive market, such as London, price dictation is impossible. But the Boards name prices below which their agents may not sell and thus prevent them from playing off one shipper against another.

The Australian Meat Board, established in 1935, goes less far than the Dairy Board. It is in charge of grading, freights, conditions of shipment and the like, but it has no power to determine the channels through which meat is sold. For the relations between the freezing companies and the exporters and between these two and London buyers are old-established and intricate. Its most important task has been the work which has fallen to it in connection with quantitative regulation originating with the Mother Country.

Co-operative Enterprise

Since the Government, however close its control, does not engage in trade, there is scope for co-operative enterprise

[1] In spite of this the butter scheme continues (1938) to operate by voluntary understanding. There have been some defections, but in the three Eastern States (the chief butter producers) the factories have held together and not poached on other States, so that the home price so far has been fairly effective.

in London as well as in the place of origin. Let us begin in London and work backwards. Co-operatively organised primary producers in Australia are represented in London by the Overseas Farmers' Co-operative Federations, Ltd. It was constituted in 1920 by three parent federations, one each from New Zealand, Australia and South Africa. But New Zealand dropped out and concentrated on organisations of its own; and there are to-day only two shareholders, the Australian Producers' Wholesale Co-operative Federation and the Federated Farmers' Co-operative Association of South Africa.[1] Business is handled on a commission basis and surplus is returned to the member federations in proportion to custom. The business is of two sorts: (*a*) the purchase of supplies—this for Australia is on a small scale, owing, it is said, to the difficulty of competing with firms which have agents on the spot; (*b*) selling service. The Federation does not trade on its own behalf. It allocates shipments to selected centres and makes delivery to selected salesmen at the point of sale. The Federation has no monopoly of co-operative business, but it claims to handle about 60 per cent. of the wheat, 30 per cent. of the butter, 60 per cent. of the dried fruits and 20 per cent. of the green fruit coming from co-operative organisations in Australia. Its turnover from all sources was £85·6 millions for the fifteen years 1920–35, and for the year ending March, 1935, £6·6 millions.

When we get back to Australia, we are faced by the difficulty that only one State, West Australia, has a compact co-operative movement. In the other States co-operative organisations on the selling side are so closely associated with the State-marketing schemes that it is difficult to distinguish the two. The broad fact seems to be that the great majority of butter is produced co-operatively and that there are important regional organisations for

[1] This latter is one of two Federal Companies registered under the South African Co-operative Act of 1922. In addition to its exporting business it is one of the largest buyers of farming requisites in South Africa. The other Federal Company, the Fruit Growers' Co-operative Exchange of South Africa, has developed into a shipping association, leaving marketing to the selling centrals which exist for citrus and dried fruits respectively. (See *Plunkett Year Book* (1937), p. 284.)

the purchase of supplies and the marketing of eggs, fruit and other products of intensive agriculture. Little has been accomplished with meat and wool. " Of a wool clip which exceeds 1,000,000,000 lb. a year, less than 5 per cent. passes through co-operative channels." [1] In New South Wales there are some co-operative bacon factories, operated in conjunction with co-operative butter factories. But

> co-operative organisation in regard to beef and mutton is confined to a few small societies in country communities which kill for the local market. . . . Quasi-Government boards conduct the bulk of the cattle slaughtering in the State both for the State and the export market, and there is thus no scope for co-operative effort in that direction.[2]

On a tour of the Wimmera district (Victoria State), December, 1935, I encountered a similar situation. Three farmers' abattoirs had shut down. The Government closed one permanently and operated the other two, along with a small proprietary concern, under the style of " Amalgamated Freezing Company." The purpose was stated to be to put up competition with the " big three " in the packing business and prevent them from sharing out the territory.

How State action may indirectly curtail the field for co-operative enterprise is well illustrated by Victorian wheat. For many years the Victoria Wheat Growers operated a successful voluntary wheat pool, which at one time handled 60 per cent. of the State's wheat. In 1935–6 its proportion was only 5 per cent. Meanwhile the Government had embarked on a policy of bulk handling through State-owned elevators, which were to open in 1936. Two kinds of advantage were held out to wheat-growers: technical and commercial. (1) It would be possible to dispense with sacks except between farm and elevator, and for this purpose the sacks could be used many times over; the damage from mice and weather in the open stacks at the railway station would be avoided. (2) Wheat delivered in sacks to a private buyer is no longer free wheat: wheat delivered into a public elevator can be sold through whichever buyer

[1] *Plunkett Year Book* (1938), p. 122.
[2] *Ibid.* (1936), New South Wales Correspondent, p. 279.

the grower pleases. From Canadian history we know how a grain-growers' co-operative movement was built up around the elevators, and the Canadian Pool authorities rightly held that the possession of elevators was necessary to the pool movement. Can a wheat pool endure if it is confined to selling functions only? If public ownership removes just those handicaps which co-operative ownership can remove, will not the inducement to pooling be removed? The new policy is not a return to *laissez-faire*, but the introduction by public action of a new method of handling grain, which leaves to private buyers commercial functions only.

On the other hand we have in the State of Victoria the example of a very complete and entirely voluntary co-operative undertaking in the field of supply, the Phosphate Company of Australia, which in 1935 supplied more than one-third of the total State demand for phosphates. Though registered in 1919, it did not begin to manufacture till 1927, because the promoters were determined (*a*) that the works must be of an efficient type for mass production, (*b*) that the Company should not enter into building contracts until it had actually obtained the money subscribed to discharge the concomitant obligations. All temptations to abandon these principles were rejected, and in the season of 1934–5 the Company attained its immediate objective of 100,000 tons. But the promoters were equally determined that their finance should be truly co-operative. One of their number came over to London and researched into consumers' co-operation, into the early records of Woolwich Arsenal Society and the writings of Owen and Holyoake. And this conclusion was reached:

> The original co-operators did not pay regard to interest on capital but obtained compensation for the use of their capital by the cheapness of their goods. If this basic idea was combined with sale at market price and the return of ascertained surplus to the purchaser, an equitable scheme could be evolved, providing adjustment was made for the varying amount of capital subscribed by individual members.

The adjustment was reached by associating each share of £5 with a purchasing quota of one ton. The shares, as

such, draw no interest, but they entitle the shareholder to a "major rebate" on his purchasing quota of one ton per share. On purchases above the quota he receives a "minor rebate." The rebates are substantial:

Rebate.	1934–5.	1935–36.
Major	11*s.* per ton	13*s.* per ton
Minor	6*s.* ,, ,,	8*s.* ,, ,,

The price of superphosphate was in 1927, £5 7*s.* 6*d.* cash; at the end of 1935, £3 10*s.* cash. Applying the latter price to the 1934–5 rebates, we see that the major rebate was about 15 per cent. and the minor rebate about 8 per cent. of the selling price. Of the difference between £5 7*s.* 6*d.* and £3 10*s.* not more than 11*s.* is due to reduction in the price of crude materials.

Other companies have combined and re-organised themselves in an effort to hold the Australian market (averaging some 800,000 tons of superphosphate per annum). All the market centres have considerably reduced their price, and neighbouring States are offering to sell on the same terms as the Co-operative Company and to allow the same rebate. Had the spirit of Robert Owen returned to earth—in accordance with his latter belief—and again proclaimed his ideals, the effect could have been but little greater. The Company, on its part, has always acknowledged its indebtedness to the principles laid down by Owen and Holyoake. Those principles adapted to modern times have led to the revival of Owen's original object of trading without profit.[1]

Since the shares as such receive no interest, it is possible to secure the transference of shares from non-purchasing members to new purchasers. Share capital and custom are thus kept in the same hands. The majority of business is for cash, but nine or ten months' credit is given when required at the rate of 5 per cent. per annum.

If the member provides an approved guarantee for his bill, we charge the same rate as the Commonwealth Bank charges the Company. Should the farmer—through a change in conditions—be unable to meet the bill, we carry it on for him at the same interest rate but do not charge compound interest.

[1] Extract from Memorandum prepared for the writer by Mr. Augustus Wolskel, the Managing Director.

Asked whether this great achievement could be repeated in another field, the Managing Director replied that in his opinion the municipal gas supply could be attacked along the same lines. I did not encounter elsewhere in Australia and New Zealand any co-operative achievement of equal theoretical interest. Starting with a very hazy idea of what co-operative supply was, the promoters studied its first principles in England and adapted it brilliantly to a field which was strongly held by a technically efficient combine. It emphasises among many other things the potency of a worth-while purchase dividend.

In 1935 the Westralian Farmers Ltd., the central organ of agricultural co-operation in Western Australia, celebrated its coming-of-age (1914–35). It had then a membership of 7,000 farmers, most of whom were wheat-growers. Its trading activities consist in the supply of agricultural requirements and general merchandise, and the marketing of livestock, skins, wool, fruit and other produce. But in effect it is much more than this. For the other co-operative bodies in the State are offshoots from it, or in liaison with it. Thus:—

Wheat. When the State Compulsory Wheat Pool terminated in 1923, a voluntary pool under special Act of Parliament took its place, and when some growers desired to dispose of their wheat otherwise than by pooling, Westralian Farmers supplied a warehousing and direct-sale system as a complementary service. Later in 1933–4 the Wheat Pool and Westralian Farmers jointly introduced the system of bulk handling in the face of labour opposition at the Port of Fremantle, and gained the support of a Royal Commission for extension of the system throughout the State. Therefore neither the shift from pooling to non-pooling nor from sacks to elevators disorganised co-operative activity, and in 1933 the two organisations between them handled 50 per cent. of the crop. Furthermore, the two in association with certain other States have a co-operative selling agency on the London market, and in conjunction with the South Australia Farmers' Co-operative Union, a joint shipping organisation "Australian Outturns, Ltd."

Dairying. The dairying centre is in the south-west of the State; and for this there is a special society dating back to 1908, the South-West Co-operative Dairy Farmers, Ltd. Westralian Farmers has transferred its dairies in this region to the dairy society on a basis which provides that the dairy society controls the manufacture, while Westralian Farmers continues to do the marketing in conjunction with that of its dairies elsewhere.

General Produce (fruit, vegetables, poultry, eggs). Here again there is a separate society of old foundation, Producers' Markets Co-operative, Ltd. (1913), itself the offshoot of an old Producers' Union of 1906. The special society handles the local business, and Westralian Farmers handle the export business. It may be noted that Westralian Farmers took the lead in establishing the Australian Producers' Wholesale Co-operative Federation, which in turn established the Overseas Farmers' Co-operative Federation described on an earlier page.

Supply. Westralian Farmers has a central establishment and branches. There are also some forty independent units, "country co-operatives" as they are called. In 1932 a Collective Purchase Department was established for the supply movement as a whole. In addition there is a special society, Westralian Farmers Superphosphates, Ltd., which has a part-holding in the two phosphate companies in the State. In their general supply business Westralian Farmers and the country co-operatives encountered serious difficulties during the depression through being in the position of unsecured creditors. This forced them to tighten up the conditions of trading, and recent reports from West Australia give examples of the success with which members' indebtedness has been cleared off over a short period of years by co-operative earnings in the form of interest on share capital and purchase dividend.[1]

General Organisation. Westralian Farmers pioneered the Co-operative Federation of Western Australia, the co-ordinating authority in the State. It holds annual conferences and conducts correspondence courses, which have been

[1] See *Plunkett Year Book* (1936), p. 269; (1937), p. 315.

especially helpful in providing managers for country units.

West Australia is separated by desert and distance from the other States. This perhaps has served to give its co-operation a unity which is not so apparent elsewhere. There is evidence, too, of a feeling that too much State intervention is bad, and of resolute resistance to "the rather pathetic belief that government subsidy to all forms of agricultural production will ultimately release farmers from all their troubles and productive losses." [1] Queensland stands at one end of the scale, West Australia at the other.

A profound examination of Australian co-operation, both agricultural and urban, appears in the *Horace Plunkett Year Book* for 1938 from a distinguished pen.[2] Australia, says the writer, is "a socially advanced community which prefers the technique of State control to that of co-operation"; but I submit that on balance the relationship in all the British Dominions, Australia included, is to-day complementary rather than rival.

[1] *Plunkett Year Book* (1937), p. 313.
[2] G. L. Wood, Professor of Commerce in the University of Melbourne.

CHAPTER XIX

NEW ZEALAND

Land Tenure and Farm Credits

We have in New Zealand, the England-cum-Denmark of the South, a rare opportunity for observing the place of co-operation in the organisation of agriculture and its relation to State control. For its constitution is unitary and therefore there is no question of legal disabilities. Since 1935 its Labour Government has embarked in respect of dairy produce on a policy of guaranteed prices, which involves State ownership of the produce and a fuller intervention in marketing than in any other country. And last but not least there was published in 1936 a very exhaustive Survey, which covers every side of New Zealand agriculture and places the most recent experiments in historical perspective.[1] We make this Survey the basis of our chapter, and study in turn Land Tenure and Farm Finance; Farmers' Organisations, including Co-operative Societies; Control Boards; and their consummation in the Primary Producers' Marketing Act of May 15, 1936.

The bulk of the farm land in the two Islands, North and South, which constitute New Zealand, is freehold; and this is the best land. Between 1892 and 1933 the State in the interest of closer settlement acquired some 2 million acres, which it re-let as Crown leasehold, not because it was bent on a policy of tenancy, but because the land was not of the type in demand for freehold. But though there was no more free land to be homesteaded, there was no lack of new freeholds. For the pastoral economy of New Zealand was not rigidly entrenched, and existing

[1] H. Belshaw and others, *Agricultural Organisation in New Zealand: A Survey of Land Utilisation, Farm Organisation, Finance and Marketing* (Melbourne University Press in association with the Oxford University Press, 1936, 818 pp.).

freeholders willingly subdivided their lands under the lure of rising prices for land suited to the intensive occupations of dairying and lamb-raising.

The Torrens[1] system of land transfer by public registration made the process so easy and cheap that it was a force making for land speculation and swollen land values. Each period of high prices for produce was followed after a short interval by a fever of land sales; and the demand for land was made effective by the instrument of the land mortgage. The survey puts the mortgages on "country or farming" lands in New Zealand at over £100 million. Only a very small part of this has been provided by banks, insurance companies or similar financial agencies. A larger part has been provided by the State through a variety of channels, such as the State Advances Office, which assists settlers, the Public Trust Office, which, because it disburses private funds entrusted to its care, must lend with prudence, and the Long-Term Mortgage Branch of the Bank of New Zealand, which, however, by March, 1935, had advanced only £1 million and that mainly on non-rural property. In 1935 a Mortgage Corporation, modelled on the American Land Bank System, was set up, but the Labour Government abolished it and returned to the more popular plan of direct State Advances. The State is thus the biggest single mortgagee in the country. Nevertheless well over one-half of the mortgage business of the country has been done neither by financial bodies nor by the State, but by solicitors acting for private parties. New Zealand is a country of numerous small towns, and has two strings to its agricultural bow, the pastoral and the dairy. And when one section is depressed, the other may have surpluses to lend. It was feared that the scaling down of debt by the Mortgagors Final Adjustment Act of 1935 would destroy the private mortgage market, but this did not happen. Creditors assented to it as part of the recovery programme, to which all parties had to contribute. In

[1] Robert Richard Torrens, Colonial Treasurer of South Australia, carried in 1858 the Act which bears his name. It was adapted to New Zealand by the Land Transfer Act of 1870.

the winter of 1935 I found in the South (and predominantly pastoral) Island of New Zealand a condition very far from rural insolvency. I saw accounts of farmers who were not only free from mortgage, but had money out at mortgage; and solicitors informed me that after the first shock mortgage money was again coming forward freely. For 5 per cent. is better than 3½ per cent., which was all that could be had from Government Stock. But the puzzling thing in retrospect is that the private resources of New Zealand should ever have been able to supply well over half of the £100 odd millions; and the explanation here, as in Canada, must be that some considerable fraction represents money which never was transferred in cash, but was merely a part of the purchase price against which the vendors took a mortgage.[1]

So far we have not encountered co-operation, but in 1927 New Zealand instituted on the American model an intermediate credit system, which contains as much and as little of the co-operative form as is to be found in the United States. The credit associations operate with limited liability, they are organised by the State and are channels for the utilisation of State credit. They have been prudently managed. The bulk of the advances are made to individuals on the basis of a 20 per cent. guarantee from the co-operative society through which their butter or other produce is sold. The co-operative societies themselves find it easy to obtain their own advances from the commercial banks.

We must go inside the co-operative marketing organisation to find anything that is self-sufficient in the credit field. It has appeared not as a credit bank, but as a financial subsidiary of the co-operative dairy. The New Zealand

[1] The authors of *Canadian Frontiers of Settlement* (Vol. IV, 1935, Chap. 12) estimate that the Prairie Provinces carried between them a sum of about $500 million of long-term debt. Of this insurance companies, trust and loan companies, the banks (which may only take a mortgage as additional security), and the governments (under legislation based on the American model) have supplied little more than $100 million. Much of the balance represents land in the course of purchase on the instalment system under an "agreement of sale." Farms are bought on an initial payment of 20 per cent. The owner's equity is slender, yet few revert to the seller, because the seller desires this least of all.

Co-operative Dairy Company, the largest dairy co-operative, has operated such a subsidiary since 1926. The most urgently required short-term credit is for the purchase of phosphate for the annual dressing of the soil, and through its interest in the Challenge Phosphate Company the New Zealand Co-operative Dairy Company is in a position to supply the phosphate co-operatively. The credit is liquidated by an order on the monthly milk cheque, and amounts to perhaps a quarter of it. The parent company, by endorsing the promissory note of the borrower, secures the financial subsidiary against loss, and looks to reimburse itself, if necessary, from the shares held by the borrower in the parent company. The New Zealand Co-operative Dairy Co's financing for 1935 was as follows: aggregate advances, £681,000; repaid, £625,000: suppliers assisted, 3,325 (with 400 new accounts in 1934–5): average loan, £200.

The New Zealand Co-operative Dairy Company is a financially centralised organisation. In addition, there are numerous independent co-operative factories, some of which are in a federal grouping. To retain their suppliers, they have been compelled to follow the lead of the big company, and this is a factor favouring centralisation; for only a large organisation can safely carry a financial subsidiary. The Intermediate Credits Act will have served its purpose if it is replaced by the subsidiaries of co-operative organisations such as the New Zealand Dairy Company, which already does more financing than all the units of the Intermediate Credit Scheme.

In the pastoral industry co-operative credit can afford to wait until co-operative handling is further developed. For by no stretch of language can abuses be ascribed to the financing work of the established stock and station agencies comparable with the extortions formerly practised by the fertiliser companies on the backward cotton farmers of the American South. It is sometimes argued in New Zealand that the relation thus created is one of servitude. But if short-term credit must be had, will it not be granted most wisely and most economically by those who handle the product? A substantial farmer, and there are many

such in the pastoral industry, can, when he prefers, do his financing through a commercial bank.

Farmers' Organisations

Chapter XVI of the Survey, dealing with "Farmers' Organisations," is rightly placed. It follows chapters on scientific development, agricultural education and the organisation of the Department of Agriculture, and precedes a chapter dealing with a special activity in which State and voluntary effort play complementary parts, namely, the testing of dairy herds. "The most active organisations among farmers are economic." [1] And this reads like a platitude, for what else could they be? Not educational nor religious, for education is a community effort directed and paid for in whole or part by the State, and creed has not, as in Belgium or Quebec, been projected into the professional groupings of New Zealand. But as the example of Canada and of Alberta in particular will remind us, they might have been political. Now New Zealand, like other countries, has a Farmers' Union, established in 1899, which in the dairying strongholds of the North Island is virtually a dairy farmers' union, and one of its purposes is "to keep and maintain a vigilant watch on all legislative measures brought before Parliament, and to protest against such measures as are deemed injurious to farmers' interests." But this is only the sense in which the American Federation of Labour is in politics; and the attempt to broaden the general desire of the farmer for "less protection to the city worker" into a country party with a popular platform, has not been fruitful. The occasional country member, like the Labour M.P. at Ottawa, is an Independent. New Zealand in 1935 elected a Labour Government, which by its bold policy of price stabilisation for agricultural products stole the thunder of a country party. The Labour Party of England in a similar situation would be in danger of estranging the farmers by the attention which it paid to the more numerous body of agricultural labourers. But in New Zealand this class is, even for a young country,

[1] *Agricultural Organisation in New Zealand*, p. 333.

unusually unimportant. For the mass of labour is family labour aided by machinery, and the abundance of pasture under scientific management has curtailed the need for labour in arable husbandry. Sheep-shearing is done by itinerant labour, some of it from Australia, but the majority from New Zealand towns, to which it returns for employment or unemployment when the season is over. One conceives therefore, as the alignment of the future, the conservatively minded farmers and especially the pastoral farmers on the one side, and the more radically minded farmers, led by the dairy farmers, on the other; the one attached to a National, the other to a Labour party.

An enumeration of farmers' organisations reveals their purpose. The Breed Associations are purely professional. The Agricultural and Pastoral Associations are professional associations with a social flavour: they organise the shows at which pure-bred stock and farm machinery are exhibited. The greatest of these, the Christchurch Royal Show, I attended on November 15, 1935, dividing my time (correctly, I was told) between the show ring and the racecourse. The Calf Clubs and Young Farmers' Clubs are educational. The women are organised in Women's Institutes and the Women's Division of the Farmers' Union. Conversation with a group of the latter in Dunedin made it abundantly clear that from the woman's point of view there is a big labour problem on New Zealand farms, namely, family service, or, as they put it, "slavery" to the mechanised dairy. The pig-recording clubs and the herd-testing organisations have a technical purpose, the improvement of output, and illustrate an important point in the relation between State and voluntary effort.

The function of herd-testing is to determine the milk and butter-fat producing ability of individual cows and thus to secure data for the elimination of low-producing cows. The movement began in New Zealand about 1910 on the lines already pioneered by the herd-testing and milk-recording societies of Europe; and by 1923 two types of testing were in force, that done by local associations for grade and cross-bred cows, and that done by the Depart-

ment of Agriculture for pure-bred stock, when every cow is tested and the Government Inspector is present during the milking which precedes the test. In 1923, "group" herd-testing was introduced for other than pure-bred stock, and rapidly superseded the "association" system. Under the association system every farmer did his own weighing and sampling: a task which became increasingly burdensome with the speeding up of milking by machinery. Under the group system this is done by a central service of qualified testers. The Government and Dairy Control Board make small grants, but it is not a Government service. From its inception in 1923 in Waikato, an intensive dairying region, it has been mainly co-operative in form, like the dairy companies which promoted it, and the local units are affiliated now to a central co-ordinating body, the Dominion Group Herd Testing Federation. Expense prohibits the application of pure-bred inspection methods to the generality of cows, but a central service permits of uniformity in method, and though the list is only made once in ten or twelve months, checks "indicate an accuracy for the group system within approximately 3 per cent. of the actual production." [1]

Another aspect of the relation between State and voluntary effort is seen in technical improvements and their application by the farmer. New Zealand farmers have sprung from an enterprising race with whom it has been a second nature to seek new methods. British pedigree stock was sent out to British immigrants who had an instinct for using and improving it; nor does it take many years in New Zealand for a new machine to come into use. But changes in soil treatment take time to show their effects and mistakes may be very serious for the farmer. Central research, co-ordinated with similar research in other parts of the Empire, narrows the field of costly error and shortens the time lag between knowledge and its application. Organisation was stimulated by the needs of war and of post-war reconstruction and took shape in the Scientific and Industrial Research Act of 1926, out of

[1] *Agricultural Organisation in New Zealand*, p. 351.

which sprang the Dairy Research Institute at the Massey Agricultural College in Palmerston North. The practical men took dairying as far forward as they could and the State then stepped in with research. The New Zealand Co-operative Dairy Company at Hamilton and the Taranaki Cheese Federation at Hawera established laboratories to assist them as producers. The Dairy Research Institute does not replace these bodies, but concentrates on long-range problems, leaving local problems to Hamilton and Hawera. Again in crops, a favourable type of perennial rye-grass, the " Hawke's Bay strain " was isolated a few years ago with the help of an investigator sent over from Great Britain, and in three or four years was brought into general use ; for an improved native strain requires less time to acclimatise itself to a new district. And it is to-day the basis of a valuable export trade to Australia. Similarly with fruit-growing. The fruit-grower is a specialist who lives under the constant threat of ravages by pests. " Recently a new standard of sulphur and lime-sulphur sprays, based on investigations at the Plant Research Station, has been adopted throughout the industry in less than two seasons." [1] The " tie-in " of activities and the acceleration of technical change are central to new-world rural economy and bear closely on the extent to which organised farmers can embark with advantage on the special form of business enterprise which goes by the name of co-operation.

Co-operation

The Survey devotes a chapter (XXXIV) to " Co-operation in New Zealand," but the chapter does not tell the whole co-operative story. For professional associations with incidental functions of supply and marketing, commercial associations launched by farmers and bearing their name, but not strictly co-operative in form (e.g. the New Zealand Farmers' Co-operative Association of Canterbury, Ltd., the Auckland Farmers' Freezing Company, Ltd.), and, above all, the Government Control Boards, which are, as it

[1] *Agricultural Organisation in New Zealand*, p. 296.

were, farmer-effort projected on to the overseas market, are all part of the story. And they are not merely supplements to co-operation, they dovetail into it. On first acquaintance co-operation in New Zealand is opportunist and has many loose ends, but on closer study it is seen that uniformity and policy are provided by the control boards at the point where uniformity and policy are most important, namely, the market of the United Kingdom. New Zealand in 1933 exported 54 per cent. of its mutton and 92 per cent. of its lamb, together with a little of its beef; and "practically the whole export trade in mutton, lamb and beef is now directed to the United Kingdom." [1] The export of frozen pork rose from 70,000 cwt. in 1926 to 321,000 cwt. in 1933. "The most important market has always been the United Kingdom and it now is the only market." [2] In 1933 the United Kingdom took 99 per cent. of New Zealand's butter exports and 99·9 per cent. of its cheese exports, the considerable butter exports to Canada of 1927–30 having been obliterated by Canadian tariff action. The export trade in fruit is confined to apples and pears, the United Kingdom taking over 80 per cent. of exports in 1933. Only in wool is there a large non-British market on the Continent of Europe and in Japan. Moreover, the direct exports to the United Kingdom (73 per cent., 1931–3) greatly overweight the percentage actually consumed there; for much is re-exported, perhaps one-half. And as the Survey complains,

> In such circumstances [wool] production is a blind affair. It is not production for known market requirements and developments; but production which can readily be at the mercy of propaganda or plain misunderstanding.[3]

About 80 per cent. of the dairy produce of New Zealand is processed co-operatively. The price recessions of the 1880's and early 1890's stimulated the dairy farmers to co-operative action, and there were two factors favourable to success.

The development of a factory system in the early 'eighties made possible a high degree of efficiency and uniformity in

[1] *Ibid.*, p. 626. [2] *Ibid.*, p. 626. [3] *Ibid.*, p. 696.

manufacture, and the rapidly expanding export trade permitted the product to be marketed through well-defined export channels.[1]

But inasmuch as co-operative processing is comparatively rare in the other staple exports of New Zealand, it is clear that an export market is not the governing factor: (as is seen in wheat, which is no longer exported, and in which a voluntary wheat pool, formed in 1928 and representing about one-half of the growers, developed into a wheat marketing agency, representing growers and millers, and that into the Wheat Purchase Board of 1933). Success is related to the nature of the commodity rather than to the nature of the market. Moreover, a high degree of efficiency and uniformity in manufacture characterises the meat-freezing industry as much as dairying; and we must therefore look for productive features which are peculiar to the dairying industry.

Dairying differs from wool-handling in that it requires local factory units, and in this respect it is analogous to meat-freezing. But as distinct from meat, the quality of the raw material (butter-fat) so immediately affects that of the processed commodity (butter) and is so susceptible of modification from day to day, that there is a premium on intimacy between producer and processor and thus on the co-operative form. Because of perishability the factory must be close to the farm, especially in cheese, where the whole milk is used. The dairy factory is thus the home dairy taken out of the farm and located strategically for neighbouring supplies.

At first the co-operative dairy was a creamery in the Danish and Irish sense, i.e. it received the whole milk, converted the milk into cream and the cream into butter; but after 1910 home separation replaced factory separation, so that the creamery became a butter factory. This change enlarged the area of supply and with the introduction of motor transport the benefit from it was enhanced. Going into home separation late, New Zealand went straight into mechanical separation, and centralised production proceeded *pari passu* with mechanised dairying—with the

[1] *Agricultural Organisation in New Zealand*, p. 746.

mechanical separator and the milking machine, driven by the electric power which reticulates the countryside. This technical expansion was not greater than the co-operative form could support. The Dairy Act of 1908 with amendments governs the organisation of co-operative dairies to-day and prohibits the wrongful use of the title "co-operative." Being registered under the Companies Act with limited liability, they are spoken of as "co-operative companies." They are farmer-owned and farmer-controlled, and shareholding is in proportion to butter-fat supplied. But inter-factory competition is very severe, and to secure volume companies seek supplies from non-shareholders and pay for them at the same rate. Under such conditions "farmers change from company to company for the slightest reason"; [1] and this is highly un-co-operative in spirit. Competition in marketing has been equally severe, and one of the most important functions of the Dairy Control Board was to abate competitive selling on the distant London market.

Independently, however, of the Dairy Control Board, the industry achieved some unification, though in two very different forms: the National Dairy Association and its allies representing one form, and the New Zealand Co-operative Dairy Company representing the other. The National Dairy Association is a company whose shares are held by some 200 co-operative dairies. It equips butter and cheese factories with factory requisites and machinery. It also acts as the New Zealand agent for the Export Department of the Co-operative Wholesale Society of England and it has sponsored the formation of the New Zealand Co-operative Alliance, which aims to act as a Co-operative Union for New Zealand and to further the cause of consumers' co-operation. In close contact with the N.D.A. and occupying the same offices is the New Zealand Producers' Co-operative Marketing Association. Its shareholders similarly are co-operative dairy companies, and its function is to handle produce on behalf of shareholding and other companies, other companies receiving rebate at half-rate. Its London

[1] *Ibid.*, p. 754.

principal is the New Zealand Produce Association, Ltd., the shares of which are held jointly by the New Zealand body and the C.W.S. of England, as described in an earlier chapter.

The New Zealand Co-operative Dairy Company is a single great company, with 8,000 members and numerous plants for butter, cheese, and other milk products. Its main concern is butter marketing and its headquarters are at Hamilton in the Waikato area of the North Island. It handles over 30 per cent. of New Zealand's butter exports and maintains in London its own selling organisation, Amalgamated Dairies, Ltd. It has a trading department, a box factory, a coal-mine, a financial interest in the Challenge Phosphate Works and, as noted under Farm Credits, an important subsidiary for the financing of its membership. In its present form it is an amalgamation of three concerns, of which one at least was in origin proprietary; and it owes much to Mr. William Goodfellow, who realised the expansion possible to the industry by the introduction of home separation. But, while strongly centralised, it has been liberal and progressive, and the method of disposal of proceeds is fully co-operative. Share capital is allotted on the basis of £1 share to each 70 lb. of butter-fat. It is paid for by the setting aside of what is termed shareholders' bonus at the rate of ¼*d.* per lb. of butter-fat supplied, and when the share has thus been fully paid, the bonus is continued as a payment in cash. No interest, as such, is paid on the shares, but shareholders who retire from dairying are entitled to have their shares refunded at 75 per cent. of the paid-up value. Between 1919 and 1935 shares with a paid-up value of approximately £300,000 were so resumed. These arrangements are not more complicated than the revolving funds which are encountered in the California fruit co-operatives; and they fulfil two very important purposes. They enable farmers with slender cash resources to build up a capital share by instalments, and they secure that the total moneys available for disbursement in any season shall go to those actively engaged in production.

New Zealand has belts of fruit land in the vicinity of its

larger towns, and also pockets of intensive fruit-farming, such as the Nelson and Central Otago districts in the South Island, and the Hawke's Bay district in the North Island. The areas of supply are scattered and the local market is important. Tourists in motors buy at the wayside and growers who formerly railed their produce to a distant centre now find sometimes that they can with advantage retail direct to the local market in their own motor-lorry. For the small towns of New Zealand are numerous. Conditions of supply and marketing thus differ strongly from those of California, and we do not find a co-operative movement of the Californian type, where local groups own packing plants and market through a central exchange. Efforts in that direction have failed. The Hawke's Bay Co-operative Fruit Growers, Ltd., is one of several co-operative organisations which had a similar fate. After a career of some years in supplying requisites and cool storage, they were bought by a local canning company, so that the cool storage of the district is now all proprietary.

But co-operation has entered through another door. The New Zealand Fruit Growers' Federation, though primarily a professional organisation, is registered under the Industrial and Provident Societies Act and does a considerable business in orchardists' supplies. But its more important commercial work is in connection with the organisation of the export trade; and here it is the complement of the New Zealand Fruit Control Board, for which it acts as local agent, disseminating its instructions and assembling fruit at local ports for export in accordance with the instructions of the Board. The Federation was, in fact, the promoter of the Control Board and handed over to it export functions which it had successfully pioneered. It pressed for legislation in order to overcome the problem of the recalcitrant minority in each district, so that now the whole export trade is under the control of the Board, with the exception of Otago district, which availed itself of the right to secede from the control legislation on a poll of producers. Fruit for export is pooled by districts, and sometimes there are two pools, an early and a late. It was necessary for

the Board to pool supplies, in order to be able to accept forward sales and develop new markets. The Fruit Control Board was set up in 1924, and the Survey commends it as "a most interesting example of compulsory co-operation which has been very successful in its operation." [1]

To those who value the contribution of co-operation to rural life it is disappointing to find branches of agriculture in which co-operation appears to have failed, and it is tempting to suggest that failure is due to shortcomings of temperament, policy or structure, which, if remedied, would open the way to success. But a more objective view is desirable. For *prima facie* it is not to be expected that farmers burdened with production and handicapped by small means should be able to direct and finance a complicated commercial or industrial operation. Let us therefore survey the remainder of the field with a presumption in favour of the *status quo*, for we may be confident that in a democracy with a strong rural bias no fundamental injustices will be allowed to go unchallenged.

In the major items of frozen meat (lamb, mutton and beef) there is in the strict sense no co-operative processing and marketing; for the structure of the trade is unfavourable to it. There were (1935) thirty-five meat-export works in the Dominion and they have cold-storage capacity for dairy produce as well as for meat. The operators of them are called freezing companies and correspond to the packers of North America. The meat-works kill for themselves or others. The others are individual farmers, stock and station agencies and export houses. The export houses, e.g. Swift or Borthwick, also have their own works, and a direct connection with English retail chains, to which they ship direct. By far the greatest amount of the export trade is in the hands of the freezing companies and export houses; and these purchase stock either on the farm or at the weekly stock sales. Several of the meat-works have the word "Farmers'," or "Co-operative" in their title. Of these the most important is the Auckland Farmers' Freezing Company. It is owned and controlled by farmers, and

[1] *Agricultural Organisation in New Zealand*, p. 758.

serves both the meat and the dairy producer; the meat producers' interests being represented by individual shareholders and the dairy producers' interests by dairy-company shareholders. It owns and operates three meat-packing factories as well as a large cool store for butter and fruit and other commodities. It is purely a service organisation and does no trading in meat, though it supplies blood and bone manures, compounded from the by-products of meat killing. The total value of the produce handled through its various works was approximately 25 per cent. of the total value of all meat and dairy exports from New Zealand, the handling of butter alone exceeding 4 million boxes per annum. Of course, this percentage lumps together meat processed by itself and the much larger item of dairy produce, for which it merely affords cool storage.

The farmers of America and Canada have made no success of co-operative abattoirs, but the task of local assembly for central markets has afforded scope on that continent for livestock commission agencies conducted on a co-operative basis. They do no processing and they do not dominate the commission business, though they are often the largest among a small group of agencies supplying a particular market. In New Zealand, with its smaller distances, there is less scope for this type of co-operation, but the contact of farmers with the freezing process, even though it is only a service organisation in company form, helps to break down the barrier between the producer and what America calls "the packing interest."

Danish dairying is arable dairying and intensive pig-raising is an integral part of intensive cow-keeping. From butter-making the co-operative form was successfully translated to the production of bacon, so that to-day in Denmark co-operative creameries and co-operative bacon factories control their respective trades. But in New Zealand, until recently, pig-raising was an intermittent side-line. The farmers were doing well enough with butter and lambs, and pig-keeping was regarded as a nuisance. In any event, owing to distance from the market, it was impossible to challenge the Danish trade in mild cured bacon. But

the declining price of butter-fat forced attention upon the possibility of utilising the non-fatty solids in separated milk with their known pig-flesh value; and in 1928 the problem was attacked under the technical guidance of the Department of Scientific and Industrial Research. The immediate goal was such an increase as would utilise the already available by-products of the dairy industry, supplemented by concentrates which would permit of a two-litter per annum programme; for New Zealand dairying, being grass dairying, has a much greater output in the summer season. Among concentrates, meat meals, the by-products of meat-works, are available. The effect of this programme was seen in the sharp upward movement in the export trade, which more than doubled between 1932 and 1933. The product exported is frozen pork; and in this new development co-operation already plays an important part. The Co-operative Pig Marketing Association, which originated in the Waikato, the dairy centre of the Dominion, operates now throughout the North Island and in Canterbury, South Island. It exports both pigs and "vealer" or "bobby" calves (i.e. very young veal from calves fattened on milk, which formerly were knocked on the head at birth as being an unusable by-product of the cow). The Association makes use of existing proprietary meat-works for processing operations. It is organised on a co-operative share basis and meets costs by a levy on pigs sold. Advance payments are made when the pigs are received, and a final payment when the full returns from sales are available.

In 1937 it reported rapid growth, and having taken over the Kiwi Bacon Company's factory it is about to increase its capital to meet the expanding business. It has also, in association with certain dairy co-operatives in the Hawke's Bay area, completed arrangements for the formation of a new co-operative company that will handle, under authority of the Government, all dairy produce for this area.

With wool we enter quite a different atmosphere. It is not that wool does not lend itself to co-operative handling. In Canada, where wool is a side-line, the Canadian Co-operative Wool Growers' Association, headquarters Toronto, is a

successful co-operative wool-marketing agency. It grew out of work done by the Government for the improvement of wool-grading. In England and Scotland also, where the record of co-operative marketing is lean, co-operative wool-marketing is well established. But in New Zealand wool is a main line. The marketing organisation, which is old established and highly expert, is part of a greater system which includes the continent of Australia.

New Zealand's speciality is cross-bred wool; and while it is true that for some sheep-farmers lamb-raising takes precedence over wool production, the returns on wool are important to all sheep farmers and are the chief source of revenue to many. "As an item of export wool has for long been the most important single commodity for New Zealand. The annual value of wool exported normally represents over a quarter of the total exports." "South America and New Zealand together provide the great bulk of cross-bred wool entering into international trade." [1] Co-operation might enter the industry in one of two ways: either from above, as part of a scheme of nationally regulated marketing, or from below, as an addition to the established wool-selling firms, the stock and station agency companies; and there is experience to record under both heads.

The former we have recorded in connection with B.A.W.R.A. (above, p. 334). But apart from control over the course of wool offerings the wool trade of New Zealand has recovered its pre-war freedom, and though it is within the competence of the Government to bring the wool trade under the marketing legislation of 1936, no step has been taken as yet in that direction.

The second head brings us to the stock and station companies, which share with the farmers' co-operative companies the wool-broking business of New Zealand. Their main function is wool-broking, but it is only one of many. Their functions include the purchase of farm produce or its sale on commission; the sale to the farmer of farm and household requisites; advances against the sale of crops and stocks;

[1] *Agricultural Organisation in New Zealand*, p. 690.

and the financing of land purchase and improvement. They have become an integral part of the rural economic structure, they are deeply committed financially in farming ventures, and they draw some of their capital from the farming community.

Of the two groups (non-co-operative and co-operative), the stock and station companies " are much the more important in wool-broking as well as in other economic activities." [1]

Out of thirty-two brokers, a " big seven " handles nearly two-thirds of the auctioned clip. They have branches at more than one of the eight auction centres; and two of them (Dalgety & Co., and the New Zealand Loan and Mercantile Agency Co.) operate at all centres, and do business in Australia as well. By contrast the co-operative houses usually limit themselves to one centre. The stock and station companies started as agencies for supplying settlers with professional and domestic wants and disposing of their produce: sometimes also as land development companies seeking a profitable outlet for investment money from overseas. They became thereby the financiers as well as the agents of the farming community and of the pastoral industry in particular, but their central activity, since the growth of auctions in New Zealand, has been wool-selling. And this calls for a series of technical services: warehousing; classing; the " interlotting " and binning of small lines; preparation of the sales catalogue; display before sale; and the auction itself.[2]

The farmers' co-operative companies follow necessarily the same methods as the commercial companies. Being run by farmer-directors, they have sometimes shown weaknesses in control and technical efficiency; especially have they been apt to make advances to clients which were not covered by sound security. But the desire of the farmers to enter the stock and station business is understandable, for this business had taken almost complete charge of their financial fortunes. It bought for them, sold for them and financed them. In particular have farmers disliked giving

[1] *Agricultural Organisation in New Zealand*, pp. 703–4.
[2] Interlotted lines consist of bales selected from the offerings of several different vendors.

a stock mortgage against advances; for this they regarded as a badge of servitude and, moreover, they were then compelled to do all their buying and selling through a single firm. The stock and station companies no less than the farmers' co-operative companies find the lending side of their business disagreeable and would be glad to place it on other shoulders. But the difficulty of finding other shoulders is great. Meanwhile, progress has been made in the introduction of a system of farm budgeting and office control, which gives a monthly check on the progress of the budget estimates. A farmers' company, the New Zealand Farmers' Co-operative Association of Canterbury, pioneered this field in 1926; and the system, they claim, has been copied by other loan agencies, co-operative and commercial, as well as by Government Departments.

Control Boards and the Act of 1936

Chapter XXXIV of the Survey, "Co-operation in New Zealand," is followed by Chapter XXV, "Control Boards"; and most appropriately they are written by the same author. For the Boards are the outcome of co-operative effort, in part rounding it off and in part taking its place; and they owe their present form largely to the predominance of the London market. The organisation is by commodities, meat, dairy produce, fruit, honey, wheat and poultry. Wheat is a domestic concern. The Honey Board has functions similar to those of the Fruit Board. But the two Boards of outstanding importance are the Meat Producers' Board and the Dairy Board, established by Act of Parliament in 1922 and 1923 respectively; and the Control Board movement, which is now in the opinion of the Survey "a permanent feature of the New Zealand economy," [1] is of sufficient age to be studied in an historical setting.

After the strict control of the war years there was a short-lived revulsion towards the *laissez-faire* of pre-war days, but when post-war prices collapsed, the producers, as in so many countries, began to agitate for the perpetuation of certain of the war controls. In wool the price-making

[1] *Agricultural Organisation in New Zealand*, p. 784.

was done in New Zealand, but in meat and butter it was done in London. It was felt in 1922, as it is felt now, that

> the almost complete absence of New Zealand commercial houses on the London market makes it all the more necessary in the interests of the New Zealand farmer, that there should be some institution capable of maintaining his interests in the market itself.[1]

The control legislation allowed the Boards to exercise "absolute" or "limited" control: absolute control meaning that the Board assumed financial responsibility for the marketing, so that competition among exporters was eliminated. From the outset the Meat Board rested content with limited control; which gave it the following tasks: in New Zealand the negotiation of freight rates and insurance rates, the introduction of grading standards and the encouragement of research and improved quality of production; in England, negotiation for better and cheaper storage facilities, and the advertisement of New Zealand produce. Through its statistical service and market summaries it is in constant touch with meat-producers, for whom it acts as an industrial parliament; and the Government looks to it for advice and guidance. Since the Ottawa Agreements of 1932 its responsibilities have been increased, and it was fortunate for New Zealand that the British proposals for quotas and levies were presented to an industry which was equipped to appreciate and report on their significance.[2]

The aforesaid functions of limited control were common to all the Boards, but the other Boards, in addition, attempted or instituted absolute control in a variety of ways. The arrangements between the Fruit Board and the New Zealand Fruit Growers' Federation in operating absolute control

[1] *Agricultural Organisation in New Zealand*, p. 783.

[2] The timing of shipments to arrive in a market 12,000 miles away, in conformity with quotas, imposed a rigidity with which only a single authority could cope. It recalls the difficulty with which Canada was confronted under the Corn Law of 1815 by the alternate opening and closing of the ports, and which Huskisson removed in 1825. If Huskisson were alive to-day, he and his disciple William Hutt, after whom Wellington's industrial suburb is named, would be *personæ gratæ* with the Government of New Zealand.

have been noted above: and honey control since 1933 has been absolute also. But the first venture of the Dairy Board in this direction was unhappy. It was taken in 1926 when the English market was disorganised by the General Strike; and being inspired by a rather arrogant price-naming philosophy, it antagonised the proprietary interests in the trade, including the consignment houses who sold the butter in London. Nor were the producers of one mind; for the small co-operative companies were suspicious of its centralising tendency. It was therefore abandoned in 1927, and the Board reverted to its former functions. But the gravity of the ensuing depression resulted in further legislation in 1934, which, *inter alia*, empowered the Dairy Board in a newly constituted form "to regulate and control the production of dairy produce in New Zealand"—both that part intended for consumption in New Zealand as well as that part intended for export. Whilst I was in New Zealand in 1935, arrangements were being made for a scheme of group marketing under which the Dominion was to be divided into seven regional units, selling on consignment through selected agencies in London. Emphasis was laid by exponents of the scheme on its elastic nature, the example of Denmark being quoted, and on the desirability of eliminating "F.O.B. shipments," i.e. outright sales in New Zealand itself, on the grounds that such shipments came into speculative hands and depressed the price of New Zealand butter in London. The last stage was reached with the passing of the Primary Products Marketing Act of May 15, 1936, which came into force as regards dairying on August 1, 1936. By Section 18, all dairy produce, when shipped for export, becomes "the property of the Crown." By Section 20, the prices to be paid by the Crown to producers are to be fixed "after taking into consideration the prices received for the period of from eight to ten years immediately prior to the 31st day of July, 1935"; and they

shall be such that any efficient producer engaged in the dairy industry under usual conditions and in normal circumstances should be assured of a sufficient net return from his business to

enable him to maintain himself and his family in a reasonable state of comfort.

This is in fulfilment of the policy of price stabilisation on which the Labour Government came into power in November, 1935.

The Marketing Department, a State body, replaces the Dairy Board, a producers' organisation. But this does not involve a State butter- and cheese-selling organisation with State warehouses and State shops. The Department continues to use in London the panel of distributors (including the New Zealand Co-operative Dairy Company and the New Zealand Produce Association), who already handle New Zealand dairy produce. To the farmer it means that he sells his produce at a fixed price F.O.B., instead of on consignment, as formerly recommended to him. In the service of the domestic market use is being made (as we have seen in Hawke's Bay) of co-operative societies. Will the new policy set co-operation back? There is no reason why it should. For the Government in the execution of its policy is using co-operative organisations at home and abroad, and price stabilisation should aid co-operative supply. The same is true in South Africa; for as the latest report from that quarter says,

> There is a tendency for each agricultural co-operative association [the units in the South African State-Marketing Schemes] to establish a next-door consumers' co-operative society to cater separately for the requirements of farmers as consumers.[1]

In Wellington, the capital city, I found that the promoters of consumers' co-operation supported the Municipal Milk Scheme, as achieving for a public utility what they hoped to achieve in the competitive field. The democracy of New Zealand is in charge of its Government and has no fear of the official hand. The more serious problem [2] is whether the Government can finance the whole progressive policy of which the guaranteed price to dairy farmers is just one part. In the not unfavourable year 1936–7 the

[1] *Plunkett Year Book* (1938), p. 208.

[2] Cf. H. Belshaw, in the *Economic Record* of Dec., 1937, "Guaranteed Prices for New Zealand Exports."

butter account showed a deficit of £650,000; and since the Government's policy of higher wages and shorter hours raises farming costs, it will be difficult for it to offset losses by accumulating surpluses—in which case surpluses will belong to the producer and deficits to the Government. Nor can the consumer be made to pay except to a trifling degree, seeing that less than 20 per cent. of the butter and less than 4 per cent. of the cheese are consumed within New Zealand. If wool and meat prices should slump, it is doubtful whether the Government could come to their aid also, without recourse to credit inflation, which would lead to currency depreciation and thus to a policy against which the Labour Government has pledged itself firmly.

New Zealand, like Australia, is dominated by the determination to give to all its people a decent standard of life. At the same time every step towards this high purpose has been accompanied heretofore by an equally high sense of imperial responsibility; and for this reason, perhaps, we call their socialism opportunist. They go forward when resources permit not less resolutely than they draw in when needs must, but the going forward, like the drawing in, must be all-round, and this is what they mean by social democracy.

CHAPTER XX

INDIA

The Indian Scene

India is a country of high natural fertility and great aggregate wealth, the report of which lured the peoples of Western Europe across the oceans four centuries and more ago. It has also until very recently been backward in mechanical industry, and wealth per head is very low. The vast population, which is the direct consequence of its natural fertility, is also one obvious cause of the very low wealth per head. The population of India (British India, the Indian States and Burma) rose from 315 millions (1911) to 352 millions (1931) and is heading for 400 millions in 1941. To a degree unknown in other parts of the British Empire economic progress has been accompanied and qualified by rapid growth of population. Of the occupied population (1931), about 67 per cent. was in agriculture, about 20 per cent. in industry, trade, professions and administration, about 13 per cent. in domestic or unspecified service. Agriculture and industry about maintained their balance in the decade (1921–31), though organised factory industry gained at the expense of unorganised village industry. Village industries, indeed, are very important, and if we take not occupation but place of residence, then on the census classification of towns 11 per cent. of the population is urban and 89 per cent. rural. But it is the persistent increase of the agricultural portion of the rural population which constitutes the population problem. This, of course, is by far the main part of the rural population. To such a population mechanical improvements, which reduce the need for labour on the land or divert it from the village to the large town, are a danger rather than a boon. For as the Census Report observes, " Labour-saving devices will do little for a

peasantry whose work takes up part only of the year." [1] No such objection attaches to improvements affecting cultivation; and the new policy of protection to sugar is doubly justified, first because it encourages an improved form of intensive agriculture, and secondly because it brings sugar factories into rural areas and thus gives industrial employment in the countryside.

The domestic economy of India is characterised by a narrow range of consumption, which is the outcome of climate, numbers and social custom. The Hindu veneration for the cow has imposed a barrier to a progressive animal husbandry such as is to be found in the countries of North-Western Europe and the New World. Pigs, hides and eggs, which are articles of great importance to a poor population, cannot be exploited to the full in India. Animal fats cannot be used as soap, nor bones as manure: cow dung is burnt for fuel. The population is abstemious of choice when not of necessity. There is no great wine industry, and footwear is not a necessity. The one extravagance is in ceremonial and ornament.

To an abstemious people living in a hot country which was exposed to constant invasion and depended for its food on a problematic rainfall, it was natural to hoard jewellery and metal. For these were beautiful and weathered well, and being in universal demand they could in the last resort be sold to avoid starvation or loss of home. The time preferences of India differ radically from those of Europe. High mortality, favouring consumption in the present, is accompanied by a sense of family obligation, which accepts debt in perpetuity. The two in conjunction created a money-lenders' paradise to which English rule unintentionally contributed by enforcing in the country contracts carrying an immoderate rate of interest. Very significantly, the book which gives us the greatest insight into the Indian rural scene has for title *The Punjab Peasant in Prosperity and Debt* (M. L. Darling). Prosperity elicited the lending which, when not repaid, grew by compound interest into astronomical debt. It was to check this progressive enslavement

[1] *Census of India*, 1931, Vol. I, p. 31.

of agriculture to money-lending that the co-operative movement was introduced into India at the beginning of this century.

But we shall misunderstand the problem facing co-operators if we think of rural indebtedness as a new and only skin-deep sore, which could have been cured by energetic action on the part of either the Government or of the Indian community at any stage in its growth. The village money-lender is the rural end of a great chain of money-cum-produce dealing which has its urban end in a terminal market or in the counting-house of respected banking castes such as the Khatris of the Punjab, the Jainas of Rajputana, the Marwaris of Central India, the Chettis of South India and Burma. If co-operation could have confined itself to mere thrift it would have had an easier passage, but it would have failed in its distinctive purpose, which was to finance the productive needs of nominally independent peasants. When it addressed itself to this purpose, it found itself in rivalry with an old-established system of trading and finance, which looked to the cultivator for its chief custom. Mercantile and investment banking was largely in European hands. Indigenous bankers had their eye on the peasants' produce; and though in certain provinces legislation prevented the money-lenders from procuring ownership of agricultural land (e.g. the Punjab Land Alienation Act of 1901), this they never really wanted. They coveted not the land, but the crop. If they held a mortgage, they did not press for repayment, for it was better to have a hard-working, submissive debtor whom custom forbade to repudiate his debt, even when legally he might have done. Therefore the co-operative movement has never been the major provider of rural finance in any province of India: 5 per cent. rather than 50 per cent. has been its share.

Credit

The father of Indian co-operation was Sir Frederick Nicholson of Madras Province, who died only in June, 1936. He was deputed in 1892 " to study the theory and practice of Agricultural and other Land Banks in Europe and to

suggest means by which a similar movement might be popularised in India," and his report of 1895–7 was the Bible with which Indian co-operators worked for many years. He elected for the small village bank with unlimited liability and gave India as motto " Find Raiffeisen." After a period of study by provincial administrators the idea was accepted by the Government of India, which under the vigorous vice-royalty of Curzon was taking an active part in social development; and in 1904, with rural credit in view, the Co-operative Credit Societies Act was passed. Emphasis was laid on thrift and self-reliance, but one drawback of acting on a foreign report was to narrow the conception of co-operation and to induce the belief that by faithful following of the foreign model co-operation would be a magic cure for rural ills. Before the Government took up co-operation, some districts were feeling their way to an indigenous co-operation. For example, in the Hoshiapur district of Punjab a society of 1892 successfully combined co-operative mortgage credit with land reclamation under powerful native leadership, and thus anticipated what are now important features of Indian co-operative effort.

In 1912 a second Co-operative Act provided for the formation of central organs (Banking Unions and Central Banks) and for other types of society than the credit society. By 1914 the time was ripe for a general stocktaking; and the Committee of 1915 (Chairman, Sir Edward Maclagan, later Governor of the Punjab) revealed a co-operative movement of predominantly rural credit, with 15,000 societies, 700,000 members, and 7½ crores [1] of working capital. The resulting Report, though now out of date, is nevertheless still the most reliable standard work on co-operative credit in India. Perhaps its two most important findings were these:

(1) We have found in some places a belief held that the movement was guaranteed by Government, a belief which, if not actually fostered by the local supporters of the movement, was not actively contradicted by them (Abstract, p. xxiii).

Professor L. C. Jain in his *Indigenous Banking in India*

[1] A crore is 10 million: a lakh 100,000.

(1928) confirms this: "Almost every member with whom I had an opportunity of talking looked upon his society as a State agency for granting loans" (p. 207). It must be remembered that before the co-operative era the Government had come to the aid of poverty-stricken cultivators in famine districts with Taccavi loans.

(2) Agricultural societies, except in the Punjab, have succeeded to a very small degree in obtaining deposits, and in few things is the finance of co-operation in India so markedly distinguished from that of Western Europe as in the small proportion of deposits held by primary societies (Report, p. 24).

This has remained broadly true to the present day. In 1935 among primary agricultural credit societies the amount saved per member in the form of shares and deposits was substantial in three provinces only, Bombay, Punjab and the United Provinces. In Bombay and the United Provinces the amount was swelled by compulsory deposits arising in connection with the issue of loans.

During the war co-operation made rapid strides, and the expansion continued in the 1920's at nearly the same rate. But in several provinces, notably the Central Provinces and Burma, there was serious over-financing, and in these and certain other provinces critical situations developed even before 1930. In the depression of 1930–35 there was much liquidation, so that by 1935 the effective strength of the movement was considerably less than that revealed in the census of 1931. The census figures are for all societies, agricultural and non-agricultural. Number of societies 106,000; membership 4·3 million; working capital, including that of the higher organisations which finance them, 92 crores. Comparable figures for a later date are not available for publication, but a Reserve Bank bulletin of 1937 [1] gives the following estimate for 1934: number of primary societies, 80,118; per cent. of societies liquidated since the beginning of the movement, 24; per cent. of societies still in existence, but classed as "unfit," 28·9.

[1] Reserve Bank of India, *Agricultural Credit Department Bulletin*, No. 2, p. 39.

The vast majority of these primary societies are village banks.

While the movement is predominantly a rural credit movement, yet there is an important urban credit movement, in which the province of Bombay leads the way; and while agricultural societies are by far the most numerous, they have only, as far as can be gathered, about 2½ times the membership and twice the working capital. The writer inspected three strong credit banks in Bangalore City, Mysore State: the Grain Merchants' Co-operative Bank, an affair of cheques and overdrafts; the so-called "Central" Bank of Bangalore, which lends to individuals throughout the State—it has very strong finances and under the presidency of Sir K. P. P. Chetty, the leading banker of the State, it earned the reputation of being "the best managed co-operative in the State"; the Bangalore City Bank, which lends in Bangalore only. The last is a typical "people's bank." It makes loans at 8–9½ per cent. interest against shares and fixed deposits, personal credit, jewels and property. The maximum loan is 10,000 rupees: the maximum term is twenty years against property, fifty months against other security, repayable by fixed instalments. These institutions are thoroughly solvent and do not receive or need the fostering care of the Co-operative Department.

In the rural field the position presenting itself in 1935 was that of a movement in which there was not only much dead wood, but also an over-elaboration of superior organisations. Inasmuch as the reforms of 1919 made co-operation a transferred subject, provincial practice differs, and it is very hard to present a general picture. Broadly speaking, at the head of the movement in each province are three authorities, the Registrar of co-operative societies, the Provincial or "Apex" Bank, and the Provincial Union or Institute. The Registrar is a servant of the Government and has under him a staff charged with duties of audit and inspection. The Registrars meet in periodic conference to discuss problems of policy and administration. The Punjab owes much to its illustrious line of Registrars—Calvert,

Strickland, Darling. They have opposed the notion that the office itself can be undertaken without previous training, simply in the stride of general administration, and they have laid emphasis on the value of a trained staff of inspectors. Mr. Darling, addressing the United Provinces Co-operative Conference of 1937, stated that "our annual class for Inspectors was attended last year by men from five other provinces . . . When you started reorganising your movement, you paid us the compliment of introducing our system." [1] There is no excess of organisation here. The Provincial Bank has under it central banks, under which are district banks, under which are the primary societies; and here experience has shown that sometimes the chain has been too long and the number too great for the needs of the province or state. (The Bangalore Central Bank, quoted above, was converted into an urban bank when it was found to overlap with the Provincial Apex Bank.) The Provincial Union or Institute holds annual conferences, and is concerned with supervision and propaganda. It was a very necessary development if co-operation was to be a democratic movement. But too often it was supervision from without by enthusiasts attending to other people's business rather than, as in Europe, supervision from within by members of themselves. Higher control has three sides to it—legal audit, technical inspection and general fostering; and there has been duplication of effort and friction between the legal-technical side and the general fostering side. Efficiency has pulled one way: democracy, in the special form of home rule, has pulled the other.

This difficulty is associated with another and more fundamental one, to which allusion has been made (above, p. 376). The mass of the working capital of the movement comes not from the cultivators themselves, nor from deposits in village banks, nor yet from the Provincial Government, which is not directly associated with the provision of funds except in the special quasi-co-operative field of land-mortgage banking. The resources come from the shares and deposits of well-to-do citizens and local authorities in the central

[1] *Indian Co-operative Review* (1937), Vol. III, No. 1, p. 117.

and provincial banks. The depositors and the borrowers belong to different social planes. The higher lends to the lower. Such deposits were forthcoming, first of all because the depositors were genuinely anxious to assist the co-operative movement, and secondly because they obtained a reasonable rate of interest against a risk no greater than that involved in any other use of their money. For the central institutions have strong resources in capital and reserve, and it was rightly believed that if the Provincial Bank got into difficulties, the Government would have to stand behind it.

The depression brought not a general bankruptcy, but a general freezing with much local mortality. Overdues of principal were nearly everywhere very high. Loans intended for productive purposes had been used, owing to the necessity of the peasants, to pay off old debts, and also to pay for marriages and other ceremonies. Many societies had lent money against unsaleable property. The result was to cause a great restriction in new lending among those societies which were still sound, and to leave the unsound societies dormant.

The problem was to unfreeze the movement and to reopen the stream of credit wisely. It was necessary to draw a distinction between the comparatively few local societies which needed no help and the rest, and to bring the latter under a varying degree of control by fixing the maximum which a society might borrow from the higher institution and the maximum which members, and especially members of the committee, might borrow from the society itself—and by other means. Under such control lending can be cautiously resumed at rates which it is not beyond the cultivators' power to repay. The low rate of interest in sound societies is their really great achievement. It is 9 per cent. simple interest or less, whereas outside the co-operative movement the *common* rate of interest for an unsecured loan varies from 18 per cent. to 25 per cent., and everywhere compound interest is charged. But loans must be reserved for productive purposes, and other needs must be solved along other lines. Co-operative credit can no longer be considered

as a general solution of the rural problem. It must be selective and combined with other things. One of these other things, which the severity of depression brought home, was the realisation that it is possible for the cultivator to get along with much less credit than he has had before.

Another was land mortgage banking, in which Madras is to the front. This consists of a central provincial institution, which lends either to individuals or to local land mortgage societies. The Government may be involved to the extent of guaranteeing the interest and principal of the debentures which are floated in order to provide the mortgage money. Co-operative officials welcome the development, because it prevents the rural credit movement from being involved in the long-term credit which is unsuitable to it. But in mortgage banking based on guaranteed funds, the scope for self-government by the members is strictly limited. It is quasi-co-operation rather than co-operation.

Madras was fortunate enough to develop the movement only after the depression had reduced land values and to proceed so cautiously under the leadership of the late Sir M. Ramachandra Rao, that it gained from the Government valuable concessions, such as the eligibility of its debentures for trustee investment, which enabled them to acquire a high status on the money market. The Punjab was less fortunate. It entered the field in 1920 and made many loans, especially in the canal colony areas, at inflated values. Mortgage banking should be highly selective. It is necessarily used in part to pay off existing debt, but the borrower should be required to give evidence that the release will result in his being able to improve his land.

Stores

Co-operation, other than for credit, falls into three groups: co-operative stores; co-operative marketing; and the co-operative provision of communal services.

The store movement has made some progress in the towns of South India. Two societies at least, the Triplicane Urban Co-operative Society of Madras, which has a central store and a number of branches, and the Bangalore City Co-oper-

ative Society, have celebrated their silver jubilee. Their weakness has been their contact with credit.[1] So closely at first was co-operation associated with credit in the official view, that the Triplicane Society, when it sought registration, was advised by the Registrar to qualify for it by organising a credit department. It therefore began as a credit society with a store as a subsidiary activity. In general, this association of the store with credit has persisted. The members associate purchases from the store with credit from it. In Bangalore it appeared that they expected it at any rate up to the amount of their capital holding. But this causes the purchase dividend to fade away into a cash discount earned on the small percentage of purchases which are made for cash; and while this policy persists, no serious increase of the movement is likely. Madras is the home of the chit fund, which outwardly resembles the mutuality club of the British consumers' movement. But the chit fund, as traditionally employed, put money before goods. The members subscribed weekly to a common fund which was auctioned each month or quarter. The bidder offering the highest discount got the fund, and the discount, which was really the interest paid by the winner on a loan, was distributed as profit among the other members.

If a co-operative store runs a chit fund of this sort, it does not necessarily mean trade for the store, but only credit to an individual through contact with the store, which he may or may not use for purchases from the store. It is customary to argue that there is small scope for consumers' co-operation in India, either because Indians like to buy in the bazaar or because the margin of profit in retail trade is so small, but the margin would be greater if the members, by paying in cash, allowed their society to buy for cash and relieved it of the expense of running a credit business. To overcome

[1] The T.U.C.S., founded in 1904, abolished its credit department in 1933. It reported, as on June 30th, 1936, a paid-up capital of Rs82,000; Reserve Fund, Rs94,000; Common Good Fund, Rs36,000; Members, 5,570; Number of Branches in Madras City, 25. The sales for the previous year were nearly 9 lakhs. The Common Good Fund is sustained by the allocation of one-fourth of the net profit; and from it reading rooms have been built and equipped for the central premises and the branches.

the propensity to credit, the stores operate savings departments, with penny banks and savings certificates, but it would be wiser surely to make cash payment the first objective in thrift. Many members in towns such as Madras and Bangalore are Government employees who are paid a monthly wage, and it would greatly aid consumers' co-operation if the Government paid weekly and thus assisted the members to pay weekly. Indians tell you that they are so poor that they cannot pay cash, but Government employees get regular wages, and they are no poorer than the Rochdale Pioneers were in their day. The clerical class provides the agricultural organisers of Indian co-operation. They are sincere believers in co-operation, but their message would surely be more impressive if they could point to their own life as an example of freedom from debt.

However, in spite of this general weakness, progress has been made in a limited field. The stores have concentrated on quality and fought against dishonest weights and measures and other malpractices of the retail trade. When the Madrasee migrates, he likes to take his store with him, and this habit has been the nucleus of stores in Poona, Bombay, Karachi and Delhi. The membership in some places is composed chiefly of railway workers. These, being employed all day, have sometimes introduced the excellent habit of making deposits in advance of purchases which are to be delivered during the day to their houses. Other railway employees have followed the example of the Madrasees, and the railway companies have assisted with shipping facilities and concessions in freight. In these societies there is no lack of interest in management. The half-yearly meetings yield long and pointed discussions, which last the whole day and are sometimes adjourned for four consecutive Sundays. The members are well-informed and militant. They have a working-class conscience, which makes them less subservient than the clerical class to the atmosphere of the bazaar.

There is also co-operation, often of an informal sort, among those interested in education. Model schools have savings banks and arrangements for the co-operative purchase of

school supplies, and here women teachers render valuable service. The stores run by students are not unimportant.

When we turn to agricultural marketing, it is at once apparent that co-operation is but an item in a much larger programme of market reform, to suit the needs of a commercial agriculture. Bombay has led the way in market reform and in co-operative selling as an adjunct to this. The central difficulty, as stated at the opening of this chapter, is the combination of trade and finance in the person of the dealer. He finances the cultivator on condition of having the handling of the crop, and he pays for it less than it would fetch if free. Co-operative credit requires as its logical complement co-operative sale, but this can only be achieved in connection with market reform and after a special study of the marketing structure of the commodity in question. The Cotton Markets legislation of Bombay and the Central Provinces have done something towards securing for the cultivator an open auction price. Selling societies have most chance in a quality product. There were (*c.* 1934) in Bombay Province some dozens of these, of which the most important handled cotton, but the numbers are not additive. For there are single large societies, with a membership of individual cultivators and credit societies: e.g. at Hubli and Gadaq in the south of Bombay Province. There are societies of medium size, such as the pioneer sale society of 1919 at Sonsek in Gujrat in the north of the province; and these societies sometimes form a processing subsidiary, such as a co-operative ginning or pressing society, or a sales union—e.g. the sixteen cotton sale societies and three ginning societies of Surat district with head office at Surat. There are also so-called "purchase and sale unions," which are a loose edition of the single large society and perhaps owe their establishment to the co-operative banking authority of their region: e.g. the West Khandesh Purchase and Sale Union, developed by the local branch of the Bombay Co-operative Provincial Bank. (The Kodinar Banking Union described at length below is a growth of this type, in which the bank has retained unusually close control.) In general, one may say of them the following: (1) Whatever

their name they supply pure seed, which in the first instance has been introduced by the Bombay Agricultural Department, and sometimes other trade requirements. (2) They sell the members' produce on commission in a central market, sometimes in unginned form as *Kapas*, sometimes after ginning, grading and pooling. (3) They arrange for the finance of growers and frequently derive the funds for this from a central co-operative bank. Thus they are what Northern Europe would call "selling centrals." There is a tendency towards integration into a few centrals. There is no question of one village one society. There is also a disposition to make the financing of growers by the society contingent on sale through the society. But there is no general compulsion to sell through the society, and non-members' produce is sometimes handled. (In the Tiruppur, Madras, Co-operative Trading Society the bulk of the sales is stated to be for non-members.) [1] In particular there is an unwillingness to use the cotton sale society as an instrument for collecting ancient debt due to local credit societies. This would be fatal to expansion. Co-operative cotton selling in Bombay seems to be in a healthy and progressive condition.

Bombay has been more successful with cotton than Bengal with jute or the Punjab with grains and cotton. In the Punjab the boycotts of buyers have prevented the Commission Shops, as they are there called, from making headway. The situation in sugar is more promising; for this, as a factory product, is comparatively new. Very recently a number of cane societies have made their appearance in the United Provinces, and they are reported to be doing well.

> The area of jurisdiction of a cane society is one village, or a group of villages. It collects the produce of its members, sends it to the factory, and distributes the sale price, when received, among the growers. . . . The sugar mills also prefer to deal with the societies owing to the large supplies the latter can command.[2]

[1] *Indian Co-operative Review* (1935), Vol. I, No. 4, p. 454.
[2] S. A. Husain, *Agricultural Marketing in Northern India*, p. 298.

It is highly improbable that the peasants will themselves come to operate sugar or tobacco factories. But where, as in the Guntur tobacco region of Madras, the factory is in European hands, or where, as in sugar, the factories have been assisted by the Government with tariffs and subsidies, it should not be impossible to secure that the cultivators stand in some organised relation to the factories without being exploited thereby. The President of the Mysore Co-operative Conference (1937) commends the practice of the sugar company in the Mandya area. It makes advances to the cultivators in the shape of seeds and fertilisers " with excellent results," and the method " deserves to be followed, with necessary adaptation, by rural co-operative societies." [1] One is tempted to suggest that by a further adaptation these advances could be more safely made to suppliers who are co-operatively organised for delivery to the factory.

A further line of advance, as attempted already in Calcutta and Madras, may be found in pure milk supply, where the Government has an overriding interest in public health or is itself a large consumer, as in the military cantonments. It is significant that the newly established marketing service of the central government began its work with an investigation into the tanning industry, in which the Government is an important customer. It is legitimate to expect that the Government will throw its weight on the side of market reform and on the side of co-operative marketing, in so far as the latter can make itself a part of that reform.

Communal Services

Meanwhile, by a rather disconcerting division of effort, many co-operators are turning with enthusiasm to village reconstruction, leaving marketing to the agricultural specialists. This topic forms the subject of the *Indian Co-operative Review* for April–June, 1937. Indian co-operators pass rapidly from one enthusiasm to another. First it was the village bank, then the hierarchy above the village bank, then co-operative selling, then the land mortgage bank: and now it is village reconstruction. In this new emphasis

[1] *Indian Co-operative Review* (1937), Vol. III, No. 1, p. 105.

Indian co-operators are acclaiming work that has been in progress, in the Punjab especially, for some years.

Co-operation in this field has taken the form of societies for the consolidation of holdings, societies for better living, societies for better farming. The consolidation societies achieve by voluntary agreement what the Enclosure Movement achieved by Act of Parliament in eighteenth-century England. Villages in the Punjab are now so keen on it that they willingly bear the cost.

The possibilities were suggested by the compact holdings which the new canal colonies provided. Consolidation corrects the evil of fragmentation and substitutes a compact workable holding for the scattered strips which resulted from the continuous process of division of property at death. Roads are straightened and wells are sunk. For it pays to make a good well for a compact property. The rut of farming routine is broken. New fields and roads lead on to new housing and thus consolidation starts a process of communal rebuilding.

Better living societies are the second group of communal service societies. Their purpose is to encourage thrift and hygiene, to organise social relations, to discourage expenditure on ceremonial. Outlays on marriage, birth, circumcision, funerals are a major cause of rural debt. No one dare defy the custom which imposes them, if he acts alone, but by agreement it can be done; for this brings a sufficient body of opinion in favour of it. Anti-litigation societies, in which members agree to settle disputes by arbitration, are another form of co-operative economy. One difficulty to be avoided is that the grouping of members shall not lead to friction between different religions.

Better farming societies have various special purposes—to introduce better seeds, implements and cultural practices, to dig manure pits and boundary wells, to eradicate weed pests. The Punjab is not alone in this field. Whereas its chief problem is lack of water, that of Bengal is excess of water. Bengal has societies for the control of irrigation and the drainage of swamps. Better farming ties in with better health. Anti-malaria societies remove stagnant water.

Other societies are engaged on jungle clearance and the eradication of water-hyacinth from the streams.

The importance of this current phase of co-operation is that it avoids the declaration of war on established commercial channels and does not require extensive finance. It brings the villager into intimate touch with the co-operative idea, and lays the foundation for co-operative trading at a later stage. It does not associate the beginning of co-operation with the act of borrowing someone else's money. Formerly, co-operators believed that the credit bank, inasmuch as it met the most pressing evil, must come first. Now the feeling is that village reconstruction must come first because it is the most feasible thing. It has also the advantage of deriving its inspiration from the locality. It is not one more attempt to adapt the practice of Europe to India. But it is also not a long-run alternative to co-operative credit, supply and sale. It is a point from which cautious advance may be made to more difficult tasks ; and if this advance proves untenable or if it ends in public regulation, the village is still left with a permanent core of voluntary effort. It will be noted that these services are supply services. They are the counterpart in Indian rural life of the co-operative housing and co-operative supply of electricity with which the consumers' movement in Europe has rounded off its co-operative effort.

Inside a stronger communal life it may be possible to give a co-operative turn to native custom, such as the chit funds of Madras, or the savings clubs called *Cometi*, which exist among the women of the Punjab. The historian of Punjab co-operation insists that, liable though these may be to degenerate into a gamble, they have, in fact, done good work.

It is through the Cometi that some women come to possess ornaments which serve as their reserve for the rainy day, and it is again through this system that women can meet all types of pressing needs without making any payment in the form of interest, or without getting entangled in the meshes of a money-lender. One woman I know has through participating in the Cometi system within a number of years saved a sum of Rs300,

which she spent in paying the initial expenses of sending a brilliant son to the Law College, Lahore.[1]

One is reminded of the mutuality club in the English store movement. It could be a great abuse; but as it is worked, it is a great boon.

KODINAR AND SITTANG

The Reserve Bank of India was established in 1934. Section 55 of the Act requires it to report on "the improvement of the machinery for dealing with agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operations of the Bank," and it has formed an Agricultural Credit Department, which issued a General Report (1936) and two Bulletins, No. 1 on the Banking Union at Kodinar, Baroda State (1937), No. 2 on Co-operative Village Banks (1937). The Report has received hot criticism, but it is only official to the extent that the Reserve Bank is a possible lender of money. From this standpoint its publications stress the need for co-ordination and the discouragement of the idea that the release of central credit is capable of producing an all-round solution on co-operative lines. Bulletin No. 1 develops this idea in a special example; and, after visiting Burma and hearing its depressing co-operative story, I sought the same thing: an example of successful co-ordinated co-operation. This I found in the Government's Sittang Colonies, of which a detailed report appeared in the *Plunkett Year Book* of 1937 by the administrator, J. F. Buchanan. Kodinar and Sittang may profitably be compared. They are both regional multi-purpose organisations: the central authority controls closely its society members: the Government is connected with them, in the one case in origin, in the other case in origin and present operation.

The Kodinar Union arose out of a Government seed depot, established about 1900 for the supply of pure seed on credit to cultivators. The depot grew into a union, serving groups of cultivators, formed into local societies. The union

[1] Ata Ullah, *The Co-operative Movement in the Punjab*, p. 195.

finances and supervises its member societies, supplies them with seed, manures and equipment, and assists them in the joint marketing of their produce. Credit reaches the individual membership of societies in the form of requirements supplied on loan terms. The union did not cease financing during the depression, has a sound liquid position and attracts deposits from the local public. The management was at first harsh, but later was put in the sympathetic hands of an agricultural graduate, and to-day the members of the central board are cultivators. The central board insists on the societies managing their own affairs, but since supervision is internal, i.e. by the board itself over the societies, the societies are under close control.

The Sittang experiment consists of Tenancy Copartnership Co-operative Societies established from 1915 onwards on disafforested Government land on the Sittang estuary in the Gulf of Martaban.

> The main intention in colonising on the co-operative system was to prevent the settlers becoming overloaded with debt by providing co-operative finance on easy terms and to make impossible the alienation of the land by leasing it to the societies in their corporate capacity and thus avoiding the acquisition of a transferable right in it.
>
> . . . .
>
> If there has been any success at all in the working of these societies, it has been achieved only because they are closely supervised and controlled by Government.
>
> . . . .
>
> Only a small staff is required to supervise and control the working of these societies and the method of assessing rental rates on their lands not only pays for this staff but yields a handsome profit to Government.[1]

Here we have co-operation in leading strings, but the almost complete collapse of uncontrolled co-operation in Burma supplies the reason, and the instrument of control follows that of Kodinar so closely that we are justified in thinking that some element of self-government may in time be reached along the same lines.

[1] *Plunkett Year Book* (1937), pp. 341–5.

The central authority is the Sittang Colonies Co-operative Banking Union Ltd. All dues to the local financing society are collected in kind (i.e. in paddy) and collectively marketed through the union, which has a rice-mill at Rangoon. Surplus paddy is also marketed in the same way and on this the peasants can obtain a loan up to 75 per cent. of its value and can sell it when they please. The Union also supplies requisites. Loans to cultivators are carefully checked and cash is given only when the requirement cannot be supplied in kind. The principle of action is a co-ordinated attack along the whole front. The union follows the principle of one village one society for all purposes; and having the whole activities of the village under review, it has been able to tackle the problem of liquidating unauthorised debt contracted by societies when control was less strict.

Fundamentally, these two organisations are following the course which depression has forced upon agricultural co-operators alike in Europe and the New World. I have recently visited New Zealand, Germany, Sweden and Finland, and the new emphasis is everywhere on co-ordination, not indeed on the undifferentiated society, but on the association of finance with trade supplies and marketing, on a credit central which has the whole position of the borrower under review, long term as well as short term, and on the association of trade supply with the marketing of grain and general produce. This development is fast breaking down old time-honoured barriers and is making the example of pre-war Denmark less and less relevant to the co-operative world of to-day. The Reserve Bank Bulletin, No. 1, throws out the suggestion that a banking union of the type studied would serve as a very efficient and economical agency of the Land Mortgage Banks. Similarly we find the village banks of Finland, Hungary and Germany now engaged under central control in the financing of land purchase; and we find also the consumers' movement of Sweden forming agreements by which its country stores become the retail distributors of agricultural material supplied by the farmers' agricultural wholesale society.

But the last thing to be desired is that India should move

on from village reconstruction to multiple-purpose co-operation, as to another craze. Indeed, the term " multi-purpose " is misleading; and a better term would be integrated co-operation, meaning thereby the integration of credit, supply and sale around the production of a particular product or group of products.

Let us endeavour finally to see the Indian picture in relation to that of other lands. Many countries of the New World have experienced as the result of the recent depression a setback to co-operative institutions, especially in the field of rural credit. This has led not to the abandonment of agricultural co-operation, but to a State-aided programme of agricultural reorganisation, in which co-operation plays a part. Everywhere the emphasis is on co-ordination, not only between the different forms of co-operation, but between the State and voluntary co-operation, so that in this co-operation there is frequently an element of compulsion for the recalcitrant minority. Less value is attached to largeness of liability, more to contractual obligation to buy from or sell through the society. This is as true of Europe as of the New World. Nowhere is there evidence for the view that co-operative finance can profitably assist either an individual or a society to hold produce off the market for a better price. This way lies disaster. The old notion that credit and marketing belong to agricultural co-operation and consumers' co-operation to urban co-operation has broken down. The new interest in village reconstruction in India is represented in North America by the new interest in consumers' co-operation. Supply, whether of agricultural requisites, domestic goods or communal services, is the most purely co-operative field of endeavour, because it least of all requires outside support. Support from without is injurious only when it is not balanced by self-help from within. The old opinion that Government can start co-operative societies and then withdraw, I suggest, is false. Once in, it is always in—somewhere. Sound policy requires that it should enter cautiously and make its progressive assistance contingent on self-help by the membership. It does not seem very helpful to tell

a country that "What is really required is a change in the entire psychology of the people, their modes of thought and manner of living." [1] This requires the impossible. It is better to take the psychology of the people, attempt tasks which are within the limit of that psychology, see a few things through thoroughly, and look for accommodations with the non-co-operative branches of industry by displaying efficiency within a limited field and refraining from general denunciation of the established trade. Only with some goodwill from the general body of Indian trade and industry can co-operation hope to succeed. To find out where that goodwill is and how it may be retained is the central task of the movement.

[1] Reserve Bank of India, Bulletin, No. 2, p. 11.

PART IV

SCANDINAVIAN CO-OPERATION AT CLOSE RANGE

CHAPTER XXI

ICELAND FISH AND OSLO FRUIT

" BALTICA "

THIS is Scandinavia seen by an Englishman in September, 1937, through Canadian spectacles, which have been polished more than once in the United States.

Canada might be called Lawrence Land, so greatly did the St. Lawrence River shape its life ; and on the same principle Scandinavia becomes Baltica—in either case we give the name of the water to the land mass which is north of it. The one flows east, the other west. The fur traders explored the one, the Hanseatic traders sailed out of the other. History has much to say about disputes for the sovereignty of these streams. In the nineteenth century Canada's possession of both banks of the St. Lawrence inside Quebec was a bargaining counter with the United States second only to its rights in the Maritime fisheries. Control over the Danish Sound was no less precious and contentious. From Lawrence Land and Baltica come timber, fish and food for the populous island of Big Mouth, which is Britain. They are lands of ice and snow, of forest, mineral rock and water-falling power, of fjords and bays which harbour boats and fish. They have many inland waters. Some of the land area has been cleared or never carried forest. Life is one long fight with difficulties of transport and rigours of climate. Only a tough people can stand the pace. And such people in such surroundings are likely to be democracies unless they become an annex to a land power to the south of them, as Finland was once. Being on the northern limit of life, they are hard to conquer. Taking the separate parts of Baltica one by one, we may assign to each its Lawrentian mate. Here is Iceland, there Newfoundland ; here Norway, there the Maritimes ;

here Sweden, there Upper and Lower Canada, i.e. Ontario and Quebec; here Finland, there, but with the Pacific added, British Columbia; here Denmark, there the Prairie Provinces, to match in this case small with great. Yet the two are parallel in that they have specialised in the service of a great overseas market, which they supply respectively with butter and bread.

Iceland

Iceland, which under the personal sovereignty of the King of Denmark, learnt co-operation from it and from England. Around the coast of Iceland there was enough cultivable land and fisher-farming to make a co-operative movement; and the present excellence of the fishery organisation is due to contact with, and suggestion from, a co-operatively organised agriculture. The structure of the fishing industry is multiform. The fisher may be one man fishing alone, like the peasant on his land, or a copartner in a crew composed of a skipper and his mates, who share the catch on agreed terms, or a wage-earner in a big power trawler or supply-boat. And he may be now one thing and now another. For nine months of the year he may be fishing off-shore alone, for three months a unit in a herring fleet.

Students of English or Indian economic history do not need to be reminded that in the absence of full capitalism there must be a mercantile spine, to hold the parts of the industry together, to supply it, to finance it and to market its produce. When the structure of an industry is under pressure from changing technique or intensity of competition, it is very liable to demoralisation. Steam- and motor-boats have revolutionised fishing technique: competition on the fishing grounds is international. With the increasing use of the canned product the catching of the fish is only stage one of the productive process. If co-operation is to succeed, it must have regard to structural facts, and above all not lose sight of the merchant, who is the spine. Effective co-operation must be part of a larger whole, which is itself organised.

In the Icelandic fisheries co-operation enters at the following points:

(1) *Co-operative supply of domestic and fishing requirements*

In fishing villages pure and simple the fishermen sometimes have their own little stores, but they are better off when they can be members of a larger society which includes farmers. K.E.A., the leading co-operative society in the north of the island, has both farm and fishing members, and supplies general and fishing requirements, maintains a meat-store and assists in the marketing of fish. Furthermore, co-operative supply may go along with co-operative industrial production. Thus in one little town a society of working coopers makes herring barrels, drawing its materials from a large supply society. The Government is also in the supply business, as owner of cold-storage plants from which herring bait is purchased. Other plants are in private or co-operative hands.

(2) *Co-operative ownership of fishing vessels*

Every crew of a small boat is an informal co-operative society, but organised co-operation here means the joint ownership of a fleet of small boats (fitted with sail or motor), or of one large vessel of the trawler type. Where such societies exist, they have sometimes been due to the bankruptcy of the firm of merchants which formerly operated the service. However,

> the running of these shipowning co-operative societies has not on the whole been very successful. This is first and foremost due to the fact that fishing has not paid as well as formerly so that the wages of fishermen in the co-operative societies are in many cases lower than the wages which they received when they got a fixed monthly wage.[1]

(3) *Co-operative selling*

Co-operation here plays a part which is only intelligible in terms of the larger whole. Before 1932 the export market for salt fish was ultra-competitive, confused and unprofit-

[1] *Plunkett Year Book* (1937), p. 413.

able. Thereupon with the backing of the Government the principal export firms formed an Export Union, which acquired control of 90 per cent. of the export. In 1924 about one-quarter of the fish handled by it came either from individual fishermen or co-operative societies serving fishermen.

From the above, three things are clear:

(1) the antithesis between co-operative action and State action is false—both have their place;
(2) co-operation in fishing is strengthened when it can attach itself to an agricultural basis;
(3) any reorganisation which leaves the merchant out of account is futile.

The experience of Iceland should be of service to Newfoundland, which has already taken the right course of obtaining instruction and service from Antigonish University, Nova Scotia—right because Antigonish has been working for some years on the joint problems of farming and fishing. May Nova Scotia prove to be a Denmark to itself and to Newfoundland!

I learnt in Oslo that the fishermen in the north of Norway have a share system for the division of the catch; that the majority of fishermen work independently; that the big trawlers are all owned by companies; that there is an organised system of finance for fishermen in the shape of co-operative banks enjoying a State guarantee, which advance money for the purchase of new boats, and of State emergency loans (which are sometimes not repaid) for fishermen in distress. The industry seems to be more scattered and less organised than in Iceland. But one interesting piece of news came from the Co-operative Fruit Auction Room at Oslo. "Have the fishermen anything like this?" Answer: "They have started it experimentally for mackerel at a point on the coast some sixty miles south on the way to Sweden." I gathered that numerous small fishermen were selling for local consumption to a few merchants, so that the structure was that of the Oslo Fruit Market.

NORWAY

Under the presence of tariff and quota restrictions, in which stronger countries led the way, Norway has been forced to live on itself in as many things as possible. It has therefore built up the home market. It could do this the more readily because it was never a great agricultural exporter; and it had to do it because, as a late-comer to the export field, it could not get adequate quotas from importing countries. But the war brought prosperity and an improvement in industrial technique; and Norway's post-war task was to develop the metropolitan area of Oslo, together with the population engaged elsewhere in the staple occupations of fishing, timber and shipping, as a market for home-grown vegetables, fruit, milk, butter, cheese, eggs and meat. Grain is bought under a State import monopoly. Though the greater part of Norway is barren rock or forest, the valleys are warm and fertile, helped by the Gulf Stream, which also helps New Brunswick and Nova Scotia. Norway has done what one was always driven to urge upon Nova Scotia, it has made the best of its characteristic self, and political separation from Sweden—it may be—was a help to this.

In addition to a well-organised dairy industry, which is centred on Oslo, there is also in Oslo a new and very successful system of co-operative auctions for vegetables and fruit. In the auction hall of the " Co-operative Selling Society of Market Gardeners and Fruit Growers " we may watch the part that voluntary co-operation can play in the price-making mechanism. Sale at market price is as great a boon to producers as to consumers; but whereas Rochdale was content to accept it, the auction-hall helps to find it.

The auction is on the Dutch method, and the clock has " Utrecht " upon it. As a piece of mechanism the clock is on the plane of the totalisator, which was invented by the son of a bishop in the Antipodes. The tote does not make the odds but registers accurately and instantly the preferences of the betters. So too the clock registers the

decision of the buyers; and the auction proceeds thus. There is a small hall, like a lecture-theatre, with tiers of benches seating nearly 100 persons. Where the lecturer would stand and demonstrate, a lad pushes a trolley on tracks (in Holland it is a barge on water), on which lies the lot to be auctioned. As soon as one lot has been sold, another is pushed in, and so to the end. There are tomatoes, carrots, cranberries, cabbages, mangels, chillies, beans —everything that is in season. As each lot comes forward, a large ticket showing the producer's number is hung on the wall behind. The contents are graded according to government requirements, and a ticket is attached showing the grade in different colours—red, green, blue, white—so that it can be instantly recognised from a distance. In the far corner, up in a pulpit, sits the auctioneer, who releases the dial with his foot, describing the lot as he does so. On the clock face are the numbers of the buyers, from 1 to 149. The last disc, instead of being 150, reads "N.S." for "No Sale." The Oslo Consumer Co-operative was "38," and a big buyer. Each buyer has in front of him an electric button. When he presses it a light shows above his number, and the lot becomes his. If there are many units in the lot, the buyer of the first secures the remainder by keeping silent. If he wants only a part he says how many, and this is the buyers' only speech, except for the undertone of chat, as coffee and rolls are consumed and paid for (for the auction runs from 7 to 9 a.m.). If the balance is for sale, the auctioneer says "again" before releasing the dial: "again": and so on to the end of the lot. It reminded one of "faites vos jeux, messieurs," in roulette. It was interesting to note the small differences in similar units of one lot. The dial moves back from 100 towards 0, each unit representing a hundredth part of a krone (1s.). When it has started to move, then one cannot call it the bidding (for it is a Dutch auction), but the relevant silence begins. The first time the dial may be stopped, say, at 40: the second time, say, at 47: the third and subsequent times, say, at 45—suggesting that the right price had now been found.

Adjoining the auctioneer is a little window connected with an office at the back, and through the window a human arm pushes papers which the auctioneer reads as he sells. These are buyers' instructions. Soon, of course, I was putting this question: "If the seller has set no limit, may it go for next to nothing?" Answer: "If the price is going too low, the auctioneer buys the lot in by pressing the "No Sale" button, which he controls." He also has his own number for purchases which he makes for other selling centres outside Oslo. When there is "No Sale," the lot is auctioned next day, or sold forthwith in the open market outside the room in the ordinary pitch market fashion.

As for the clerical side. While the auctioneer is busy with foot and voice, he is busy also with his pencil, writing on each producer's statement, which is in triplicate, the details of the sale: name of buyer, price and amount.

The terms are cash, and payment is in coin or notes. The only extraneous reading matter on the wall was a chart of the apple seasons for each variety, cooking apples in red, eating apples in black. From this I learnt that the Oslo apple season starts in October with the "Charlomovsky" and ends in April-May with the best-keeping variety, the "Bramley Seedling." Cranberries (it was the cranberry season) are sold in the middle of the auction, when the most grocers are likely to be there. On certain days fruit only is sold; on certain other days fruit and vegetables. One more question before I left. "Is it not a great advantage to sit in front, where the stuff may be seen closely?" Answer: "The big buyers do sit in front, but all know the producer's number and the class of stuff he sends forward, and the grading is exact."

Now for some general thoughts.

(1) The sellers are a society of voluntarily co-operating farmers, which owns the selling facilities of the auction-room and employs the selling staff. It was formed some ten years ago on the initiative of the State School for Market Gardening (for into education, as into grading, Government aid enters); and students from the School

come to watch the auctions as part of their " field " work. The society has about 600 members; and each member's shipment is sold under his own number. It is not bulked with that of others. (Australian wool auctions follow the same individual plan.) This makes for ease of accounting and settlement; and the order of sale is—first delivered, first sold. The auction-room is the farmers' property; and their salaried officer, the auctioneer, acts on their instructions. Proceeds of sale, less a percentage to cover selling costs, are returned to the growers, as was done in the Canadian Wheat Pool.

The produce arrives by motor-truck and every farmer is on the telephone. There is thus no leakage from delay or ignorance at the producer's end. The mechanism of selling helps the growers and clarifies facts. It is the exact opposite of the Indian fashion of sale by a touching of fingers underneath a cloth. The result is that the growers are on equal terms with the buyers, who are wholesalers or retailers. There are no unnecessary middlemen, and there can be nothing resembling the fruit " racket " which was the subject of official investigation in British Columbia after the war, when one or two chains of fruit-dealers ruthlessly exploited growers who as individuals were in a bigger way of business than these little growers for the Oslo market. The growers are scattered peasants, the buyers are merchants concentrated in the capital city, but by co-operation the country puts itself on a level with the town.

(2) Instead of many sellers seeking out one buyer or waiting till the buyer passes them, many buyers in the presence of the society's auctioneer and of one another make their bid on the lot of one seller. The seller thus gets the advantage of the fullest competition. I contrasted the scene with a tobacco auction I once attended in Winston Salem, North Carolina. There the auctioneer, accompanied by the buyers of " The Big Few," walked around the warehouse, uttering unintelligible noises which were answered by inaudible whispers, while wizened farmers peeped through the window slits, trying to see what was happening to their particular baskets of tobacco leaf.

(3) The auction is linked with other price-making agencies in time and place. On a Grain Exchange you see the linking in the sympathetic price movements of cash wheat and futures for different months and in the telegraphed prices from other markets, which are chalked on the black board as they come over the ticker. The counterpart in a fruit and vegetable auction is buying-in to sell on another day or outside the room on the same day. For the auction-room adjoins the open pitch market, where growers or dealers stand behind their produce and sell to perambulating buyers. It is a wholesale market, the retail market being farther along the road. Certain produce at certain times sells best in the open market (I was told), and in such cases is not auctioned. Buyers at the auction afterwards buy in the market. Stuff not auctioned one day may be held for the next auction, or sold in the open market, or shipped elsewhere. There are all the relations which can conduce to the matching of demand and supply; orderliness is combined with elasticity, and the co-operative price is the best possible competitive price.

(4) About 50 per cent. of the fruit and garden produce coming into Oslo is sold at the co-operative auction, and it is the best of the stuff on sale. The auction, therefore, is sufficiently important to attract to it all the buyers who matter. It is no danger to the co-operative society that there is independent stuff without, for it is not feeding the market. It is merely disposing of the produce under its control in such a way that the price is reached quickly, publicly and without chicanery before a concourse of competing buyers. This is not to say that the co-operative would not welcome a larger percentage; for its selling costs would be lowered and its prestige increased.

(5) Quantity restriction, however, is present in the industry to the extent of the protective tariff. During the selling season for local produce no imported produce is handled. During the winter duties and restrictions are removed: cauliflowers enter from Holland and cabbages from Denmark. When May comes, the restriction period starts; it appears to be something like the open-

ing and closing of the ports under the old English Corn Laws.

(6) The principle of the co-operative auction market should be capable of wide extension, and nowhere would it be more valuable than in the great towns of the East, such as Colombo or Rangoon, where products are bought at a beggarly rate up-country and sold for several times their original cost after a relatively short haul to the coastal town. Colombo is alive to the possibilities of an organised market, selling graded produce ; and its co-operative marketing officer has rented from the town a hall in which fruits and vegetables coming direct from growers are sold after being graded. This I inspected in January, 1936. There was, of course, nothing so refined as the Dutch auction, the very silence of which would be psychologically offensive, but it was the first step towards that full form of " co-operative competition " which the co-operative auction-room at Oslo, Norway, typifies.

CHAPTER XXII

THE SWEDISH CONSUMERS' MOVEMENT

A First Impression

If you go to a foreign country to study co-operation, it is intriguing to begin at a country point as a perfect stranger, to walk round until you find the co-operative, ask what questions you can, and then think things out for yourself from your knowledge of what co-operation is in your own country. Where is it the same and where different, and if it is different, can one guess why? The method is particularly attractive to a co-operator, because, as we are never tired of saying, co-operation is built from the bottom upwards, from the local point inwards. I did this. On my way from Oslo to Sweden I broke my journey at Karlstad, where the agreement was reached which prevented war between Sweden and Norway at the time of separation. I know no Swedish, and not a soul spoke English except the hall porter, who was a blank at the mention of "co-operation." But I have lived in Canada and knew a little of the economic history of Sweden, and with this to help me I sallied forth.

What sort of a town was it? I felt myself to be in the old-world counterpart of Peterboro' or Stratford in the province of Ontario. There were no porters at the station, no soldiers, no loafers: man-power is scarce relatively to resources. The streets are wide and full of cars, but fuller still of cyclists; no smoke, no slums, no Baby Austins. It is a land of lakes, of sawn timber, hydro-electric power and rapidly developing industrialism, based on pulp and paper and the engineering enterprises connected with it. The town is expanding into the country in suburbs which overlay what recently were fields; no hedges, only a railing; and the houses have frames of wood or iron, painted

white, brown, or dark red. The gardens are trim, with apple-trees in many. Wherever you look up, telephone wires and hydro-electric standards are visible. You cross great water-ways—a canal, a river, the arm of a lake. Expensive motor-launches, their brief hot summer ended, are canvassed down against the winter. The whir of motor-lorries, not the rattle—for the roads are too good—competes with the whine of a saw-mill. The leaves are turning and beginning to fall. The sky is keen blue, and you wonder if your pocket dictionary will give you the Swedish for "pep." The great central square is full of shoppers. The shops are bright, but no bigger or better than those of Canada, except for book- and music-shops, which carry stocks that would suffice for Toronto or Montreal. You pass small kiosks, selling chocolate and orangeade; in winter presumably they will sell "hot dogs." Some boys are playing toy golf on boards, a craze which swept over Toronto in 1930. Ah, here is *Co-operativa*, a triangular building in yellow stone, where two roads meet. It is a composite of shops, with a gasolene pump on the roadside and living quarters above. This was in a suburb, from which I walked back to the main square, and knowing the ways of co-operatives I went one street away from the main square to find quickly the central premises. I stepped inside, but the assistants could not understand me, nor I them: and I was helpless till I spied on the wall a card of an Englishman, advertising lessons in English. I took down the address, hailed a taxi, ran to earth my Englishman, an elderly gentleman born in Manchester, whose father had worked on the *Co-operative News*, and hired him to interpret for me next day. This made possible the rest.

All the world is a consumer, we are reminded by those who put consumers' co-operation first. But in production and the workshop the nations to-day are closer to one another than in consumption in the home. Take something which intimately concerns consumers' co-operation, namely, meals. With us the *hors-d'œuvre* is an exceptional course, which most of us only meet at a feast, or when we are getting much for little at a Lyons table d'hôte. But

in Sweden it is a meal in itself. On the centre table of the hotel dining-room, from early morning till late night, stand some twenty dishes containing sardines, sausages, tomatoes, beetroot, egg salads, sauces, cold fish-cakes, strips of ham and veal, cheese, butter, hard biscuits, marmalade and bread. With them *hors d'œuvre* is a *chef-d'œuvre*. Our by-dish is their main dish. As a costing proposition tomatoes, little fishes and shreds of meat carry the overhead of the joint. At a side table at certain periods of the day stands a dish of potatoes and hot meat, but *when* they take their midday meal it is not easy to determine. It appears to be any time from 1 to 3 p.m.

Shopkeeping is less distinctive than feeding, but takes its form from the feeding habit, as well as from other habits of personal consumption. When we try to speculate why in a Swedish co-operative store we see this or do not see that, we must reflect that the contents and the lay-out reflect differences of food, climate and the like. The One Price Shop, however (where the law permits it, as it does in Sweden and does not in Norway), makes the world a shopping kin. In *E.P.A.*, just opened in Karlstad, you force your way, as though in Woolworth's or Marks & Spencer's, among a slowly-moving, parcel-laden, child-attended, steaming throng. You are back in England in an instant. Every article is resolved into its parts, and you can teach yourselves the names of things by reading the signs above them. It is a replica down to the restaurant at the end, where you eat against a narrow counter at half the price in an ordinary café. Unhappily I did not know enough Swedish to ask if they sold stockings by the leg. The bazaar store drives through differences by reducing things to the lowest divisible part.

Karlstad is the shopping centre for many miles around. The motor park from which the bus lines start is nearly the size of that outside the railway station in Blackpool, Lancashire. The buses carry great trailers, into which the country folk dump wooden boxes: on market day they are packed with people and bags, and upon the roof are slung bicycles, which the country folk mount when the

bus sets them down. Out in the villages the co-operative store makes a relatively bigger showing than in the town. But wherever they are, whether in the country or in the suburb or in the centre of the town, the co-operative shops are of the cluster type, and built obviously to a central plan. At one end is the dairy, in the middle the grocery, at the other end the meat-shop (*charcuterie*): or some variation of this. The central premises is a bigger edition of the branch premises, and in addition has a drapery and boot-and-shoe shop. The Co-operative Wholesale Society of Sweden (*K.F.*) operates the last. There was no furniture department. I explained to the manager the workings of our mutuality clubs for hire purchase, but he replied that they traded for cash only and that the State had its own arrangements for making marriage easy.

In the shoe shop I admired a carpet slipper with rubber soles at kr.1·75, say 1*s.* 9*d.* As the Wholesale runs the boot-shop, there was no need to ask if there was a rival source of supply. I was shown the Wholesale's brand mark *Gislaved*; and when I then asked if he could compete with the One Price Store, I received the answer "You can buy it there, this identical *Gislaved* slipper." This was C.W.S. enterprise with a vengeance! The branch cannot but be faithful to the Wholesale, but is the Wholesale faithful to the branch? The manager did not seem to object and argued it thus: "The Wholesale has a factory. Sweden is engaged in escaping from dependence on imported goods. Therefore, the Wholesale sells through any vent which is open to it—its own branches or the bazaar stores." But where does this lead us? For there were hundreds in that One Price Store, and only a few in the co-operative shoe shop. Does it mean that ten years hence bazaar store goods, which do not require fitting and which you pick out for yourself from a complete range of sizes and half-sizes, will capture this class of trade entirely? Will consumer co-operation, through its contact with factory production, be shifted back to consumer production, which members will buy in the bazaar store as unconcernedly as they send letters through the ordinary post? The

English C.W.S. strains at the copartnership gnat: the Swedish C.W.S. swallows the Woolworth camel. It makes one realise the anchorage which the worth-while dividends of England give to the retail society. Where they are 1*s.* 6*d.* to 2*s.*, i.e. 7½–10 per cent. in England, they are 3–4 per cent. in Sweden: so small, said my guide, that outside shopkeepers give the same on cash payments, which in England it would break them to do—though I have heard of a Midlands concern which made its fortune by a high pseudo-co-operative dividend.

This brought us to bicycle-tubes, inner and outer, which the Swedish C.W.S. also makes and also sells through ordinary shops. The bicycle population of Sweden is enormous. What car parks are in an English town cycle parks are in a Swedish; and they appear to be under police control, unlike the improvised cycle parks of undergraduate Cambridge, which are communal thieveries. Here then is a machine of moderate value, in constant demand by the private consumer. Should the co-operative movement sell it, as a unit: or should it make certain parts and sell these through its own or ordinary shops, as best it can? It does the latter, having in mind its goloshes and tyre factory.

But to return to the *hors-d'œuvres*. My guide took me over the co-operative *charcuterie*—a fine plant, newly enlarged, with fresh meat in storage and all sorts of sausage meat in course of preparation. It was a very different place from the little annex which is attached sometimes to the bakery of an English co-operative society. It is not a farmers' abattoir. It buys its meat from the abattoirs of the town, some of which are farmer-owned and some in private hands. Some part of the meat it dresses fresh —beef, veal or pork (one rarely sees mutton and lamb in Sweden, which, because it has no Empire, has no "Upsala Lamb"). The other part it cooks, presses, spices and cures into everything except what we should call bacon. It also pickles fish. These formed the *hors-d'œuvres* of our hotel.

Let us follow the *charcuterie* into the co-operative shop. Fresh or processed, flesh or fish, it goes into the section

of the store allotted to meat. In a flash one realises a profound difference from England. In England bacon is grocery, in Sweden the equivalent is meat. Sweden's way of eating overturns the sovereignty of the grocery buyer, who becomes the manager and rules the co-operative roost.

I have simplified the *charcuterie* structure; for the meat-making plant in Karlstad is a productive subsidiary not only of the Karlstad retail society, but of a dozen or more independent societies in the region, though Karlstad is much the largest, and in addition to the *charcuterie* sections of the branch shops the society has in the centre of the town a special shop handling fish and *charcuterie* only. The lay-out of the co-operative shops is an exercise in permutations and combinations.

I wonder if I am beginning to understand Swedish consumers' co-operation! Is it a collection of people served from clusters of shops, whose technique is supplied by a central authority from without? It does not seem to be the "Co-op.," the "Stores," of nineteenth-century England. I feel that sovereignty is in Stockholm, and what English society ever feels that of Manchester until it is in trouble? In the middle of the central premises of the Karlstad society was yet another separate entrance, with "Social Democratic Centre" on its sign-plate. I walked in and saw several people reading books. "But I thought," I said to the shop manager, "that your movement is not in politics." "Nor is it," he replied; "they are quite separate"—as indeed physically it was, and so was the *charcuterie*, the grocery, the shoe-shop. What and where is *the* society? I have read that Sweden leads the way in district representation, in daughter societies around each branch, and so forth. I can well believe now that this is so. For otherwise the society would be like its shops, a cluster of detachable units, a soul with three or four doorways to it and no inter-communication within.

It must be understood that I am only looking at Swedish co-operation from without. My task is to move on to Stockholm, and, as Americans say, "check up." But I have spent my life listening to co-operators of one country

holding up for imitation the co-operation of another. In the early days of French co-operation no oration was complete without a statement of the trade of the English and Scottish Wholesale Societies. Seekers after easy money go round the world looking for a new type of co-operative credit. Indeed, some people's co-operative ideals resemble the castle at Toronto called So-and-So's Folly. So-and-So sent an architect around Europe and borrowed a wing from every country in every style. He lost his millions and his castle became derelict. Each country's co-operation, if it is original and vital, as Sweden's certainly is, is an expression of itself, its habits and its history. My guide, the Englishman, still drinks tea, which in Sweden owing to a crushing duty costs 10*s.* a lb. I saw the tiny packets of the English and Scottish Joint Co-operative Wholesale Society; a poor background for that international consumers' co-operation on which a good deal has been written. One could wish it were not so, but for the student it enhances the necessity of giving to co-operation its background and seeking there the genius of it.

Konsum, K.F. and *Var Gard.*

I visited the head office and central warehouse of *Konsum*, the retail society of Stockholm: its departmental store selling other things than foodstuffs: three or four of its branch food stores of different types, one a large branch in a growing suburb with its own cold-storage basement, two of medium size in the centre of the town, one a single shop for milk confectionery and bread, which was the ground floor of a corner of a great apartment house twelve storeys high. I also visited *K.F.* (*Kooperativa Forbundet*), which is Co-operative Union and Wholesale Society in one, and went over certain of its productive establishments—the *Luma* electric-lamp factory and the group of factories on Mill Island, the whole of which island is the property of *K.F.*

Each of these visits left a distinct impression, and in conjunction they left a general impression, which I will record first. They are the complementary parts of a single system and built to a plan. And at the same time they

fit into the beautiful city of which they are a part. Here is the Royal Palace and House of Parliament: there the square tower of the Town Hall in new red brick of ancient design: opposite is a flood-lit brewery that might be an archbishop's palace: further down is *K.F.* itself, tier upon tier of white wall and glass, and jutting out beside the river what looks like the overhead travel-way of a great elevator crane, but is in fact the window-panelled restaurant of *K.F.*, from which, as from an aeroplane at rest, you can look down on wooded rocks and ocean liners, great churches and yet greater apartment houses. Beyond are the flashing lights of *Luma*, and beyond again, like a castle on the Rhine, is Mill Island, where grainspouts, silos and factories rise in clean and dazzling white over the blue of the water and the green of the trees. One is not surprised to find that the advertised tours around Stockholm include *K.F.*, *Luma* and Mill Island (*Kuarn Holmen*) in their programme. Nor is beauty at the capital at the expense of tawdriness in the country. From the Arctic Circle to Malmo in the south, all the building is in the charge of *K.F.*'s architects' department, forty strong, the largest, I was told, in Northern Europe. They have worked out models for every type of shop, warehouse and factory, from the tiny one-room shop in a remote village to the composite store of the large town. They study light, sound, space, publicity; and the keynote of their display is that the goods face inwards as well as outwards. Community plenty which all can see replaces window dressing which is superior to the contents within. Sweden is to the front in co-operative housing, and the architects of *K.F.* have won laurels in designs for apartment houses and workers' dwellings, constructed by housing societies or the public authority.

(1) *The Central Warehouse of Konsum*

This is the supply centre for the 400 shops of a society of 80,000 members with a turnover (1936) exceeding 3 million sterling. At the bottom corner there is a small retail shop which serves the residents around it, but the premises

are sited for commercial reasons on new ground where there is room for extension and direct access to road, rail and water. It is thus a wholesale in itself, like the central premises of Strasbourg and other great regional societies of France, and like them, it operates productive departments, in particular for *charcuterie* (prepared meat) and coffee-roasting. The society is big enough to afford conditions of optimum plant production. The coffee-roasting is operated jointly with *K.F.* and supplies the whole of Central Sweden. For *charcuterie*, being a perishable, regional units are necessary: for coffee a central unit is possible. The rule of production is: Centralise with due regard to specialisation. At *Konsum* I got my first impression of the wonderful use which Sweden makes of light and colour, and of the equality in cleanliness between the walls and floors of the buildings, the products themselves and the rest-quarters of the workers, their lavatories, changing-rooms and canteens. I saw some of them playing chess, others on a roof garden, where there were bright flowers and no smoke. But there was nothing sentimental in it. They looked and were good trade unionists. They were as efficient and as smart as the machinery on which they worked, and which bore makers' names from England, Denmark, Germany and the United States as well as from Sweden; and their surroundings were as colourful as the posters of three-circle coffee, blue, green and red, with which *K.F.* launched four years ago an advertising campaign that increased its consumption by 10 per cent.

(2) *P.U.B.*

P.U.B. is the central departmental store, one of the two largest stores in the city. English co-operators are familiar with Jaycee cigarettes. I wonder what they would say if they owned a store called Jaybee, meaning John Barker. For *P.U.B.* is short, not for public house (a Swedish ***maison du peuple***, as I thought), but for Paul U. Bergstrom Coy., from which the co-operative society bought it. By the terms of the purchase no dividends are given other than the small cash discount which private departmental stores

give. The society decided that it must have a central site and that this was the best solution—a step of rationalisation that would frighten England but which Basel would entirely understand in view of its own policy in taking over the Bell Meat Company. My little guide book tells me that Greta Garbo served at the counter of *P.U.B.* as a girl. Where did Charlie Chaplin work ? If the Quintuplets could be apprenticed to an all-Canadian co-operative store specially established at Ottawa, it would be the making of the consumers' co-operative movement in Canada !

I went down again to *P.U.B.* next day, to explore its environment. There is no trace of the word co-operation on the windows or the goods, but just opposite was the great Town Concert House, where a League of Youth Congress was in progress. Inside I found a bookstall full of progressive literature. They had been discussing, they told me, the war in Spain and unemployment. " Are you co-operators ? " " Yes, yes," they said. Then I went back and took another look at *P.U.B.*, only to feel that like the hero of P. G. Wodehouse's *Laughing Gas*, my soul was in one place, my body in another.

(3) *The Branch Shops of Konsum*

The motto of Swedish co-operation is : Sell a few things to many rather than many things to a few. The groceries and dairies are everywhere ; the specialty shops, such as the boot-and-shoe store and the departmental store, are at selected points. I remember a similar specialisation in Basel. The map of *Konsum* is like stars in the sky, some small, some great, some in clusters and some detached, according to the purpose they must serve. The location is deliberate and takes account of new conditions and locomotion. Some are in rich quarters, some in working-class quarters, but all have the same high standard of cleanliness and style. So indeed have the large private food stores which I entered for comparison. These and the co-operatives contrast with the smaller old-type private shops which, though clean, have not the same system of colour, glass, flooring and tiles.

I left the shops of *Konsum* saying: "These are the results not of suffering but of intelligence. They are not the reply to the company truck shop, but a reminder to capitalism that a democratic country can plan its own provisioning." Where England is class-conscious, Sweden is consumer-conscious. Rochdale and the "Army and Navy" in Sweden row in the same boat! I believe that I am right in thinking that, shopkeepers apart, the distribution of members of the Stockholm Society by occupation follows very closely the distribution by occupation of the whole population of Stockholm.

(4) Luma, *the Lamp Factory of* K.F.

Luma is one of the leading electric filament lamp enterprises not merely of Sweden, but of Northern Europe. Its significance is threefold:

(*a*) It is one of the many productive fields, the others being margarine, milling, rubber and fertiliser, in which the co-operative movement successfully challenged the cartels, and in so doing made itself a very powerful producer in special fields. Sweden was a country big enough to house a cartel, yet not so big that a united consumers' movement could not tackle the cartels one by one. I think that the fact of the cartels being in some measure controlled by foreign interests, German, English and American, has given to the co-operative challenge the support of civic patriotism, in the same way that the people of Ontario rallied around their Hydro to save their share in Niagara water from the industrialists of New York State.

(*b*) It is a reflex of the sovereignty of electric light in Swedish life. The filament lamp is in universal use in town and country, in the home as well as in cars and tramways and other non-domestic fields. But cartels were not inefficient producers. They were very efficient pioneers of new technique, who tried by their price policy to reserve an undue slice of profit. When the co-operative movement challenges them, it must have the same range of production and the same breadth of market; and this is why we find the Swedish Wholesale selling lamps, rubber shoes,

cycle-tyres, motor-tyres outside their own movement. For it is not their policy to open, e.g., a cycle-shop, just to sell their own tyres. They only distribute when they are more efficient, and they sell readily to the specialised motor or cycle dealer. However, they are keen to develop their own selling channels. *Luma*, therefore, has been expanded to serve the co-operative societies of Scandinavia. In 1931 the *Luma* Federation, representing the Scandinavian Wholesales, was formed in Copenhagen; in 1934 a second *Luma* factory was erected at Oslo, and in 1937 an agreement was reached with the Scottish Co-operative Wholesale Society, which is erecting a third at Glasgow.

(*c*) It proves the capacity of a federal consumers' authority to undertake productive operations which involve delicate engineering and advanced technical research as an integral part of the productive process. Members of the British Association for the Advancement of Science at the Nottingham Meeting of September, 1937, were given the opportunity of visiting one or other of the two great industrial plants in Nottingham, Boots Cash Chemists and Ericsson's Telephones: located close to one another, each employing several thousand workers and each so important that they constituted a little suburb of their own, with plant, playing-fields and workers' houses. Most of them chose Boots, and I, as a co-operator, put down for this, in order that I might have the opportunity of comparing the great enterprise of Boots with the smaller units of the C.W.S. But I am glad that I had to go to Ericsson's, because I saw in this Swedish enterprise in Nottingham what I saw at Stockholm in *Luma* ten days later, *mutatis mutandis*. Be it telephones or lamps, such an enterprise is an integration of three activities: engineering and research; manufacture; packing and dispatch. *Luma* has about forty technically trained engineers at work in its laboratories, designing, inventing and testing. What they are doing is beyond the understanding of a layman, but they are handling instruments of mathematical precision, such as you see in Ericsson's with the name-plate of the Cambridge Instruments Company upon them. When the *Luma* people told me that the

Scottish Wholesale was opening a branch plant, I said to myself, " This will be the first occasion in the history of British co-operation, when the movement has employed a block of human talent of university standing. Will it know how to employ it ? "

The manufacture processes are fascinating and intelligible. Have you never wondered how those bulbs are made which you throw into the dustbin when they fail ? First there is the making of the thread. The raw material of wolfram metal is pressed into long threads like horsehairs and drawn through diamonds to make them thin. They are then put into a kernel of iron, and tiny scraps of iron, visible only through the microscope with which the girls work, are pressed at right-angles on to the threads, to give the spiral. Next comes a revolving machine of marvellous complexity, which forces the filament into the bulb under fire. The glass is liquid and yields like red-hot iron on the blacksmith's forge. A second or two later, it is a solid again. Another revolving carrier by stages empties the bulb of air. A third adds the metal attachments with which you screw or clip the bulb to the bracket. Now comes the testing. At this point there is light in the bulb for the first time, and increasing strengths of light ensure finally a 15 per cent. margin of safety. Such mass production assumes a standard voltage.

Finally comes the machine packing, and now one is on familiar ground. It might be a tobacco, chocolate or cigarette factory. But bulbs are delicate. Little pads of leather prevent knocking along the assembly rail ; and at the very end, human fingers snatch the bulb, put it in a package and fold the package up. The speed of the fingers is much greater than that required for the three-card trick. I watched for over a minute and could not distinguish the sequence.

I was still marvelling at it all when I found myself in workers' rest-rooms, among white tiles, changing-lockers, flowers and tables with milk and luncheons on them. And I left with the thought that here are two integrations, one between brains and hand (trained engineers and factory

girls) and another between labour and cleanliness; and that these two in conjunction are the productive secret of Sweden.

It was no surprise to me after this to be told that *K.F.* in 1932 had opened a cash register factory, to make for themselves their own cash registers. After seeing *Luma*, the technical problem did not exist. Both of these ventures have appealed to the Swedish people as rescuing them from dependence on foreign patents of monopoly. But *K.F.* never manufactures unless it can see its way to optimum conditions of production, and for that reason, while manufacturing primarily for its own outlets, it sells to other countries and to the outside trade in Sweden itself.

(5) *Mill Island*

If it is impressive to see Shieldhall, the productive estate of the S.C.W.S. in Glasgow, it is doubly impressive to see Mill Island, because *K.F.* is the sole owner, and past it, within a stone's throw, moves the ocean-going traffic of Sweden's capital. It is the cereal producing centre of the consumers' movement, making oatmeal, rye bread and macaroni; and the visit yielded four thoughts, two of a technical and two of a general order.

(*a*) *Direct Physical Integration*

On the water-front is the dock; above are the grain mills bearing the name "Three Crowns"; above them the finishing factories making various cereal foods, crisp bread from rye and wheat, and macaroni from durum wheat. The grain is elevated from the boat to the mills; then by a great pipe, like a water-main, the flour is blown up to the factories. All the transportation is done by suction or mechanical elevation.

(*b*) *The Beauty of Machinery*

We associate macaroni with jokes about Italians or with spilling it from the fork as we eat. I have to associate it now with mechanical beauty, with light streaming through windows on to glistening tiles and tall hydraulic presses which delivered lengths of macaroni. Above were the great

circular mixers; below the cutters, which sliced the macaroni delivered from the presses. It seems preposterous to confess that it reminded me of the stalactites in the glow-worm caves of New Zealand, but so it did.

(*c*) *The Anti-Corn Law League in Action*

Great Britain by agitation broke landlords' monopoly; *K.F.* by rival production has tamed the food cartels—margarine, flour, macaroni—one after the other. The cartels, by the excellence of their technique, produced a product which yielded high profits on an expanding market. *K.F.* by equal excellence drove down the price and secured a greatly extended consumption at price levels to which the cartels had to conform. It employed in its macaroni battle a slogan which would rejoice American salesmen's hearts:

Varje onstag
Makar onstag.

Onstag is Wednesday, and the jingle translates,

Every Wensday
Macar Wensday.

i.e. every Wednesday, macaroni day.

It is an ancient habit in Sweden to eat particular dishes on particular days of the week: one day pea-soup, another day pancakes and jam, another day fish. *K.F.* captured Wednesday for macaroni. Disconsolate rivals tried to make Tuesday a rice day. But it would not work; for they could find no good rhyme for this slogan. By such absurdities is command of one's market strengthened in these high-pressure days.

(*d*) *Regional Specialisation*

This is food island. Elsewhere, in conformity with regional specialisation, are the shoe and rubber factories, each in the specialised centre of the industry. The productive map of *K.F.* is the productive map of Sweden in substantial miniature. As I stood on the roof of the silo, I asked, "Who is preserving Stockholm from the ugliness of industrialism?"; and I gathered that public control

after public planning kept green belts of trees around each little suburb or great factory. Mill Island has to be admired for its trees and gardens as well as for its factories; and as I passed through the terraced gardens on the reverse side of the island, I put this further question, having Port Sunlight and Godin's Phalanstery at Guise in mind. "If a worker dies, what happens to his family? Must they leave the Island? Can I assume that this young man (and I pointed to a passing youth) is employed in one of your factories?" My guide went and asked him. The youth replied, "Speak English, please." In two minutes I had found that he was a young architect born in the same suburb of Liverpool as myself. I was here, on the wrong side of fifty, studying co-operation. He was a youth with a travelling scholarship. In quest of our respective models, mine of social purpose and his of art in steel and stone, we both had come to Mill Island, in order that we might return with ideas to the mother country of industrialism.

Vår Gård ("Our Home") is the staff training college of the Swedish Consumers' Co-operative Movement and under the management of *K.F.* It is a school for instruction in co-operative business rather than in co-operative philosophy. But it would be wrong to suppose that *Vår Gård* merely gives courses in salesmanship, book-keeping and like, such as a business management school might do. It does this and very much more. Through staff teaching it reaches through to membership teaching, and it does its teaching in a form which assumes an organised co-operative movement. It would benefit any shopkeeper, co-operative or otherwise, to attend its courses, but it would introduce him to a system of which he is not a part and would not in his case be preceded and followed by the activities which membership of the system entails.

The training takes place in an ideal atmosphere. "Our Home" is a beautiful residential college in perfect surroundings. It is as though the co-operative hostel of Manchester were on the edge of Derwent Water or Windermere. Stockholm is as noisy a town as London, Paris or Berlin, and

from these capitals, as from Oxford and Cambridge also, a progressive deterioration of thought is to be expected unless the monster of noise is removed. But "Our Home" is some miles out from Stockholm on a site which is as quiet as it is beautiful. This harmony of mind and body was what Robert Owen was after in his Land Communities. Indeed, during my two days there I thought myself back into New Lanark. We sang songs before, during and after dinner—organised singing from a students' song-book, one a song of liberty, another a forest song, the third a nature song, concerning the ways of butterflies and flowers. Adjoining the hall was a book and tuck shop. You help yourself and leave the money in a saucer. They take some hundreds of pounds a year and have never lost a shilling.

The training is progressive: a short course for shop assistants (salesmen's week), a monthly course for shop managers, an advanced course also for shop managers, from among whom the teaching staff will be recruited. For senior managers there are what the army would call "refresher" courses. There are also specialist courses—for butchery, clerical work, factory workers, foremen, etc. All these are staff courses and occupy the bulk of the teachers' time. Other courses are for the general membership, but specialised as to purpose—e.g. for members of management committees, group leaders, women's guilds, etc.

The residential courses are part of a larger programme of correspondence courses. Four years ago candidates for *Vår Gård* had merely to send in their names: since three years ago candidates must have begun a correspondence course: since two years ago they must have completed it. Every year the pressure grows. The courses are limited to thirty: and for the two courses which were in session when I was there, there had been 125 applicants. I attended one lecture. The lecturer, an assistant, stood in front of an experimental shop. He was demonstrating selling points. One concerned coffee-pots: should they be among crockery, or with the coffee packets, to associate the product with the utensil? A second concerned the arrangement of shelves, and emphasised the co-operative principle of a price on

every article and access for the customer, so that there shall be nothing hidden from him. Then he produced a stand, with a variety of adjustable tops, one for eggs, another for fruit, another for fancy goods—as supplied by *K.F.* the Wholesale! The lecture proceeds by question and answer with pauses for note taking. "What would you do if you had too little margarine? A Dane raised a laugh by replying, "We should be only too pleased to say we had none."

Vår Gård is an integral part of the consumers' movement as a trading concern. It is, so to speak, the human architecture department. There is no suggestion of a rift between education and trade, and good performance on courses helps the candidate to promotion. The Wholesale and the societies put their problems up to *Vår Gård*. The problems supply material for advanced class-work, and the answers supply material on which selling policy is based. The staff makes tours in the country, not to see how their pupils are faring, but to discuss problems with committee men and managers. They are welcomed and their presence is sought, because they come as friends and not as inspectors. Moreover, just as happened with us in the army, the assistant teachers, after a period of teaching, go to management positions in the field. Only the senior staff is permanent.

The functional nucleus of *Vår Gård* is the study group. Groups take special problems and work them out. They are given materials for their "lab" work. I saw specimen windows illustrating taste and lack of taste: beautiful useless articles and neat useful articles: and—to illustrate economy and waste—a collection of paper wrappings, showing the various amounts of paper used for packing exactly the same article.

The study group is repeated spontaneously by hundreds of societies and their work is facilitated by guide-books prepared at the staff college. The liaison between the centre and the locality is not less striking than that between education and business (Co-operative Union and C.W.S.) at the centre. At present the finance of *Vår Gård* is borne by *K.F.* The movement has rather less than 20,000 employees, and

some 700 employees per annum are receiving standard courses. This, together with the shorter courses for employees and the general membership, involves an annual outlay of kr.140,000 (£7,000). But since 1931 a training fund has been in existence to which more than half the local societies have contributed. It is not to be touched until it reaches kr.2,000,000, when its income will be used. It is now (1937) kr.1,200,000.

There is genius behind this enterprise. The head of the Consumers' movement, Mr. Albin Johannson (managing director of *K.F.*) is, so university friends told me, the best business brain in Stockholm. He speaks still, they also told me, with the accent of one who has had to climb the ladder of economic life ; yet his is the movement which in its appointments and scheme of staff training shows the greatest faith in the higher education of any co-operative movement in Europe.

CHAPTER XXIII

THE STOCKHOLM MILK CENTRAL

THE full title of the Stockholm Milk Central is " The Milk Central: Farmers' Milk Supply Society: headquarters Stockholm." It is not a consumers' society, like the co-operative dairies of England; nor a municipal milk enterprise like that of Wellington, New Zealand—this much is clear from its title. But it is also not merely a collective bargaining society; for it operates plants for the preparation of market milk and the making of butter and cheese; and it is not merely a society for the supply of Stockholm. It supplies, indeed, nearly two-thirds of Stockholm's milk, and its headquarters and largest plant are in Stockholm, but its territory embraces the whole of east-central Sweden from Stockholm on the coast to Lake Vattern inland, a fertile and industrial area containing at least a quarter of the population of Sweden—say 1½ million, of which over half a million are in Stockholm itself and another quarter million immediately around. A Canadian might think of it as a Toronto Milk Central, serving Toronto and Western Ontario.

To appreciate the scope of the Central's work, we must know certain facts about farm production at the one end and household consumption at the other.

The Central has 19,000 farmer members, owning 192,000 cows; and none (or to be precise just nineteen) deliver milk which has been separated on the farm. They deliver whole milk which is separated at the plant—following here the practice of Denmark and Ireland, in contrast with that of Canada and New Zealand. In a country with a productive technique which astonishes by its progressiveness and ubiquity, agriculture rests on the small and stable base of land-owning peasants. There is no tendency to an increase

in the size of the farm, but there is a steady and continuous tendency towards an increase in the size of the processing unit, the dairy.

The dairy shop (which may sell bread, but not cheese, lest this should contaminate the milk) retails milk and butter. There are no milk carts delivering milk. Since 1909 it has been forbidden to sell milk from the can in the open air. Up to a few years ago consumers fetched their own milk, and some preferred milk that was not pasteurised. Pasteurisation is not compulsory by law, but 99 per cent. of the milk coming to Stockholm is pasteurised. A growing number buy pasteurised bottled milk, and the most recent change of all is the appearance of errand-girls, taking milk round to the householder's door. The new habit began in the suburbs, where distance from the shop is greater, and it is growing in the towns, especially among the well-to-do apartment houses. It is obvious from this how careful one must be in comparing distribution costs in Stockholm with those, say, in London or Toronto. Milk per litre, present price: 26 öre from the can; 28 öre in the bottle. A litre is $\frac{7}{8}$ of an English quart, and 10 öre are about 1$\frac{1}{4}$*d.*, so that its price is about 4*d.* a quart. The consumers' societies do not *deliver* milk, but it is believed that they, too, will shortly fall into line. No charge is made for errand-girl delivery, but it is believed that shortly an extra charge will have to be imposed for this, bringing the price per litre of bottled milk, delivered, say, to 29–30 öre.

Let us now study the part played by the Milk Central in the movement of milk from the farm to the dairy shop, never forgetting that the distribution of market milk is only one of its activities. It was established in 1915 among farmers hitherto grouped in local dairies only; and it is structurally, a centralised society, or, as Canadians might call it, a farmers' co-operative milk pool. As the Wheat Pool has local elevators, so this Milk Central has branch milk plants, of which some make butter or cheese and the others are skimming and receiving stations. It does not make milk powder or condensed milk, the lowest use to which the milk is put being in half-cheese from skim milk.

Skim milk, when not retained by the Central, is returned to the farmer for feeding pigs and veal; and the Central, by offering more or less money for the skim, increases or diminishes the amount retained by it, according to its manufacturing requirements.

The Milk Central handles 60 per cent. of the milk coming into Stockholm: the organised farmers 95 per cent. These percentages become intelligible if one looks at the pin map in the Central's office. The red pins, representing 60 per cent. of the supply, are its own plants; the yellow pins, representing 35 per cent., are the plants of organised farmers, the members of local dairy societies, who are not in the Central; the black pins, representing 5 per cent., are independents, proprietary concerns or perhaps individual farmers with a producer-retailer trade. The Milk Central is a manufacturer and wholesaler, and has also a few, but only a few, retail shops in Stockholm. Its greatest single customer is *Konsum*, the consumers' society of Stockholm; and the latter with its 250 milk-shops gets from the Central, on account of the bulk of its custom, a slight rebate, one-half of one per cent.

The Central would have liked the yellow pins to come into its organisation, but they preferred to deliver to wholesale dealers, with rival milk plants, in Stockholm. The yellow pins, however, are farmers; and for the purpose of collective bargaining they formed their own organisation in 1932, which aligned itself with the Farmers' Central for negotiation of the milk price. Thus from 1932 on, 95 per cent. of the Stockholm milk supply has been organised. This means that the Milk Central pays the same rate to its members for their market milk as the independent wholesale dealers pay to their suppliers; and that the Milk Central and the independent wholesale dealers charge a uniform wholesale price to the retail trade. The wholesale price is at present one which permits of a retailing price of 26 öre per litre (open milk at the dairy shop; and this is the uniform price in Stockholm City. In arriving at the agreed price, the Milk Central is in the strong position of being itself the operator of the leading pasteurising and bottling plant in the city as well

as of a few dairy shops ; it knows the costs of distribution, wholesale and retail from participation in these functions, and it claims to have improved the price from 24 to 26 öre without any check to the normal expansion of consumption.

We must now take account of the fact that the Milk Central only sells about 30 per cent. of its members' milk in the form of market milk, the balance going into butter and cheese. How does the Central regulate the deliveries of milk, so that only that portion comes to the city which can be disposed of as market milk at the agreed price ? It does so physically by telephoning to its locals, " Send 100, 200, 600 cans, or none at all." It can only do this, however, because it pays to its members a price which, after allowing for costs of transport, is uniform, as between country milk going into butter and cheese, and town milk going into liquid consumption. The price paid to members is the average, less expenses, of the returns from market and manufactured milk taken together. The members of the Central are not interested in, and may not even know, the use that is made of their milk. The Central distributes its milk among different users according to the demand of users. If we regard all manufactured milk as " surplus " to market milk, then we may say that the Central takes care of its surplus. The milk supplier near Stockholm, who would in any case sell to the liquid market, is thus apparently worse off than he would be without the scheme ; but only apparently, for without the scheme, the retail price for market milk would be lower. His market would be swamped by outside supply.

The basic price paid by the Central to its members is in the neighbourhood of 14 öre per litre (the retail price for Stockholm market milk being, as stated, 26 öre). But there are small variations, based on cost of transport, between places near to and distant from Stockholm. The territory is zoned, and the margin of difference in favour of deliveries from near-by points ranges from 2 öre downwards. There is also a seasonal variation, the price being lower in the summer flush period than in the winter, when milk is scarce.

We now ask : How is it possible to maintain and improve

the retail liquid price without producing a gap between liquid price and manufactured price which is greater by far than the cost of transportation? The answer is: By the Government's measures for maintaining the price of butter and cheese. First, there are fiscal restrictions on imported dairy produce. Secondly, there is a levy, which by law of 1933 is imposed on milk sold by wholesalers and which of course is allowed for in fixing the retail price of milk. It amounts to 2 öre (say one farthing) per litre, and the 2 öre are used to bring the export price of butter, now kr.1.90 per kilo, up to the internal price, now kr.2.65. (A krona is about a shilling, a kilogram is $2\frac{1}{5}$ lb.). The Swedish Dairy Export Association administers the fund. It receives also the proceeds of certain duties imposed on imported foodstuffs and on imported and domestic margarine, and with these sources of revenue it is able to equalise the export and home price of butter, and to have in addition a surplus which it uses for improving the returns on butter as a whole. These measures apply to all Sweden.

The levy is paid by the domestic consumer, and no dealer can evade it. Being universal, it offers no threat to the organised milk trade. If the organised trade had tried to effect the equalisation by agreement among themselves, they would have been exposed to the competition of an unorganised minority, selling market milk only.

The Stockholm Milk Central has no monopoly. It has to keep the Stockholm price in line with that of other towns in its area. Further, if the organised milk trade of the area as a whole got its market milk price out of line with that in the adjacent milk area of Gothenburg, it would be exposed to invasion from the milk of the latter. Inter-area competition is minimised when all areas are organised, and the Milk Central will be helped by the fact that the central milk plant of Gothenburg, formerly in company hands, has been taken over by the farmers of that region. In all Sweden the co-operative dairies control about 75 per cent. of the total volume of milk; and the large integrated Milk Central of Stockholm has been the pioneer, and is now the central factor, in the regulation of the national milk market.

In strong contrast with the Milk Marketing Scheme of England, voluntary co-operation provided the bulk of the organisation. The State merely rounded off the work of voluntary co-operation.

As in other dairy countries, the milk production of Sweden has steadily risen, at the same time as the opportunities for export have been curtailed. What Sweden has done is to devise an elastic system for the stabilisation and parallel expansion of its home market both in liquid and manufactured milk (butter and cheese). It has not avoided or sought to avoid a policy which does relatively more for butter and cheese producers than for suppliers of market milk, but it has avoided the bogey of England—a great price gap between liquid and manufactured milk, which weighs more and more heavily every year on the administration of the scheme. It has stabilised both sets of prices and not made the gap between manufactured and market milk appreciably greater than that justified by costs of transportation.

CHAPTER XXIV

PRODUCERS AND CONSUMERS IN AGREEMENT (SWEDEN)

NOWHERE, except perhaps in Switzerland, can we so profitably study the relations between producer and consumer as in Sweden. It is not, as in England, the contact of organised consumers with domestic producers who are for the most part unorganised except in so far as they are involved in a State marketing scheme. It is not, as in Canada, Australia and New Zealand, the contact of organised producers with domestic consumers who have no considerable consumers' movement. Nor again is it merely a question of the extent of direct trade between the members of two organised movements. This, in a country like Sweden or Finland, where the great mass of domestic produce starts its commercial life co-operatively, is necessarily enormous. It is a question of co-ordination between two nationally organised movements, between nationally organised co-operative consumers and nationally organised co-operative producers. Both are now so national and so strong that they confront each other as rivals for the undertaking of certain economic functions. They may compete for the territory, as in Finland, or they may agree on a delimitation of territory, as they have now done in Sweden. This agreement, being highly important to both, is drawn with care and elasticity. Each side puts itself on its honour not to break the spirit of it, and provision is made for the arbitration of differences. The problem of immediate practical importance is the relation between farmers' co-operative marketing organisations, where the farmer appears as seller, and the consumers' co-operative movement, where the consumer appears as buyer. Another problem of great importance, but less provocative of friction, is the relation

between the organised farmers as purveyors of agricultural materials and the organised consumers (of which farmers are a part) as distributors of goods, including agricultural materials.

In principle, though not in balance, the problems are the same as those which exist in England between the copartnership factories and the C.W.S. productive departments. The agreements which have been concluded in Sweden would have been impossible, because unnecessary, ten years ago. For only since then has Swedish agricultural co-operation been organized on national lines, which have compelled the consumers' movement to do one of two things, either to fight it or to come to terms with it. They have done the latter, and one can see that if they had not, a breakaway of the farmer from the consumers' movement, or at any rate a feeling of discontent within it, would have come about. It is thus a concordat between parties of approximately equal strength and approximately equal importance in the national economy. We shall see this most clearly if we put each movement in a historical setting.

I. The Consumers' Movement.

In 1870 less than a quarter of the population of Sweden was engaged in industry and commerce, to-day over one-half. In the interval agricultural production has greatly increased, but industrial production much more. Towards 1900 Sweden entered with rapid strides into an era of industrialism based on wood, minerals, mechanical transportation and hydro-electric power; and the emergence of the consumers' movement in its modern form reflects this transition, to which indeed it has materially contributed on the productive, as well as on the distributive, side.

In the 1860's and 1870's there were attempts to found stores of the Rochdale type in deliberate imitation of England, but they foundered on isolation. For there were, as yet, no compact industrial areas. Pioneers of co-operation then turned to Germany, the cultural big brother of Sweden, but the co-operative banks which flourished in the numerous towns of Germany, with their age-long tradition of individual

craftsmanship and salesmanship, could not serve Sweden when it was hurrying into industrialism; and consumers' co-operation made little progress until the formation of a central authority, *Kooperativa Forbundet* (*K.F.*) in 1899. This body gave to the struggling individual societies the contacts and central direction necessary to national expansion. As it grew, so the societies grew.

1900–14 were years of probation during which there were preliminary trials of strength with organisations which have played a great part in the development of modern Sweden—industrial cartels covering articles of final consumption. The national cartels made the consumers conscious of the necessity of resisting them by national organisation. Before the war the young consumers' movement asserted its power to resist price dictation by the margarine cartel and sugar trust and defeated the efforts of hostile trading and financial interests to isolate them from sources of supply. After the war, when the cartel movement developed new vigour, the consumers' movement met it first in one field and then in another by entering on large-scale production for itself. The margarine factory (1921), the first flour-mill, "Three Crowns," on Mill Island (1923), the rubber factory (1926), the superphosphate factory (1928), the electric-lamp factory (1930), were all inspired by the presence of cartels; yet it would not be true to say that *K.F.* produces only when there is a cartel to meet, or always when there is a cartel to meet. Consider shoes and matches. *K.F.* in 1925 embarked on shoe production, though there was no cartel here. To make a national market it operates in the retail field through shoe centrals, which are stock centres from which surrounding societies are supplied, or through the shoe-shops which physically adjoin the shops belonging to the retail society. Matches are highly cartelised, but into this field *K.F.* judged it imprudent to enter.

Shoes, however, include rubber shoes—goloshes, gum-boots, rubber-soled shoes and slippers; and here the cartel was very strong. Therefore, in 1926, *K.F.* entered on rubber production by acquiring one of the four units in the cartel, and quickly terminated the state of affairs in which the

farmers of many districts were being forced into the wearing of wooden shoes through inability to afford the rubber product. Within a year the price of goloshes fell by over one-half. From rubber footwear production was extended to bicycle-tyres and motor-tyres—articles hitherto mainly imported ; and the net effect of co-operative intervention was to increase considerably the total of workers, co-operative and non-co-operative, engaged in the rubber-using industry of Sweden.

Productive operations on this scale and under this type of opposition were only possible if there was close collaboration between the wholesale and the retail societies. Difficulties of production due to cartelisation and difficulties of distribution due to distance could only be overcome by unity of action. Unity has been achieved by the emphasis laid on systematic education of the staffs and the membership, by the amalgamation of small societies, where this is physically possible, and by careful provision for district representation in the large societies and in *K.F.* itself. The movement has a membership of nearly half a million, and *Konsum*, the retail society of Stockholm, has as much as one-seventh of the movement's trade. Indeed, the method of district representation was first worked out in *Konsum* and then applied by *K.F.* to its own organisation.

So far we have seen the consumers' movement helping the farmer by improving his retail service, saving him from the goloshes cartel, from the phosphate cartel and so forth. We have now to develop the other side of the picture and see how the farmers, as producers built up subsequently to the consumers' movement a national organisation in their turn, and how the rift between a farmers' organisation based on production and a consumers' organisation taking its policy from the capital city has been avoided.

II. The Producers' Movement

In 1878 Gustav de Laval in Sweden and L. C. Nielsen in Denmark developed independently a milk separator which worked continuously, taking in whole milk and delivering cream and skim milk. In the early 1880's Swedish and

Danish farmers began to form co-operative dairies around this crucial invention, and production, which was hitherto in the main hand-made butter for local consumption, became factory butter for urban consumption or export. The change was the prelude to parallel changes in meat, eggs and grain. The result was to increase greatly the productivity of agriculture and at the same time to permit of a much smaller percentage of population being engaged in agriculture. If we take 1935 values for 1870, we find that Swedish farmers sold about £10 million of produce from the farms in 1870 and about £40 million in 1935. In 1870, 75 per cent. of the population of Sweden was employed in or about the farm: to-day only 40 per cent. of the population lives in rural areas, and with the progress of specialisation this means that a considerably smaller percentage is employed in farming itself. In fact, the farm population is a little less to-day than it was 50 years ago.

When Plunkett was planning his Irish Agricultural Organisation Society, he sent his young lieutenant, R. A. Anderson, to study co-operative dairying in Sweden; for such dairies were as important there as in Denmark. But from 1890 right down to 1930, Swedish agricultural co-operation was not in the limelight owing to the greater importance of the home market and the absorption of the country in its new industrialism. It remained local. There was no standardisation of operating methods, no co-ordinated programme of marketing and finance. Co-operative education and co-operative leadership were weak. In 1895 the first district organisation for the purchase of requisites was founded: in 1899 the first co-operative slaughtery. But although the National Union of Swedish Farmers, formed in 1905, did something in the wholesale line by way both of purchase and sale, there was no national framework when the war broke out.

The high prices of the war period, which signified prosperity to the farmers and scarcity to the consumers, set important changes in motion. In 1910 there were three co-operative slaughteries, occupied with the export trade in bacon, which in Scandinavia generally has developed as a by-product of dairying, in 1920 twenty; but they were still

engaged in making a product which the Swedes themselves do not greatly consume, and the mass of the meat trade remained in small private hands. In 1915, under pressure from the wants of the consuming community, the Stockholm Milk Central was established. Finally, in 1917, came the formation of the General Agricultural Society of Sweden: and this body in the course of twelve years slowly brought the agriculture of Sweden under national organisation. They were not a business organisation, nor yet a body for undertaking co-operative propaganda. They arrived at co-operation in the course of solving their larger problem. At first their membership was composed of individual farmers and of farmers' clubs, and for three years, 1917–20, their work was technical. Then they applied themselves to economic problems—to farm costing and the keeping of accounts on the one hand, and to marketing problems on the other. They took stock of the co-operative situation. They found that there was much inter-co-operative competition and no generalisation of the new technique, and that common tasks could not be taken up and solved. They decided that their correct plan was to bring in the scattered co-operatives and build around them, and in this task they were engaged when the price collapse of 1930 fell upon them. Instead of breaking co-operation, it was the making of it. It must be remembered that during all this period they had before them the inspiring example of the consumers' co-operative movement, of which the farmers were members and which was not only serving them admirably with domestic wants, but helping in the field of wholesale agricultural supply also. To-day the pattern of organisation is a co-ordinating authority, the General Agricultural Society of Sweden, presiding over a series of " Centrals," of which all save one are subsequent to 1929. This is the Swedish version of the British Marketing Schemes, but it is more comprehensive than the latter and builds on co-operation instead of almost jumping it. The Centrals are:

National Union of Swedish Farmers (1905) (Requirements)
Swedish Federation of Credit Societies (1930)

National Dairies Association (1932)
National Federation of Forestry Societies (1932)
Swedish Association of Egg Marketing Societies (1933)
Swedish Federation of Meat Marketing Societies (1934)
National Federation of Fruit Marketing Societies (1934).

These various federations in general have as their members district societies, which are themselves composed of local societies. The most impressive achievements are in the field of credit, meat-marketing and grain.

Credit. I have been so greatly accustomed to think of dairying countries as not requiring the short-term credit which the village banks of the Raiffeisen type have for so long provided in the greater part of Europe, that the recent growth of such banks in Sweden came to me as a big surprise. Once again, the experience of Denmark was misleading. The contact with the export trade and the absorption of the nation's credit machinery as a whole in agriculture only, did not give room there for short-term co-operative credit to develop as a recognisable movement. Denmark, of course, has been long distinguished for co-operative mortgage credit based on unlimited liability and financed by the issue of bonds: it has also had since 1914, a Central Co-operative Bank, which, with fluctuating fortunes, has financed co-operative enterprise both on the productive and consuming side. Sweden similarly has national mortgage institutions of a semi-co-operative character, and these, together with communal savings banks, provide the bulk of farm mortgage money: it also in 1915 had a short-lived Co-operative Bank, which endeavoured to find finance for the local credit societies which were then for the first time being formed.

But between 1915 and 1930 the credit movement hung fire. It is a characteristic of Swedish co-operators that they do not embark on a new form of co-operation until (*a*) they feel the need of it and (*b*) they see their way to success. The strong consumers' movement has no bank of its own, though it controls the savings bank operations of its individual societies. The farmers felt the need of a central

institution, but did not develop it with success until it was undertaken as part of a co-ordinated scheme, embracing parallel organisation in marketing and supply. This came to pass in 1930 with the formation of the Swedish Federation of Credit Societies. In 1930 there were in it 187 societies, with 14,000 members and credits of kr.15 million ; in 1934, 699, with 59,000 members and credits of kr.43 million. The local societies are organised in ten districts. The central institution is not a bank, but a national organising authority through which the State guarantee is transmitted. For the State guarantee up to a certain limit the loans which the local societies (which work with limited liability) obtain from the commercial banks and other credit institutions. The commercial banks were only too willing to co-operate on these terms. This looks like an open door to easy credit, but it was not. The societies have gained the confidence of the rural population, which to an increasing degree deposits savings and current resources with them, so that they now obtain 50 per cent. of their funds in this way. The other 50 per cent. only comes from the National Federation under the plan of State guarantee. It is the communal savings banks which have found the new development somewhat unwelcome, because it has meant the transfer of rural savings from them to the co-operative banks. What the credit societies have done is to make the farmer creditworthy by concentrating his borrowing. Formerly, he got short-term credit from a local store, from dealers against his growing crops, from banks on promissory notes, and long-term credit from a mortgage institution. Now he can get it from a single source (for the credit societies do some mortgage business also). And this accords with the policy of the consumers' movement, which lays great stress on the abolition of credit trading.

Meat-Marketing. Note that the title is not cattle-marketing or bacon factory. It includes the making of bacon, but the main business is the slaughter and preparation of meat (fresh meat and *charcuterie*) for the domestic wholesale market. There were twenty-six of these societies in 1934 and they are not comparable with the twenty-five

co-operative slaughteries existing in 1930. They are regional meat centrals with central packing plants, and they have a membership of 176,000, i.e. nearly 7,000 per society. In 1932 the co-operative slaughteries handled only 40 per cent. of the pork trade and 4 per cent. of that in other kinds of meat. In 1934 the Meat Marketing Federation controlled some 80 per cent. of pork and meat produced for sale. It seems that agricultural depression precipitated a change which was slowly coming along. Not many years ago the typical unit of enterprise was a small butchery killing at the local abattoir, which was the property of the town or village and more rarely of the farmers themselves. Now it is a regional farmer-owned packing plant, with collecting depots at the point of origin and sometimes also retail shops in the town. The regional societies do the selling in their own area and the surplus is sold by the Federation, which also handles bacon export. The bacon comes principally from a few societies in the south of Sweden.

The meat centrals had no great packing interest to contend with, no Swift or Armour, and they solved their problem of finance by a device which corresponds closely with the finance of the Canadian Wheat Pool. The members subscribe for stock in proportion to their livestock deliveries, and the stock is paid for by deductions of 2 öre per kilo. By this method the meat centrals have collected kr.1½ million per annum and now have kr.9–10 million of their own funds. The banks, of course, put up the capital in the first instance. They had at this time, owing to depression, plenty of funds for investment. Their one requirement was security. This the farmers gave through a five-year, iron-clad contract. The co-operative law of Sweden allows a member to be bound for two years, but this was inadequate for so great an enterprise and so the farmers obtained from the Government permission to extend the contract period to five years. Thus, at the very time when the Wheat Pool was being forced by circumstances to abandon the long contract, the cattle producers of Sweden introduced it and carried themselves into majority control of a great processing industry.

Grain-Marketing. This is the field of the old-established National Union of Swedish Farmers and the position to-day is not dissimilar from that existing in the Canadian West in 1921. This Federation corresponds roughly to the United Grain Growers. It has a large grain-selling, and larger purchasing, organisation—in 1935 it controlled some 30 per cent. of the bread grain sold, and also some 30 per cent. of the feed and fertiliser bought, in the country. There is also in the specialised grain-growing districts of the country an organisation corresponding to the Saskatchewan Co-operative Elevator Company, the Swedish Association of Grain Elevators, which are farmer-owned and concentrate on the handling of grain. The two federations co-operate in their grain-selling business.

But in grain the important thing is the marvellous response of the farming community to the call made upon it to provide from Swedish soil produce previously imported from abroad. Before 1930 the flour mills had to have 25–30 per cent. of foreign wheat in order to get high quality wheat flour. Now they need only 5–10 per cent. As butter and bacon export were curtailed by tariff and quotas, Swedish farmers produced grain for human consumption in place of grain for animal consumption; and the change was effected with no noticeable increase in price to the consumer. (This was emphasised to me by a representative of the consumers' movement.) At first a minimum price was guaranteed; this has now been withdrawn; it is dairying, not wheat, which gets a bonus on production. But the State controls by quota the amount of foreign grain admitted to the country.

The change from animal to human food, so far from encountering what theorists call diminishing returns, increased the productivity of the soil. Higher yields per acre have been obtained by better technique, better methods of harvesting and improved quality of seed. It is very appropriate that this improved production should be mentioned in a paragraph dealing with co-operation. I do not mean that because the farmers own elevators, therefore they grow better grain. The point is that the corporate unity of

Swedish farming, which expressed itself on the commercial side in co-operative business, expressed itself on the productive side in the rapid generalisation of new technique.

III. The Agreements

It will seem surely that we have taken a long time to arrive at the topic in hand—the relation between organised producer and organised consumer. But unless we appreciate (*a*) the strength of the consumers' movement and the pride of its leaders in the unity of it (14 per cent. of the total membership are farmers), and (*b*) the now equal strength of the producers' movement and their exhilaration at its recent growth, we cannot do justice to the statesmanship of the consumers' movement in pioneering the far-reaching agreements which have just been concluded. The agreements are between *K.F.*, representing the consumers' movement and the various farming organisations (other than credit) listed above. There are separate agreements with each, but it may be stated in advance that the most contentious issue was with the meat centrals. For these, when formed with a five-year contract and embracing the majority of supply, threatened the meat processing establishments of the consumers' movement and their retail butchery departments. What was to stop the cattle-owners from giving preference to their own processing organisation? With milk the danger was not serious, because milk is under public scrutiny and it would have been comparatively easy to detach market milk from the farmers' milk central and leave it, with an undue proportion of manufactured milk. *K.F.* bought some dairies, less for their own sake than as a strategical move in the meat negotiations.

The principles underlying the agreements [1] are threefold:

(1) The producers' movement will refrain from retailing. It will not operate dairy shops or meat shops. The consumers' movement will not operate dairies or abattoirs (much less, of course, will it operate farms, as it sometimes

[1] I quote from the draft given to me in Stockholm, Sept., 1937. For the official wording see *Plunkett Year Book* (1938), pp. 446–52.

does in England). The contentious middle ground of meat processing is shared in these terms:

(*a*) The business of the slaughter-house organisation comprises the collecting of cattle and pigs, the slaughter *and manufacture directly connected with slaughter*. Retail distribution is only engaged in by way of exception. (*b*) The business of the consumers' co-operative movement comprises retail distribution and *manufacturing activities in connection therewith*. Collecting and slaughter are only carried on by way of exception.

The activities underlined are substantially identical. But the farmers' organisation further agrees not to set up a *charcuterie*, unless they also have a slaughter-house and not to set up *charcuteries* in competition with the established *charcuteries* of a consumers' society.

These are agreements on principle, by which the parties will work, and meantime they agree to accept exceptions to the main rule " in the proportions that now apply to the respective parties' total turnover of milk and dairy produce (or slaughter produce) in Sweden."

(2) The consumers' movement—price and quality being equal—will give priority to co-operative marketing associations in making its purchases. But in return the marketing associations must not demand signature of any contract of compulsory purchase, or withhold supplies if the consumers' society applies a lower margin between purchasing price and retail price than other distributors wish to charge.

(3) The third principle, which is the complement of principle (1), concerns supply to farmers and is only intelligible if we know how the situation stands as between farm supply through producers' organisations and farm supply through the consumers' movement.

The National Union of Swedish Farmers has a network of regional centrals with warehouses, and each central is composed of a number of farmers' locals. Through these warehouses the centrals handle their outward grain-selling business and their inward supply business in seed, feed grain, cake, fertiliser and farm equipment. The Union does not mill bread grain nor operate retail stores for domestic consumption. Their locals possess trade stores, but

many consignments, for economy's sake, move direct from railhead or water-head to the farm. The centrals bind themselves to purchase certain of their supplies through the Union only.

K.F. having a large farming membership conducts a large feeding stuffs and fertiliser department. It obtains supplies from the following sources: bran, etc., from its own flour mills at Stockholm and Gothenburg; oil cake and soya meal from its own oil factory at Karlshamm in South Sweden and from abroad; maize from the Argentine; superphosphate from its own factory. It sells these products in the main to its own membership: poultry feed and small stuff passes physically through the retail shop, while other stuff is routed by the retail society direct to members: it also sells to farmers' locals.

It will be seen from this that there was no solution of the problem by a simple division of territory—the producers' movement doing the whole of farm supply, the consumers' movement doing the whole of domestic supply. For if this policy had been followed, the consumers' movement would have hurt itself through not selling through co-operative channels its own by-products, and hurt the farmer by compelling him to maintain everywhere two supply organisations. As it is, the overhead of the Federation (federation, district centrals, locals) is usually greater than that of the consumers' movement and makes it difficult for the farmers to meet the margins of the latter.

The principle of the agreement is that the consumers' movement shall contract its range of supply, while the producers' movement shall keep clear of retailing.

> The business of the farmers' organisation comprises the negotiations of . . . agricultural necessities for the account of the farmers *where this does not apply to actual shop sales.* The business of the consumers' co-operative movement consists of negotiating household necessities *and also farming necessities proper in retail quantities.*

This leaves open the delivery of agricultural requisites which are not sold over the counter, and this is met in a spirit of splendid accommodation by making provision

for local agreements appointing the consumers' retail societies, when it is economically advantageous for both parties, distributors for the farmers' organisation at an agreed remuneration for the business work connected with ordering, distribution and storage.

We have considered under principle (2) the consumers' movement *giving* preference to the farmers' organisations, as a buyer of dairy produce, eggs, meat, grain, etc. It also *receives* preference from them under the supply agreement as a seller of bran and other by-products from its own works. And as a complement to the use of the consumers' societies for local distribution of requisites, there is in the egg agreement a clause by which the consumers' societies "in localities with a surplus output will act as collectors for the producer organisation in return for a reasonable remuneration for the work done."

With these agreements in mind, we can appreciate the significance of a curious episode in *K.F.*'s history. In 1928 it purchased a large superphosphate factory near Mill Island, partly to improve the communications with Mill Island, and partly to reduce the price of superphosphates, which was locally above world market rates. It leased the factory to the National Union of Swedish Farmers, as being in their field, and they sublet it to the (non-co-operative) holding company which operates the other three superphosphate factories of Sweden. A clause in the agreement enables the co-operative organisations to control the price. Freight rates made it desirable that the territory should be divided in this way, each unit supplying its own district. *K.F.* is also associated with the National Union in the lime and green fodder business and in agricultural experimental work.

This policy of co-operation between producer and consumer is a demonstration in a contentious field of the general readiness of Swedish co-operators to co-operate with others. The Scandinavian Wholesale Society, which purchases coffee and other imported produce for the Wholesales of Norway, Sweden, Denmark and Finland, has its head office in Copenhagen, and a branch in London, and it was

formed on the initiative of *K.F.* Courage without intransigeance and principle without shibboleth characterise the Swedish effort. Swedish co-operation makes for national as well as co-operative unity, and this surely is co-operation at its highest.

CHAPTER XXV

FINLAND, A NATION OF CO-OPERATORS

If you reach a town of 300,000 people when the tourist season is over and no conventions are in progress, and if, nevertheless, you have to drive round to six hotels before you can find a room, clearly something is up. That something was timber, a great cash crop of the Finnish farmer.

If you go into this town's great departmental store, Stockmann's, sent there by a co-operative friend to buy a book in English, you rub your eyes in wonder. On the ground floor are Finnish books; on the first floor English, Swedish, German, French and so forth, each in their own bay—and English books not by the tens but by the hundreds. I calculated that there were some 200,000 books on show in all. (One million units of printed matter on show and in stock, so the general manager informed me next day!) And in the foreign section Finns themselves were browsing and buying intelligently. It was the atmosphere of Cambridge on the premises of Harrods, London. The farmer is a part of the picture, for in dignity and status he is the equal at least of the townsman in the great modern city which the produce of Finland has created. This is a nation of $3\frac{3}{4}$ millions, of whom four-fifths are rural dwellers and one-fifth town dwellers. The President of the Republic is a farmer and the texture of the present cabinet is "red earth." A professor of agriculture, Dr. Hannes Gebhard, created the co-operative movement nearly forty years ago; and the creator of *Elanto*, the leading co-operative society in the capital city, Helsinki, was Väinö Tanner, formerly Prime Minister of a socialist cabinet and now Finance Minister, as well as President of the International Co-operative Alliance. Of the one-fifth of town dwellers, nearly one-half, say 300,000, live in Helsinki (Swedish Helsingfors)

which is the only great town of Finland. Finnish and Swedish are the national languages; and the Finnish for Finland is Suomi. The Swedish-speaking minority, 10 per cent. of the whole, is in part descended from Finnish stock which turned to Swedish when it was the language of culture and government, and it is distributed along the south coast and on the west coast in the region of Vasa. The Åland Islands are Finnish and the home of Sally Salminen, the winner of the Helsingfors Prize Novel Contest of 1936. She is Swedish on her mother's side and Finnish on her father's. *Katrina* is among the great novels of our generation (it was the one I was sent to buy); and in it she depicts the poverty, loneliness and tyrannies which co-operation has dispelled from her old island home.

The organs of co-operation are known by initials from the Finnish, or by picturesque Finnish words. " Co-operation " is *Osuus* and this usually explains the " O." K. stands for *Kulutus* (consuming) and also for *Keskus* (central). The picturesque words are: *Pellervo*—the sower, the symbol of fertility in the Finnish saga; *Hankkija*—provider; *Elanto*—livelihood; *Valio*—extra-fine.

The movement is divided into two camps; one camp calling itself " progressive," with its emphasis on consumption and the towns, the other calling itself " neutral," with its emphasis on production and agriculture. The progressive organs are *K.K.* (Co-operative Union); *O.T.K.* (Co-operative Wholesale Society) and *Elanto*. The corresponding neutral organs are *Y.O.L.*; *S.O.K.*—literally, Finnish Co-operative Central: *H.O.K.*—literally, Helsinki Co-operative Central. This is the neutral movement on the consumer side. But it is in close alliance with (*a*) *O.K.O.*, the Co-operative Credit Central; (*b*) *Hankkija*, the Agricultural Wholesale for machinery, feed and fertiliser; (*c*) *Valio*, the Butter Central, which has many dairy shops in the town; (*d*) various other centrals engaged in processing and sale, including an Egg Central, a Meat Central, which collects, kills and cooks, and a Timber Central. The Meat Central's plant in Helsinki, which I inspected, is a slaughter-house and *charcuterie* in one. *Pellervo*, the

voluntary agricultural organisation society has done for Finland what Horace Plunkett's I.A.O.S. did for Ireland. It stimulates, co-ordinates and advises the agricultural life of Finland on its co-operative side.

But we have not quite done with initials. The Swedish minority is housed among the neutrals, but has its own linguistic groupings: its co-operative union, *F.S.A.*; its agricultural wholesale, *Labor*; its milk central, *Enigheten* (meaning Unity); and finally, *Varuboden* (literally, ware-shop), the retail society corresponding to *H.O.K.*

If Helsinki is short on hotels, it is long on co-operative restaurants. I do not mean staff restaurants inside the Wholesales—they of course exist—but public restaurants, serving all and sundry. They have small cafés and large restaurants, and I lunched first at one, then at another. Over against the Central Railway Station, a superb structure in red granite, is the central restaurant of *H.O.K.*, a long glass-panelled dining-hall, appropriately called the Glass Palace, with a fascinating clock, on which the little finger is a spoon and the big finger a fork. Opposite to it, in a corner of the central square, is *S.O.K.*; beside it *Hankkija*, and one street away the modest premises of *Pellervo*. The shops below the Glass Palace, which are a part of the structure, exhibit beautifully the cohesion in the component parts of the neutral movement. At one end is *Varuboden*, the Swedish store; at the other end an *H.O.K.* drapery, where I bought for 2*s.* a pair of socks entitling me to a 2 per cent. dividend, which is the price of a box of matches. Next to *Varuboden* is a *Valio* milk-shop; and as though to show the fullness of the neutrality, other shops of the block are in private hands. The progressives make their chief restaurant effort in the more distinctively industrial quarter of the town, not far from the central premises of *O.T.K.* and *Elanto*, which touch each other. Their cafés, however, are more numerous; and you see the word *Elanto* and *H.O.K.* as often as you see Lyons and A.B.C. in London. When the building programme of the progressives is completed, *K.K.*, their Co-operative Union, will be housed with *O.T.K.*, their Wholesale.

When you are in either of the Wholesales, it is not like being in Balloon Street, Manchester. There is not, and on no day will be, any great concourse of buyers inspecting show-rooms. The chiefs of departments sit in rooms, containing catalogues, an occasional sample and two or three easy chairs, to which manufacturers' salesmen will come who are selling to the Wholesale. It is a building of invoices, accounts and calculating machines; the partitions are so constructed that they can be enlarged or diminished according to the requirements of the time; at the top are food-testing laboratories, giving a complete internal check on quality, corresponding to the numerical checking of accounts. From the roof I could see that each Wholesale is next door to certain of its productive departments, which are themselves next door to the water. In the progressives' block there were two groups of buildings: the flour-mills and the margarine, coffee, corset and garment factories of *O.T.K.*; and the bakery, dairy and other plants of *Elanto*. When I compared their scale with that of the united consumers' movement of Sweden, it was clear that Finland has to pay a certain price for the duplication of its productive efforts.

If Canadians are to visualise the pattern of Finnish co-operation, it must be by analogy. *Pellervo* we shall call *Hullervo*; and imagine that Mr. J. T. Hull, the editor of the *Western Producer*, is co-ordinating the farmers' co-operation of the Canadian West. He has brought the sick and scattered associations for farm credits into a Canadian *O.K.O.*, which lends money for land purchase and also finances the centrals, which Canada calls pools: he has centralised the creameries of Manitoba, Saskatchewan, Alberta and British Columbia and has in Vancouver his Fraser *Valio*, which, *inter alia*, retails milk to householders in the town. He has a meat central which combines the work of the Co-operation Livestock Producers and the Canada Packers' Company. He has a *Hankkija* in the U.G.G. (United Grain Growers) of his dream, a wholesale with a strong specialised buying department, which takes Massey Harris in its stride, and also a selling department,

which markets the produce of its society members. Finally, he has a store organisation with shops in every rural shoppers' point, as well as in Winnipeg and Regina and other towns. (He has taken over the Hudson Bay store in Winnipeg and repanelled it in glass—this, without a doubt, for I dried my hands over hot air, as I did for the only time in my life before in the H.B. restaurant at Winnipeg eight years ago); and these stores have, of course, their own All Canadian Wholesale, with its own productive factories. *Hullervo*, because he is a farmer and only for that reason, is labelled neutral.

When *Hullervo* boasted of his stores and wholesale, there was a loud murmur, and an indignant voice exclaimed, "What about the Canadian Co-operative Union and the Sydney Mines Society of Glace Bay, Cape Breton Island?" We shall call the voice *Keenanto*, introducing Mr. George Keen, the indefatigable apostle of consumers' co-operation from Ontario, whose Bible is the balance sheet of a Nova Scotian *Elanto* of Lancashire and Scottish miners—the British Canadian Co-operative Society Ltd. *Hullervo* has thrust over into the towns and the sacred province of the consumer. *Keenanto* thrusts back into the country. He sees in these farmers' stores of the West his own children, stolen from him; if Fraser *Valio* sells milk to consumers, he will open dairies in Manitoba. This in principle is what *O.T.K.* has done. It has a vigorous membership among the farm population, especially the smaller farmers. It has its own consumer dairies and it buys produce from farmer members, which it markets, where possible, in its own shops. It matches *S.O.K.* and its allies all along the field. I was motored out to see the great experimental station of *Hankkija*, the ally of *S.O.K.*, a miniature Finnish Rothamsted, but I was motored out by an officer of the rival *O.T.K.*, who took me in the first instance to see the adjacent property, which serves the progressives as dairy, piggery and garden for raising tomatoes under glass. A soft path, muddied by the rain, connected the two; and as the mud splashed against the body of our car I took it as an emblem of the difficulties which confront the

junction of neutrals with progressives, of *S.O.K.* with *O.T.K.*, of *Hullervo* with *Keenanto*, in the language of our Canadian fantasy.

The Credit Central

When one leaves Finland, one's mind is so crowded with pictures of co-operative enterprise, of shops, restaurants, warehouses, meat plants, mills and factories bearing the co-operative name, that one says to oneself, "The book which I now need is one setting forth the scope and possibilities of non-co-operative enterprise." Such enterprise is, of course, large; and it falls within two great fields. The first is public enterprise: roads, railways and public works, together with controlled enterprise, such as tobacco and alcohol. The second is private enterprise of import, distribution, exchange, building,[1] engineering and industrial production. The last item includes the wood-using industries, which provide four-fifths of Finland's exports and on which the economy of modern Finland rests. Co-operation is most intense in farm products and food products, i.e. in activities close to the tiny unity of the peasant's farm or to the tiny unity of the consuming family. It is estimated that 30 to 35 per cent. of shop-sold retail goods and 40 per cent. of shop-sold food products are in co-operative hands. At the point of origin the percentage of co-operation is much higher. The great majority of food products which reach the market pass through channels of co-operative processing and sale, and a substantial part of this majority reaches the consumer by a co-operative channel also; so that it is co-operative the whole way. Moreover, the great majority of agricultural requisites are purchased co-operatively through one of several great co-operative wholesale societies; and therefore in many a Finnish village the majority of market contacts, outward and inward, are co-operative. Finally, the normal instrument for the purchase of land and the provision of finance for production and

[1] I did not encounter co-operative housing. The great apartment houses in which the majority of the workers now live belong, I was told, to companies or individuals.

marketing is also in co-operative hands. So manifold and so co-operative is the organisation of Finnish agriculture that one could guess in advance that there is likely to be a rival consumers' movement, grounded on the consuming family of wage-earners who own no land. In Sweden there is a united consumers' movement, but this does not mean that the whole of its co-operation is a unit. There agricultural co-operation, other than domestic consumption, is in one organisation, and the whole of consumers' co-operation in another. There is the same duality, but the line between the two is differently drawn. Put your elbows on the table and let your open fingers lock to make a bridge. That is co-operation in Sweden. Then let your fingers pass each other until the right hand (farmers' co-operation) touches the table on the left side and the left hand (the rival consumers' movement) touches the table on the other. That is co-operation in Finland ; and the two sets of fingers only interlock for one purpose, namely, to buy certain imported goods, as members of the All-Scandinavian Wholesale.

When one branch of co-operation has met with a setback, there is a temptation to praise all other branches and to hurry to countries where these other branches prosper. But if anyone from America or Canada were to come back from Finland or Sweden with the news that consumers' co-operation is the true and only co-operation, he would be wildly wrong. If Finnish co-operation were stripped of all but that part of it which is consumers' co-operation, pure and simple, it would be a mere shadow of its present self. When this has been said, let us hasten to add that *Elanto*, and not *H.O.K.*, is the co-operative heart of the capital and its suburbs.

O.K.O. : The Co-operative Credit Central

As in Germany, the Credit Central has a twofold task. It is an organising union and a central bank ; and the central direction is interlocked. The General Director, whom I had the honour of interviewing, holds a dual office. For organisation *O.K.O.* has a central inspectorate and twenty sub-inspectors resident in their respective districts.

These are salaried men, recruited from private business, private banks, folk schools and technical high-schools. Courses of instruction are held for the accountant of the little village unit as well as for the personnel of the larger town units. The local committees are peasants. Clergy and school-teachers are less prominent than in Catholic countries, but this is a country of peasant farmers, all of whom can write. Moreover, they are small farmers:

1929.

Size of Farm.	*No. of Farmers.*	*% of Farmers.*
Less than 10 hectares .	219,000	76·5
10–50 ,, .	64,000	22·2
Over 50 ,, .	3,697	1·2
	287,000	100

1 hectare = 2½ acres.

The acreage is improved acreage and excludes the unimproved acreage of forest land, which is perhaps four times as great. I turned over the five handsome volumes of *Finnish Farmers*, with 40,000 entries in all, giving a record of every farm over twenty-five hectares—a picture of the man and his wife, a description of the farm and its stock: in a word, an illustrated *Who's Who*. I realised that I was looking at those "big farmers" who, my friends of the progressives had told me, were the cause of their own break-away.

The Central Bank controls and integrates the banking business of its members. These members are credit societies, co-operative dairies, co-operative stores and communes (i.e. local rural authorities). The credit societies number 1,200, and vary in size from the small society which opens once or twice a week to the large society, of which there are 250, and which, perhaps, is open every day and has a manager, a managing committee and a committee of control.

Thus the Credit Central is far more than a union of little village banks, and I was not surprised to hear that the unlimited liability of the early days was now being replaced by limited liability, since for dairies, stores and communes, which do their business through one of the large societies, unlimited liability is clearly inappropriate. The nearest

description I can give of the Union is that it is a Raiffeisen Central plus C.W.S. Bank in one. It handles the finance of the stores, of the dairies, of the Agricultural Wholesale and of the communes. This part of its business is on a cheque basis, and the local societies stand to the Central very much as the paying-in departments of the English retail societies stand to the C.W.S. bank. Like them, they get their current cash from outside banks, but they pass their business through a federal body, which acts as clearing house and controller.

By this time I had guessed that *O.K.O.* was an institution corresponding rather closely to the Co-operative Credit Central of Hungary. So my next question was "I presume you lend on land mortgage?" Answer "Yes, that is our chief security"—the percentages being

	%
Against property	67
To communes, without security	8
Against personal guarantee	23
Against deposit of securities	2
	100

As in Central Europe, the war brought a revolution in the ownership of land, and the financing of land purchase and land improvement was the chief credit requirement of the farming community. For historical reasons land mortgage and personal credit have been separated in Germany from the earliest days. Yet when land is being bought or improved, that is the very best security for a loan. The Finnish farmer bought his land for a song owing to the currency depreciation of the time, and farm indebtedness to-day is not heavy. In 1932 it was only 17 per cent. of farm assets; and only 9 per cent. of farmers had debts exceeding 50 per cent. of their assets.

I asked about personal security and was told, as I expected, that this or any other security was secondary to the care exercised in granting a loan and the strict control of its use. The borrower must submit a plan of proposed expenditure. Each year the committees travel through their districts on a farm-to-farm inspection, to see how

the loans have been used. By centralising all the finance of the farmer—land mortgage, short-term credit and produce payments—the whole financial situation of the member is under full review, and co-operative credit cannot be made the primrose path to easy money. The New Zealand Co-operative Dairy Company gets a similar control by operating a finance company inside its trading organisation.

Whence come the funds?

For land mortgage the funds are raised, as in the Danish and American manner, by the issue of land bonds. The Credit Central has this field more or less to itself owing to the poor performance of the one land mortgage bank, an institution of senior origin. The capital is partly contributed by the State (interest free) and partly by the member societies—25 and 15 million Finnish marks (a mark is about 1¼*d.*) respectively. It is hoped shortly to increase members' capital to 30 million. Reserves are 40 million F.M. Deposit business is growing, and I was shown impressive figures of the rapid growth of deposits in these three last prosperous years.

I entered the bank through a large banking hall, in which people were paying in money. "Do you lend money to townspeople?" I asked. "No, only to farmers: the town business is for deposit and current account only." Thus in Finland, following Schulze-Delitzsch's cardinal principle, town and country are brought together, and town money is made available for the land.

Agriculture and Forestry

"But what security will you have," I asked the Credit Central, "if the price of butter breaks or your bacon quota is heavily curtailed?" "You must understand," they replied, "that the Finnish farmer is a forest-owner. That is our ultimate security. If he has a special expenditure to meet, he may decide to cut rather more than usual. We advise him on the financial side, the forestry service advises him on the technical side. Timber, thanks to pulp and paper, is booming." This, then, was the reason why I had to call at six hotels before finding a room. They had

told me the same in Sweden; and as we flew from Stockholm to Helsinki, the picture took visible shape. From the thickly forested north the land slopes down to the sea; and right to the coast the forest is ubiquitous. You see land nestling in water, and farm land nestling in forest. The forest is partly in pockets and partly in larger clumps: and as you fly over it, the trees look thin by comparison with the mass of bare rock on which they are perched. And so the surface of Finland has three levels: the underwater bottom which you can often see from the air; the cultivated land, which is higher than the water-line; the forest-bearing rock, which is higher than the cleared land. The rock in places runs in long ridges. The cultivated land is sometimes (as I saw it in the month of September) fresh ploughland, but more often green with roots, cultivated grasses and permanent pasture. What look like boundary balks from the air, turn out to be parallel water channels—thousands of little man-made rivers, cut with exquisite precision.

In the halcyon 1900's the homesteader on the Canadian Prairies had three sources of revenue: his crop; his land; work on the railways. His crop was almost a by-product. He sold his land to incoming settlers and got new land free for himself. He worked for the railway, took himself and his team and his oats to the railway, and in that way got a market for his oats and money for his family, while his wife looked after the lonely homestead. The land boom and railway building concealed the fact that water and timber were scarce on the bald prairie. There has not been enough water in recent years to grow regular crops, and the homesteader at a very early date had to be buying timber for building and fuel instead of, as in Finland, having it for nothing and making money by the sale of it. The most important personage for an agricultural economist to visit in Helsinki is, therefore, the University Professor of Forestry, who is as much an economist as a technician.

Four-fifths of Finland's forest is in conifers; and three species predominate: (1) pine (*Pinus sylvestris*), comprising half the forest area; (2) spruce; (3) white birch. All three,

in the language of the trade, are soft woods. Owing to the absence of a long dry summer and the myriad gaps of lake, river and swamp, loss from forest fire is slight. The big pine or spruce goes to the saw-mill, the small stuff to wood pulp, building boards and pit props. Pit props have risen in price because of the competition of the pulp mill, and British coal-owners must not expect a fall. The pulp mills turn out three classes of product: pulp sulphite, secured chemically and used for cartons and brown paper (this is the age of packaged goods): mechanical pulp, secured by crushing and used for newsprint and white paper; fine cellulose for artificial silk secured from spruce by a special process. The large saw-mills are located at the coast, and the logs are brought down by river or rail. As they largely burn their own dust for fuel, proximity to power is not the crucial factor in their location. The pulp-mills need much power, and they are often located close to inland hydro-electric centres, whence the product moves by water or rail or motor-truck to the coast. Finland, however, is not living on its forest capital. New growth is believed to exceed slightly the annual loss; and it is secured partly by replanting, but chiefly by the much cheaper method of natural regeneration under control.

Question: Where does the farmer come in to the picture?

Answer: 51 per cent. of the forest area belongs to farmers, almost all of whom in the British sense are small. 40 per cent. belongs to the State (this is the forest reserve of the barely-peopled north): 2½ per cent. to communes and the Church: 7½ per cent. to timber-using companies, who have bought from the farmers. In the great majority of cases farmers work their own forest. With the progress of land purchase and closer settlement, the size of farms is decreasing.

I saw charts showing the comparative revenue of Finnish farmers from forestry and agriculture. The proportion of forest to field revenue rises from 20 per cent. in the smallest to 50 per cent. in the largest class of farms. Nor is this all. More than half the labourers in the forests (in the populous south three-quarters of them) are farmers or

members of farming families. Thus through wood and hydro-electric power Finnish farmers are in contact with a new industrialism, of which they are an integral and directing part. Neither to Finland nor to Sweden does Adam Smith's dictum apply, that improvements in the town are the cause of improvements in the country. If anything, the sequence is reversed.

Question: Where, if at all, does co-operation come into the picture?

Answer: It is among the factors making for the survival of individual forestry.

The first factor is technical. The timber of Finland is comparatively small, and the farmer is close to it. As the proportion of small wood for pulp grows, the task of cutting becomes easier. (This point was made to me when I quoted the case of the farmers of Vancouver Island, where the roots of a single giant fir may occupy the whole of a small field.)

The second factor is agricultural. As stated above, farms are decreasing in size. This carries with it a decrease in the size of the individual wood lot. But a big company wants big cuts. Therefore the farmers take their cut to a railway station and group them with other cuts. At Helsinki they have a timber-selling central, which is organised in company form. Here is one form of co-operation.

The third factor is industrial. Very often the woodland of many farmers is in a contiguous clump. To work it they form forestry associations, which employ a technically trained forester. He tells them where and how to cut and directs the cutting and hauling. They sell the product individually or *en bloc* either direct to firms or through their timber-central. Here is a second form of co-operation, which in structure corresponds closely with the labour societies of Italy. Furthermore, saws and other forestry equipment are provided by the Agricultural Wholesale and sold through co-operative stores.

It is impossible to exaggerate the importance of the association of agriculture with forestry. Critics have said that the backwardness of New Brunswick agriculture was

due to the superior attraction of lumbering in early New Brunswick. Perhaps that was true, but Finland has shown the extraordinary value of a second source of income, which serves a quite different market. In New Zealand and Australia, wool occupies the place of timber—with this difference that in New Zealand, e.g., the dairy farmers of the North Island may be in distress while the pastoralists of the South Island are flourishing. The forests of New Zealand, of which the best are in North Island, are not the help they might be to its farmers: they have been made the subject of unscrupulous company promoters, who have fleeced the farmers and countless other victims by selling to them watered bonds in so-called "perpetual" forests. To see capitalism under State control, as in Germany or Italy, is satisfactory enough; to see it, as in Finland, mastered by the voluntary co-operation of peasant farmers, is superb.

And what of collective farming? I asked, as my parting question. "Talk collective farms to the Finnish peasant and he will laugh at you," was the reply. "We have no use for land nationalisation here." Karl Marx was altogether right in sensing that peasantry and socialism were incompatible. But this kind of peasantry—educated, mechanical, co-operative, prosperous, the owners at one remove of vast establishments—was beyond his vision.

If one is to contrast Finland with other countries, it must be in these terms. In Germany agricultural co-operation is kept in its place. It is not suffered to enter the precincts of the shopkeeper and craftsman in the towns. In North America it is cramped and queered by a ruthless market capitalism. In England it is trailed along as a tiresome child with one hand in the impatient grasp of consumers' co-operation and the other hand clutching the skirts of the Ministry of Agriculture, which pats it one year and slaps it the next. But in Finland agricultural co-operation is a senior partner in the nation's private and public life.

HANKKIJA

Hankkija (the provider) was the nucleus of Finland's agricultural co-operation, and if the C.W.S. of England is to make a success of agricultural supply, it should study *Hankkija* down to its last detail. Starting late with agricultural organisation (*Pellervo*, the parent organisation, was formed in 1899), and having from its birth the inspired leadership of intellectual men, Finland avoided the pathetic error of co-operative parochialism, which merely creates helpless nests for the cuckoos of capitalism. Therefore Finnish agriculture has passed through a commercial revolution, which it has itself moulded and of which it is in complete charge. But *Hankkija* is not cumbrous. It has shed functions of supply and sale to specialised organs, as these have grown up of themselves. It supplies the *S.O.K.* co-operative stores, to whom it is wholesale agricultural provider. It supplies them with trade requisites and it supplies trade requisites not only to these but to dairies, meat plants, saw-mills, communes and local societies for electrical supply. It sells the produce of its members, but only that part of it for which there is no specialised selling organisation, as there is for dairy produce, meat, eggs and timber. It sells, for example, hay and cereals, also peas, which it processes in its pea-sorting plant opened at Turku in 1933. These commodities normally reach the consumer through a retail co-operative store, but it does not limit itself to just that amount of hay cereals and peas for which it can find a vent in the stores of its ally, *S.O.K.* In the seed business the function of supply and sale are barely distinguishable. In its planting breed institute at Tammisto it breeds seeds and secures their multiplication by contracts with individual seed-growers. The seed thus grown it sells to member societies or others; and it sells under the guarantee of the State Seed Testing Station, with which it has a special agreement.

The Report for 1936 shows a total turnover of supply (90 per cent.) and sale (10 per cent.) distributed as follows:

Aggregate, 344 million Finnish marks, of which—
30 per cent. is fertilizer;
20 per cent. is feeding stuffs;
10 per cent. is seeds;
30 per cent. is machinery—in 3 departments: (1) agricultural machinery for individual use, saw- and flour-milling machinery for country mills; (2) dairy machinery for dairies; (3) electrical equipment for individual and society use;
while 10 per cent. is sale of general produce.

Hankkija leaves gasoline and building materials to *S.O.K.*, the consumers' Wholesale. On the other hand, having an electrical department, it handles electric bulbs. Just as it has a seed station which, so to speak, manufactures seeds, so also it has a nursery garden for the production of fruit and ornamental trees, a mixing plant for preparing poultry feed and feed salts, an engineering works which are best known for their *E.S.A.* threshing machines and their cheese vats, and a large flour-mill which mills rye, oats and barley (the last for sale to breweries). *Hankkija* is mainly concerned with Finnish produce in Finland. It imports fertiliser, feed and machinery, but it does not import wheat; nor does it export Finnish produce. Finland to-day is self-sufficient in rye, and imports about a quarter of its wheat: rye consumption standing to wheat consumption as 3 to 1, with wheat on the increase.

If we add the turnover of *Labor*, the Swedish-speaking counterpart, the two together have nearly the whole seed trade, and two-thirds of the fertiliser of the country. But the progressive wing, *O.T.K.*, has also a considerable business of agricultural supply, and if this, too, be included, then it is found that the nation's trade in agricultural supplies is overwhelmingly co-operative.

Hankkija was established in 1905: and at first had among its membership individual farmers, farmers' locals and credit societies, but as the store and dairy movement developed, the tendency has been for these to take the place of the

others, and no new individual members are taken. The eleven credit societies which remain are there because of the part they play in handling the finance of the co-operative movement.

If the C.W.S. of England went out to Finland for agricultural guidance, it would, I think, feel more at home in the progressive movement than in the circle of *Hankkija*, the Provider; for, like the C.W.S., the progressive movement has pushed out from the towns into the country and has added to itself a considerable business of agricultural supply. But the C.W.S. will not by this means do for the farmers of England anything like what the Provider has done for the farmers of Finland: and if a Canadian deputation came out to Finland, my advice to it would be—get "Provider-conscious" and through Provider, reach out to the rest.

The Selling Centrals for Milk and Meat

Forest products account for over 80 per cent. of Finnish exports, and the export is in private hands. Dairy products account for about 10 per cent., and virtually the whole export is in co-operative hands. The main dairy export is butter, of which *Valio* has 93 per cent. and the small Swedish Central (*Enigheten*) most of the remainder. We must, however, remember that only about 40 per cent. of the cow population serves dairies in which butter, cheese and milk are prepared for export or urban consumption. The rest goes into local consumption as farm butter and cheese or in liquid form to human and animal use. The organised dairy trade consists of the export market and the home market. The export market is almost wholly in the hands of *Valio* (or its Swedish counterpart), but it has a much less proportion of the home market. Nearly all dairies are co-operative, but some are dairies serving the progressive movement and others sell to the private trade. In revenge *Valio* has a large chain of retail milk-shops. This overlap, as we have noted before, is characteristic of Finnish co-operation.

The most important general fact is that we have in Fin-

land a country whose market milk price rests on the unsubsidised export price of butter and cheese. The consumer conscience, led by *Elanto*, is overwhelming. Everyone, from Government officials downwards, drinks milk, and they would not tolerate an artificial price. The *per capita* consumption of liquid milk in Helsinki reaches the high figure of 1 litre per person per day. (1 litre = $\frac{7}{8}$ quart). Open milk in Helsinki to-day (1937) costs a little over *2d.* a litre. I was told that farmers around Helsinki were anxious for a controlled market milk price. These are also the farmers who derive proportionately the least amount of revenue from timber. Helsinki's cheap milk, like Finland's whole rural economy, depends on the tie-in of milk and wood in the last analysis.

One more selling central, the last I visited, *Suomi* (Finnish) *Karja* (Cattle) *Keskus* (Central) *Kunta* (Society)—*S.K.* for short. Let us call it the Meat Central. It is not a terminal marketing association, as in North America. It is not a consumers' meatmaking plant such as I saw in Karlstad and Stockholm and also on *Elanto's* premises in Helsinki. It is a farmers' central with a packing plant which slaughters livestock and prepares meat—bacon for export, fresh meat and *charcuterie* (sausages, pies and the rest) for the home market. As in *Valio*, the central premises house the meat plant itself and the head offices of the national organisation, of which the meat plant is a part. The Central has eighty-one members of which all but five are co-operative stores. These collect the cattle and forward them either to a branch house, which kills for the local trade, or to a central plant, of which the largest is the one I saw, while there is another half as large at Viborg. The meat is sold either to co-operative societies or the private trade. Charts on the office wall showed the remarkable growth of the organisation (1918–37) and especially since 1934.

It has 45,000 supplying farmers. It handles in its slaughteries 7 million kilos of meat; and it converts 2 million kilos of this meat into manufactured meat in its meatmaking departments. It handles also a little poultry.

Incidentally, it arrives at cranberry-pies; for it makes meat-pies, pies of mixed meat and vegetables—which, I was told, are in increasing demand, and in the cranberry season, cranberry-pies. The way in which production gets into an alien field is most interesting. Sometimes it is similarity in the process of manufacture. The oven which cooks a pie with meat in it will cook a pie with fruit in it. At other times it is for the use of a by-product.

Countries with any success in co-operative marketing succeed with butter. But only the Scandinavian countries have succeeded with meat-packing. Because Denmark is an exporter we have been apt to ascribe success to this. In Finland this is no explanation. The Meat Central has a bacon business, but only 23 per cent. of the Finnish bacon quota for England, less indeed than the smaller Swedish-speaking central at Åbo (Turku). *S.K.* serves a large home market, and the pig meat, which we get in the form of bacon, is a quite different product from the pork or beef material in *charcuterie*. The export trade in bacon is important, indeed, but the meat trade is not built around it. If we wish to connect it with export, we must advert to the muscle which it puts into the thousands of those who work in or for the premier export of forest products. Thus once again we are back at wood. Can the Canadian Prairies be integrated with the mineral-yielding, forest-bearing east and north? On this, and not on the flour-mills of Liverpool, their ultimate stability would seem to depend.

CHAPTER XXVI

DANISH CO-OPERATION IN HISTORICAL PERSPECTIVE

DURING the last fifty years countless visits have been paid to Denmark for the purpose of studying Danish co-operation. It is easily reached, its economic pattern is simple, and its co-operative record is one of almost uniform success. But if we are to draw the right lessons from Danish experience we must fix it carefully in time and place. The first English writer to essay this was Sir William Ashley in his *Memorandum on Denmark* for the Agricultural Tribunal of Investigation (1924); and it has been supplemented by a treatise of 1937 from a Danish expert now in the service of the United States.[1] Chapters on geography and technique, and on political, social and economic history lead up to a great chapter on co-operation in Danish agriculture; and the outlook of the author, Dr. Jensen, is catholic. He is alive to the importance of monetary factors which are common to the whole Western world, and he is always intent on relating the experience of his native land to the larger and rougher experience of a continental area like the United States. Such a study gives us a closer view than a personal visit, but it is the Denmark of 1930, and frequent footnotes remind us that the depression years which followed 1930 may be the prelude to profound changes in the country's economy. The British Empire itself is a series of greater Denmarks in that they, like it, have specialised their agriculture to the supply of a great metropolitan market. In so far as they are dairy producers, they are the rivals of Denmark, as also is the British farmer, but in the co-operative scheme the

[1] *Danish Agriculture: its Economic Development: a Descriptive and Economic Analysis Centering on the Free Trade Epoch 1870–1930*, by Einar Jensen, Ph.D., Principal Agricultural Economist, United States Department of Agriculture: J. H. Schultz, Copenhagen, 1937, 417 pp.

relation between Denmark and Great Britain is complementary on the whole. For the consumers' co-operation of Great Britain and the producers' co-operation of Denmark are the reverse sides of the same medal. This is true in the special sense that the British co-operative movement has been the best and closest customer of the Danish farmer: and it is true also in the general sense that these two are bulwarks of economic liberalism in a world that is fast departing from it.

It is important to remember what Denmark is not, as well as what it is.

It is a country of freehold farming, but not by little peasants. "Nowhere in Europe outside Denmark is the middle-sized farm the dominating unit." [1] The peasants of an earlier day are the ancestors of the middle-sized peasant farmers of to-day. For two centuries, 1660–1849, Denmark had an absolute government, which protected the peasants from absorption by the great land-owners. Law after law prevented the letting down of peasant holdings and in 1788, when the transition was made from a manorial economy based on bonded labour and open fields to a peasant economy based on free labour and enclosure, the peasant holdings survived entire and increased in number, as the land was utilised more fully. Beside the peasant class was a much smaller and equally guarded class of cottagers, who are the ancestors of the small-holders of to-day. Between the peasant and the cottar there was a social distinction, but it was not sharp; and in the last half-century public policy has been concerned with the increase of small-holdings, at first as part-time holdings for labourers and later as full-time holdings, when co-operation and intensive technique had increased the vitality of the small unit. The large estate-owners pioneered the new technique; the peasant farmers adapted it to the co-operative form; and the small-holders gained most from the co-operative adaptation.

For the farmer with a few cows, production of butter and cheese of passable quality had been out of the question. Now

[1] E. Jensen, *op. cit.*, p. 105.

even their small quantities of milk were picked up by the hauler daily, and by efficient methods manufactured into butter which sold at the same high prices which had previously been obtained only by the large manor farms.[1]

But just as in earlier years the peasant holdings were protected from absorption, so in recent years measures have been taken against fragmentation. In 1925

it was provided that all holdings of from 2·5 to 18 acres should be preserved intact. Land can be sold away from larger farms but a block of land of 18 to 25 acres, depending on the quality, must be left with buildings.[2]

The uniform peasant holding of Danish history was the first step in that standardisation for which Danish agriculture is to-day so famous. The overseas counterpart to a policy of land tenure is the policy of land settlement, and the effort of Canadian farmers to secure economic stability has been aggravated by heedless policies of immigration dictated by patriotic or commercial interest. Denmark has shown the vital importance of State regulation in this field. With the peasantry as a guarded constant, it has progressed by the liberal path of quick adjustment to changing conditions.

In the course of the nineteenth century Denmark changed over from the export of wheat and cattle to that of butter, bacon and eggs. But this did not involve the return of arable land to permanent pasture. What occurred on the large farms after 1850 and on the middle-sized farms after 1880 was not the abandonment of grain-growing and a shift to dairy production, but the establishment of the production of meats and dairy products as a system of arable farming and the utilisation of grain as feed for livestock. The competition of American wheat intensified the transition, but did not originate it. For under the free economy of enclosure the soil was being mined, and the large estate-owners realised that the damage must be repaired by increased attention to livestock. The Danes feed their cattle on grains, cultivated grasses and roots raised at home, as well as on cereals and concentrates (maize, bran and oil-cake) imported from abroad. Roots provide the succulent winter feed

[1] E. Jensen, *op. cit.*, p. 325. [2] *Ibid.*, p. 131.

which permits of even production the year round, and economically are about as important as the grain crops, though occupying only half the acreage. By increased use of roots and of imported feed and chemical fertiliser, the agriculture of Denmark has been progressively intensified. Between 1875 and 1925 the physical volume of production was trebled.

Though Denmark has no mineral resources, it is only a purely agricultural country in respect of its export trade. In 1930 not more than one-third of its population was engaged in agriculture; and almost one-quarter of its 3½ millions live in Copenhagen, the capital city. For in addition to enterprises of commerce, shipping and *industries agricoles*, it has large industries for supplying the civilised wants of its rural and urban population. Since 1890 there has been no increase in the rural population, and the surplus, when it did not emigrate, has provided an excellent labour supply for the towns. Adam Smith would have seen in Denmark a strong illustration of the natural progress of a society from agriculture to commerce and industry; but though Danish agriculture has grown up under a fiscal system of "near" free trade, the Danish agriculture which gave rise to this industry was based on the free-trade system of its main overseas customer, and the abandonment of this system by the latter has produced grave embarrassments in recent years. Denmark's nightmare to-day is not foreign competition, but exclusion from former markets by tariffs and quotas.

Though Danish agriculture is specialised, it is not atomistic. It is a specialised system rather than a series of specialisations. Beef, bacon and eggs are by-products of dairying. Many countries have succeeded with co-operative dairying, very few with co-operative meat-packing. But in Denmark, where skim milk is the basis of hog-raising, there was a physical "tie-in." The cream separator, essential to efficient butter production, was supplemented by pasteurising machinery, which made it possible to return skimmed milk derived from the whole membership without risk of contaminating particular herds. The two great

events in Danish co-operative history are the first dairy of 1882 and the first bacon factory of 1887. A bacon factory is a costlier enterprise than a creamery and draws from a much wider area, and by contrast with dairying the proprietary packer was already well established. But because of the "tie-in" (which is absent when, as in England, the main market is for fluid milk) the easier task of co-operative dairying prepared the way for the more difficult task of co-operative packing. It was a case of lateral integration, and the counterpart in consumers' co-operation is the completion of the retail society by vertical integration with wholesaling.

The Danes, selling on an export market, have never aimed at monopoly. They have important selling federations, but have not made it an object of policy to secure majority control. Their co-operative marketing has always been devoted to supplying regularly a quality product in standard form and to paying their members on the basis of quality. The simpler task of payment for milk on the basis of butter fat was followed by the payment of hogs on the basis of dressed weight.

> By setting up a system of premiums for the quality demanded by the markets consumer preferences have been transmitted clear back to producers, who have been encouraged to produce hogs of the type and size yielding bacon of the desired quality and bringing home the best prices [1]

—a classic example of the beneficial reaction of better business on better farming.

Though the economy of Denmark is above all things liberal, its co-operation does not shy at compulsions imposed from within. The compulsory contract is the keystone of Danish co-operative finance. Because of the binding contract the societies were able to obtain from commercial banks on ordinary commercial terms the finance for the erection of expensive installations. Similarly, in their supply associations the members obligate themselves to buy through their organisations their entire supply for a period of years. Such self-imposed discipline was only possible to a fairly homogeneous

[1] E. Jensen, *op. cit.*, p. 336.

and highly educated population. The Danish farmer, raising produce which moves steadily to market throughout the year, has not the same need for short-term credit as the grower with a single harvest. The largest part of agricultural credit is made up of long-term mortgage credit, which is co-operative in form and rests on the unlimited liability of the borrowing group. Legislation of 1851 facilitated the operation of the system, but the State has not provided assistance either of guarantees or capital except in the case of a few small-holders' associations. The bonds by which the money is raised command a rate of interest only a little higher than government stock—in 1930, 4·6 per cent. With the money the young farmer buys, or increases his equity in, a farm; and if working capital is required for seasonal purchase of livestock or important improvements on the farm, it is frequently obtained by taking a long-term loan on a first or second mortgage. Short-term credit for individuals, and also marketing and long-term credit for the co-operative societies are provided by the commercial banks or local savings banks. In 1914 a number of co-operative societies set up their own bank, but it incurred losses after the war and had to be reorganised. This was one of the very few setbacks in Danish co-operative history.

The intensity of Danish co-operation is measured by the strength of the local unit and the equal attention to marketing and supply—of domestic as well as of trade supply. The Seed-growers' Co-operative Society sells directly to the consumers' societies at prices corresponding to the average price obtained in the open market. But

> for some varieties of seed used mainly in Denmark the two organisations constitute so large a proportion of the market that the price determination takes on more of the aspect of collective bargaining than price making in a competitive market.[1]

Finally, association in the commercial sphere is rounded off by associations for cattle-breeding, cow-testing, livestock and hail insurance, collective use of threshing equipment and the like.

[1] *Ibid.*, p. 342.

1844, so famous in England, is famous also in Denmark because in that year at the inspiration of Bishop Grundtvig was established the first folk school in Slesvig. When this territory was lost to Germany, the school moved to Askov, and by 1870 there were some seventy such schools in the country. Though not at first designed for the farming population, the sons and daughters of farmers provided the main membership. These schools strengthened the fellowship of Danish life. On a Danish farm the farmer's family, the sons and daughters of other farmers working for him and the hired cattle-men all live together and eat from the same table. They live together in the same democratic spirit at the folk schools, where for some months they enjoy a liberal education in literature, history and social economy. These schools have supplied the enthusiasm for co-operation which the English movement derived from Robert Owen. Therefore, the Danish farmers are willing to forgo a petty gain in the present in return for a group advantage in the near future. Instead of formal co-operative education, Denmark has its folk schools: just as instead of a body of co-operative law it has model constitutions and by-laws with a very clear-cut basis in respect of contract.

A leader in the London *Daily Telegraph* of April 8, 1938, "Learning from Denmark," commends anew the study of Danish methods.

> A contrast [it says] has often been drawn between the decay of agriculture in this country and its remarkable vitality in Denmark, a country where neither soil nor climate nor other natural conditions allow it any special advantage.

But the institutions and the economic circumstances of the two countries are, and for centuries have been, profoundly different. The British farmer lives in a milieu of industrialism. The finance and foreign trade which draw foodstuffs to Great Britain from the whole world make it in seasons of depression the market for the world's distress surplus. British agriculture in the nineteenth century was sacrificed to industry, and the purpose of the new agricultural policy is to restore a lost equilibrium. Were Denmark, Canada and

New Zealand counties of England, it might not matter greatly if they gained what the older part lost. But the English farmer is an English citizen. A large part of the resources of the nation are spent on social services in which he does not share. He must pay wages under wages boards modelled on industrial practice. His territory is under constant invasion from residential building and industrial enterprise. He can do much by voluntary co-operation, especially in the field of supply, but the scheme of English life is so industrial and urban that there is a case for State intervention for reasons independent of provision for national defence. It is important to prepare food resources for war, but it is even more important to conserve skill and fibre for peace. Centuries ago Denmark intervened with the course of freedom by regulating land ownership in the interest of the peasant producer. Great Britain allowed unrestricted freedom in land-owning and must now restore the balance by intervention in marketing. If industry to-day were of the type envisaged by Adam Smith with many competing units and a fluid labour supply, agriculture might be allowed to work out its own adjustments. But not until the coal industry, among others, has returned to *laissez-faire* does there begin to be a valid case for the withdrawal of State support from agriculture. Indeed, if we consider not Denmark only, but the Scandinavian countries as a whole, the moral to be drawn is not that State intervention is to-day unneeded, but that with an appropriate amount of State support co-operative enterprise can emerge from a crisis stronger than it was before. The objection to State action is not one of principle. It is to be condemned only to the extent to which it discourages voluntary co-operation within the field that is possible to it or fails to maintain a reasonable balance between the interests of the agricultural producer and industrial consumer.

PART V

SUPPLEMENT—AGRICULTURAL CO-OPERATION IN EUROPE

AGRICULTURAL CO-OPERATION IN EUROPE

A Post-War Survey

The Pre-War Position

The years immediately preceding the World War saw a rapid development of agricultural co-operation, especially along three main lines: credit, dairying and the sale of agricultural requirements. In Germany, the birthplace of co-operative banking, the credit society was universal and successful. The movement used State financial services, but was in large measure financially self-supporting. It had achieved remarkable social results. Unsolved structural problems, such as the relation of the local societies to the State bank and of the two agricultural co-operative unions to one another, detracted little from its power and reputation. With credit went the supply of requirements and, to some extent, the marketing of grain. Separate, but already strongly developed, was an extensive group of co-operative dairies. Other forms of processing and marketing were in their infancy.

The countries most strongly influenced by the German model were those of the Austro-Hungarian Empire. The movement in Austria proper and the Alpine lands, in Bohemia, Moravia, Austrian Galicia, Transylvania, Herzogovina and the Banat, were copies on a smaller scale of the German system, although the Czech societies looked to Kampelik [1] rather than Raiffeisen as their founder and patron, much as ancient Rome preferred Jupiter to Zeus. In Hungary, different conditions had produced a slightly different type of movement, closely associated with the State, still strongly interested in credit, but not on the Raiffeisen model, and with domestic retailing widespread in rural districts, including those lying between the Danube and the Carpathians, which were later to become Slovakia. The Balkans, too, had felt the Raiffeisen influence and, in spite of a series of local wars, credit societies, probably more numerous than strong, were springing up in Servia, Bulgaria and Rumania. In many of the smaller national groups, both in and out of the Austrian Empire, the co-operative movement had drawn fuel from national devotion and national ambition.

[1] 1805–72. A physician and the founder of Czech agricultural co-operation.

The Russian Empire had received co-operation with suspicion and the movement had struggled into existence through a period of State restraint, accompanied by reluctant and delayed concession. Probably its best development was in Finland, where the specifically Russian atmosphere was mitigated and a flourishing dairying and distributive movement recalled Scandinavia, even while its organising centre, *Pellervo*, modelled on Ireland, was stamped with the peculiar character of a society in which national culture is an attractive because a difficult pursuit. Elsewhere, in Russia, a movement of no small dimensions was springing up. Credit societies, receiving the greatest measure of Government toleration, numbered in 1914 something like 20,000. The reputation of Siberian dairy societies was penetrating to Europe with the butter they brought to market. The Baltic provinces had been pioneers in general co-operation, especially distribution, and societies were numerous in Poland.

In Western Europe, the Scandinavian group was outstanding. Credit was unimportant, or was supplied from sources not strictly co-operative. The group owed its fame to marketing, backed by the unobtrusive but efficient supply of agricultural requirements. It was resolutely independent of the State, and the State gladly concurred. Denmark was the model co-operative country of the world, with over 90 per cent. of its farmers organised in local and national associations for the sale of dairy produce and bacon and the distribution of supplies. Norway followed, but not being an exporting country, failed to achieve either national consolidation or international fame. Sweden definitely lagged, but could show promising beginnings along the same lines. The scanty population of Iceland did much of its business through co-operative general purposes societies.

In the South, a movement of seemingly abundant vitality and little system was gathering momentum in Italy, covering much of the country with an orthodox credit movement, experimenting with dairies and vintries and evolving the peculiarly Italian form of the co-operative land development and tillage society. In Switzerland, the ancient cheese-making societies were being slowly modernised and their numbers increased, but they remained rudimentary and without national policy. Supply societies were well established and in Eastern Switzerland dealt in household as well as in agricultural goods. In spite of a community of language, the German credit system had made little headway. State aid was neither sought nor proffered. In Belgium, the doctrine of Raiffeisen, with all its moral and with heightened religious implications, was being inculcated by the priesthood through the efficient Boerenbond Belge and a number of broadly similar provincial unions. Dairies were coming into prominence. Something analogous was being initiated in the

Southern Netherlands, but the protestant North had borrowed a secular Raiffeisenism from Germany and a dairy system, in this case mainly concerned with cheese, from Denmark. The specifically Dutch contribution of the co-operative auction mart was, in the early stages of experiment, little noted by outside observers.

French co-operation had pursued its own path, creating an elaborate and largely State-financed credit system, making use of the agricultural syndicate for supply, and evolving local and disconnected marketing ventures, of which the most important were the dairies of Charentes and Poitou, which arose, almost literally, from the ashes of their blight-ruined vineyards. Vintries were locally successful but not nationally remarkable. Relations with the State were complicated and not wholly satisfactory. An out-moded credit system and a few vintries, about which little is known, appear to have constituted the sole developments in Spain and Portugal.

The War Period

The co-operative movements of certain areas, especially the Baltic Provinces of Russia and those parts of Poland, Rumania and Serbia which served as actual battlefields, were completely destroyed by the war. In most of the belligerent countries co-operative societies suffered like other economic institutions from the depletion of staffs and the curtailment of supplies. On the other hand, the difficulty which the individual experienced in obtaining his requirements and the exorbitant price charged by private dealers inclined him to support or create co-operative institutions. Marketing societies, like their farmer members, were beneficiaries of scarcity, not infrequently using high prices and sometimes also the security of State control to build up an important business and to pay off initial liabilities. Sometimes the State itself made use of co-operative machinery. Not all such developments were sound, and in some countries a good deal of machinery was created either by the State or by enthusiastic amateurs, which, with the return of peace conditions, was abandoned by farmers not adequately prepared to take collective responsibility on their own shoulders. In other countries distribution was taken out of co-operative hands into those of the State. In others again, productive and marketing societies found that though their operations extended, the quality of their output declined with the general depletion of resources and consequent relaxation of standards. This lapse in quality sometimes took years to make good. The co-operative societies of some countries found their overseas markets closed to them and competitors, co-operative or not, making the most of the situation. Credit societies as a whole saw their loans falling and their

deposits rising. This was partly due to the prosperity of the individual farmer, partly to the scarcity of manures and building materials, and indeed, of most of the usual objects of agricultural expenditure, as well as of the labour which is needed to make use of them.

Post-War Changes

It is probably impossible to estimate what the effect on co-operation would have been had the war been an isolated event without secondary consequences. It is these secondary consequences, however, political, social and economic, which have created the matrix of modern agricultural co-operation in Europe. In the first place, chronologically, a social revolution of the first magnitude took place in Russia, followed by a diminishing series of revolutions and revolutionary movements elsewhere and provoking in turn counter-revolutions, of which the earliest was in Hungary and the most important in Italy and Germany. These experiences have been fundamental and will be referred to again.

In the second place, war and revolution resulted in a wholesale shifting of sovereignty in Central and Eastern Europe. Finland and the three newly created Baltic states of Estonia, Latvia and Lithuania moved politically and economically out of the Russian system and drew co-operatively nearer to that of Scandinavia. The Baltic states, inheriting little more than a battlefield, set out to build a national economy on the principles of co-operation, while the Finnish movement, already strong, found itself free of the last vestiges of imperial restraint. Poland also reappeared as a political entity with a national life to reconstruct. The co-operative issue, however, was not so simple. Where before the war Polish co-operative movements had existed in Germany, Austria and Russia, the new Poland contained not only two Polish movements of different origin and somewhat different principle, but German, Ukrainian and Jewish unions, to the first two of which at least national consciousness lent just that devotional impetus which had sustained the Polish movements in their days of servitude. Much the same thing happened in Czechoslovakia, Rumania and Yugoslavia, the other Eastern beneficiaries of the Peace Treaties. A strong Czech co-operative movement contracted a union, more or less congenial, with a small Slovak group and with the Ruthenian and Slovak sections of the Hungarian co-operative movement. Distinct from this, though within the same national boundaries, were the German-Austrian societies, cut off from their allegiance to Vienna, together with a small Polish group. In Rumania, German, Magyar and Jewish minorities maintained their own co-operative movements. In Yugoslavia, besides the movements of the Serbs, Croats and Slovenes, whose names gave its original title to the State, there

was a small but coherent German movement. The limited territories of post-war Austria and Hungary, reduced to unquestionable racial unity, were untroubled by minority movements. The same may be said of Bulgaria, where the small Turkish population was without economic consciousness. Greece, on the other hand, not hitherto a highly developed co-operative country, was confronted with the vast problem of the refugees from Asia Minor, and thereby with the opportunity and perhaps the necessity for co-operative action. Minor alterations of frontier have carried the German co-operative movements of South Tyrol and Alsace-Lorraine into the Italian and French systems, in which, however, unlike their Eastern counterparts, they have been more or less completely merged.

The changes in sovereignty have themselves had secondary consequences of an economic character. A network of tariff barriers have been set up, often at what are economically the most disastrous points, cutting off industrial areas from their sources of supply, agricultural producers from their markets, and those engaged in turning out finished products from their raw materials. At first the motive was not only a theoretical craving for national self-sufficiency ; most of the new states set up house on borrowed money, and a " favourable trade balance " was necessary to meet the service of their foreign borrowings. The most marked effect, from the co-operative point of view, was the abandonment of agricultural specialisation and the interest of the State in improved and varied production and the education necessary to bring it about. Developments in this direction were modified by other influences, but before discussing them, it may be well to notice a last political factor—namely, the psychological effect of national self-confidence and a perfectly creditable ambition, which caused many of the new states—Czechoslovakia and Poland are obvious examples—to throw a wealth of energy and enthusiasm into the creation of a sound co-operative movement.

Striking as is the rearrangement of frontiers in Central and Eastern Europe, it seems probable that the land reform which accompanied and succeeded it will be of even greater importance in human history and in the development of co-operative institutions. Land reform is a wide term and covers everything, from timid experiments in the internal colonisation of Germany to the sweeping expropriation of Russia. It has affected fourteen countries and, it is calculated, 36 per cent. of the population and 25 per cent. of the area of Europe outside Russia. It was carried out, or at least initiated, in the five years between 1917 and 1922. Russia led the way, closely followed by Rumania. The conclusion of peace saw almost simultaneous legislation on the part of Czechoslovakia, Austria, Poland, Germany, Estonia

and Yugoslavia. They were followed by Greece, Latvia, Hungary, Bulgaria, Lithuania and Finland. As already noted, the change in Germany was slight. The revolution had been orthodox and moderate, and the power of the great landlords was only temporarily shaken. In 1933 the question was revived, but the law on heritable holdings changes the conditions of tenure rather than the distribution of land. In Hungary the land reform itself was a conservative measure and resulted mainly in a certain increase in medium-sized farms. In Austria changes were also slight, though reforms were probably less urgent there than elsewhere. In Finland the reform was sound, reasonably far-reaching, but gradual. Elsewhere, much more sweeping changes took place. Most of the great estates disappeared, sometimes utterly, sometimes leaving a core in the hands of the former owner or of some capitalist or co-operative exponent of high farming. All the rest went into peasant farms, sometimes as an addition to the existing plots, sometimes as entirely new holdings. Whole territories passed from a régime of great estates cultivated by something little removed from serf-labour, to a system of peasant proprietorship. Few of these changes outside Russia went as far as open expropriation; in most cases some compensation was fixed, but in the majority it was rendered nugatory by the depreciation of currency which immediately took place. The new proprietors paid some form of purchase money, usually spread over a number of years, but depreciation again relieved the burden. In most countries the law forbade the resale or fragmentation of holdings over a period of years.

The motives behind this great change were various. There were, in the first place, the age-long patent abuses of the old system—the great feudal estates, the liberated serfs turned cottars and labourers, the fragmentation of holdings on the fringes of latifundia, the abuses of tenancy. But an abuse must be ripe and rotten before it falls from the bough of its own accord. Even before the war, peasant discontents—in Rumania, for instance—were becoming active. The war and the revolution brought latent revolt to the surface. The peasant had aspirations; he had learned to combine and he had ceased to be afraid of authorities. Governments of a socialistic stamp might welcome such an awakening; others were afraid of it. The results were the same. Land reform might be either Bolshevism or a bulwark against Bolshevism. A motive that was perhaps closer to the foregoing than its possessors would have admitted was the promises made to soldiers in the armies of Eastern Europe. It had, however, one slightly divergent aim—that of creating a peasantry whose private "stake in the country" would make them quick to repel invasion. A different incentive and, on the whole, a less creditable one, was connected

with the existence of national minorities. Where the great landlords were not only economic oppressors but representatives of a once dominant alien race, the motives for expropriation were doubled. Moreover, when such estates came to be broken up, the temptation was strong to settle on them not the peasant compatriots of the expropriated nobleman, who might have, geographically, the best claim, but members of the once subject, now dominant, race, who might be invited to migrate from a considerable distance in order to carry on the good work of extending racial uniformity and weakening the minority. There were other local motives—the nationalisation of forests helped the revenue of the State ; a diversity of tenures, nearly all oppressive, was an elementary argument for reform in Yugoslavia ; Greece was overwhelmed with refugees.

After 1922 the revolutionary wave seemed to have spent itself, and there was a certain reaction. Some of the reforms in progress were modified or pigeonholed. Nevertheless, European land reform was not quite at an end. Even in countries which had suffered a counter-revolution, such as Italy and Germany, certain measures of internal colonisation were initiated. What is perhaps the final shock of the revolutionary series was felt in Spain, and, until the revolution itself was disputed, a land reform seemed one of its more certain consequences. In the Scandinavian countries, in Holland, and, according to good observers, in France, there has been a general tendency towards smaller holdings and more frequent ownership, sometimes State-aided in a cautious way. It has been accompanied, however, by an increasing burden of mortgages.

The effects of this change on the co-operative movement, actual and potential, have been various and profound. In several countries, prompted either by theory or the need to improvise machinery, an attempt was made to transfer land, not to individuals, but to village communities or co-operatives. In a few countries—Rumania, for instance—the method justified itself as a temporary expedient, but it rarely became permanent. The Russian collectivisation belongs to a later period and will be discussed separately. Credit for land purchase was usually provided by the State, but in all countries where new holdings had been created, the demand for capital to equip them was pressing, not least because the reform had followed on a period of unexampled material destruction. In Germany the law forbidding mortgages on heritable holdings created a huge demand for personal credit. These demands were met through co-operative credit institutions, sometimes already established, often heavily subsidised and sometimes expressly created by the State. In addition, there was the actual provision of material equipment, calling for an extension of the services for co-operative

supply of requirements. Further, with the change in the unit of cultivation, came also a change in the unit of manufacture and marketing. One obvious instance was the transfer of distilleries on private estates to a co-operative society of the new settlers. The formation of marketing societies was slightly more complex, since no material plant existed to concentrate the handling of produce. It was found, however, that the bargaining power and transport facilities available to the larger seller could only be secured for the small by co-operation action. This process was complicated by a change-over in the actual use of the land. Sometimes this was dictated by personal considerations—the Rumanian peasant grew maize for his own use instead of wheat for export—and the general result was an improvement in peasant nourishment but a decline in trade. In other instances it was a direct result of the new frontiers and the new tariffs which made old foreign markets unprofitable or unattainable, or threw open new markets at home formerly supplied by some foreign producer enjoying favourable natural conditions. In others it was a deliberate attempt to raise standards of living, and incidentally taxable capacity, by more intensive cultivation. The general direction of this change was away from cereals and single-crop cultivation in the direction of mixed farming, intensive culture, animal husbandry, poultry and market gardening—the lines traditionally suited to small farms and the personal attention of the owner. Frequently, however, the change was less swift than circumstances seemed to demand or Governments desired, and here it was held that co-operation should supply not only the material means but the will and the knowledge. Lastly, in a number of countries land reform brought a great demand for rural houses, and here co-operative housing societies have played their part.

The change in the peasant mind was not due solely to the redistribution of holdings, fundamental though that was. The war as an initiation into the amenities of life may sound fantastic to England and the West, but it is nevertheless a fact that, through the war, thousands of peasants saw for the first time cities and lives lived in comfort and variety; they were also, at intervals, probably better fed and clothed than they had ever been before. Undreamt-of modes of life were exhibited to them; the peasant isolation was broken down; it became natural to act in crowds; mere village authorities ceased to inspire awe. It is difficult to estimate the exact extent of such a change, still more its continuance, though many factors, not least improved transport and communication, have come to prevent the old isolation re-establishing itself, but there is enough evidence for its existence for it to receive a place among the conditions of post-war co-operation.

Another circumstance which influenced the course of land reform but also had its direct effect upon the co-operative movement, was the wholesale depreciation of currency which took place throughout Central and Eastern Europe as well as, in a more moderate degree, in many Western countries. Its first and most obvious effects were on the credit societies. The war profits which they undoubtedly, if shamefacedly, received vanished like fairy gold. On the other hand, peasant indebtedness, including obligations for newly distributed land, was cleared as by a miracle. For a moment something like a clean sheet was achieved, but it was not to last. The dearth of capital equipment was not confined to the new holdings. Everywhere land had deteriorated, breeding stock had been slaughtered, tools had worn out and buildings had decayed. The peasant himself was short of food and clothing. It is true that there was general scarcity, a craving market and high prices. But agricultural production takes time and high prices were worthless when the currency depreciated so fast that the peasant had no time to transfer it from the urban customer to the seed merchant. The co-operative credit banks were helpless and they turned to the State. Sometimes the central bank had already fairly close relations either with the State or the national bank. Advances were arranged. The deposit basis of co-operative credit vanished. The inflation that followed was alarming, if inevitable. The credit societies were not only kept alive, they multiplied. But they were also demoralised. When the national currency was stabilised, some sort of co-operative purge—what is called in Germany a "*Sanierung*"—usually took place. The worst societies were gradually liquidated. The State bore most of the losses, which was, perhaps, just, as the sums involved were the product of state inflation. A régime of relative soundness was resumed. The credit societies and sometimes other branches of the co-operative movement remained heavily indebted to the State, and only very gradually regained a measure of self-support. This is an important point for, as time has passed, the intervention of the State has not been limited to finance. Nor was interest in the co-operative movement limited to the national state, for the League of Nations subsidised the reconstruction of Austrian creameries and sent a Commission to advise the co-operative movement of Bulgaria.

Co-operation was important to the State because State funds were invested in it and it was a candidate for such investment largely because it was the most obvious instrument of agricultural progress and prosperity. Almost every European government has desired above all things a prosperous and peaceful peasantry, a sufficient variety of agricultural productions to make the country self-supporting, a sufficient volume to permit of export

and the payment of foreign debt services, and on all economic effort a sufficient cream for the tax-gatherers' ladle. The State could do much by subsidy and by education—often lavishly given through agricultural schools and peripatetic experts—but it was held, and held rightly, in spite of the example of Denmark, that such encouragement would be valueless or dangerous without a legal basis for the proposed organisation. Hence the outburst of co-operative legislation which characterised the post-war decade.[1]

THE AGRICULTURAL CRISIS OF THE 1930'S

The aspect of agricultural co-operation in Europe in the middle and latter nineteen-twenties seems in retrospect almost paradisial; the destruction of the war repaired, the violence of actual revolution spent and the asperities of revolutionary systems gradually softening, the dislocation of the land reform and currency changes succeeded by a new stability, Governments favourable, co-operative movements re-establishing themselves in their old positions and extending in all directions into new. But the situation was not as favourable as it looked at the time. Post-war agriculture had been confronted with a dearth, and its first effort was to increase production. National ambition reinforced that effort and scientific invention enlarged its scope. Mechanisation, electrification, improvements in fertilisers and the choice of seed were all eagerly exploited by the co-operative societies. But when the first rush to stave off famine was over, it was discovered that Europe was not alone in her own fields. The New World had accepted Canning's invitation to redress the balance of the Old, and had weighed down the scale with wheat and meat, butter, cheese and fruit. The process was not, of course, new, especially to England, but it was intensified, and to much of Central and Eastern Europe it came as a painful shock. The threat to the newly acquired standard of life of the European peasant was all the more serious since emigration to the overseas countries was being rapidly blocked. The course of events was strangely invisible to contemporaries. As late as 1928, when the crisis of industrial "over-production" was already apparent and widely attributed to scientific improvement, it was still not apprehended that agriculture was travelling the same road. It was even seriously suggested that it was in the very nature of the crisis that industrial production was expanding while agricultural production was stationary. That judgment has proved mistaken, and to-day there are those who would urge the contrary proposition and point out that, whereas

[1] See *Digest of Co-operative Law at Home and Abroad*, Horace Plunkett Foundation (1933), and summary statement of the present position in *Plunkett Year Book* (1938), pp. 21–2.

the industrial producer can close down a factory and suspend the labour of thousands, the peasant, especially the peasant proprietor, has no choice between production and suicide. As prices fall, he will, if left to himself, increase, not curtail, his output, thus aggravating still further the condition he seeks to alleviate.

The organisation which the co-operative societies had created stood them and their members in good stead throughout the crisis. Broadly speaking, it survived the strain admirably. A fall in the turnover of marketing societies was a reflection of prices rather than any fall in volume. A more serious reduction was in the turnover of requirements societies, where economies in the use of imported feeding stuffs and fertilisers, and deferred replacements—the peasant's answer to low prices—caused an actual shrinkage of business. The credit societies probably suffered most, especially in Eastern Europe, where the post-war demand for capital, most of it legitimate enough, had already strained the Raiffeisen structure and technique to breaking-point. Now the credit societies had to meet a falling off in deposits as well as in the repayment of loans, which was not fully offset by a slowing down in the demand for credit. The whole position was not infrequently rendered more acute for the co-operative movement by the well-meant intervention of Government on behalf of rural debtors. In many countries some form of moratorium or debt consolidation was attempted which, while it might help the individual peasant, bore as hardly on the co-operative credit society as on the most rapacious money-lender. This in turn was sometimes offset by increased State aid to the co-operative movement, so that in many countries the progress towards co-operative self-support was once more arrested.

By 1937 the worst of the agricultural depression was past, and debt relief less urgent than it was. No general attempt has been made to estimate the effects which such measures as have been taken have had either on the individual peasant or on his co-operative organisations. That the co-operative banks in certain countries will remember their alarming experiences of frozen credits, and in future pay more attention to the liquidity of their deposits, seems obvious and salutary. The intervention of the State has been in general unwelcome, even when it has been recognised as inevitable. One form of it, which has not yet been mentioned, seems at first sight to have no connection with debt relief. There is little doubt, however, that the two are associated. Since the State had become an investor in agriculture on a grand scale, either by lending to or guaranteeing the debts of co-operative societies, or through direct assumption of peasant liabilities, the prosperity of the peasant had become of something

more than political or even fiscal importance. The State was in the position of the banker who has lent large sums to an insecure business. If the sums are too large to lose, he will virtually run the business himself. So the State in many European countries stepped in to run agriculture, at least in its cash-producing, commercial aspects. The wheat controls, dairy boards, import and export monopolies of Europe, have at least one root and probably their longest and strongest, in the responsibility that the State assumed for the debts of the peasant. Whether State trading, unlike the commercial control of the banker, will be prolonged after solvency has been recovered, remains to be seen.

The crisis in itself was indeed primarily a marketing crisis and its effects on the position of debtors and creditors were really secondary. It is hardly in doubt, though perhaps not susceptible of proof, that co-operative organisation has attenuated the effects of the crisis for its members and even for their fellow-agriculturists outside the movement, and that without it the effects would have been more disastrous than they were. This may be true, but it does not alter the fact that the most successful co-operative movement cannot maintain prosperity in the face of an impossible maladjustment of world prices and supplies. In fact, it has been the effects of the crisis on world agricultural trade in general, and especially, perhaps, on that section of it which still lies outside co-operative control, which led to the most striking alteration in the conditions of co-operative enterprise. This is equally true where the underwriting of peasant debts was not the proximate cause of State action.

In all countries the crisis became the concern of Government, but of Governments so familiar with the co-operative idea in agriculture that they could conceive of no solution in which co-operative methods did not play a part. More conclusive still, the existing co-operative movements provided that substructure of local organisation without which national schemes could not have been rapidly erected. The conclusion is gratifying to co-operators, but it may also be embarrassing. The earliest moves in the new economic strategy were extra-European. In Europe they first showed themselves in the questionable form of official grain levies in Eastern Europe, carried on through co-operative institutions. As the crisis unfolded, more legitimate schemes of State marketing on quasi-co-operative lines appeared in Western countries, curiously enough just in those countries which had escaped the agrarian revolution and the more pressing problems of the war crisis, and in which co-operative societies had always been least dependent on State banks and Government departments. The English agricultural marketing schemes date from 1933 and their first effect was to check voluntary

co-operative effort. Somewhat similar schemes in Northern Ireland, Norway and Sweden were rather the coping-stone of a pre-existing co-operative structure. These were in the main dairy and bacon schemes as was the most notable of the German experiments, which used existing co-operative institutions and hurriedly multiplied others to form part of a State-controlled system. Grain was handled similarly through the Danubian Basin and in France. Here co-operative societies—often of long standing, sometimes newly created—not only supplied the local machinery of collection but also, through their federal bodies, secured representation and not infrequently a dominant position on the national marketing board, sometimes collaborating there with the representatives of consumers' co-operation. Such organisation had in general an economic purpose springing from the crisis, but in some countries the theoretical desire to see all national life conform to a central plan and the practical desire to make that plan serve political and military ends, contributed to its creation and maintenance.

These were the effects of the crisis on the co-operative movements of countries where the economic system was still in a general way capitalist. In Russia, where political theory and economic necessity react even more frankly on one another, the period of economic stress saw the initiation and completion of the first Five Year Plan, which in agriculture meant the replacement of peasant proprietorship by collective farming. This in turn carried with it the complete supersession of the old co-operative credit, marketing and supply societies, whose functions were merged in the collective system, itself locally co-operative, though subordinate to a framework of State control. Only the rural consumers' movement survived unaltered.

It is still impossible to tell the future of the contemporary mingling of co-operative and State institutions. At one time it seemed as though compulsory co-operative marketing, with the State behind it, might supersede the old voluntary system, especially since, parallel with this movement towards State co-operation, went a certain distrust of the voluntary movement, naturally strongest in those countries where all voluntary effort is suspect. It seemed possible that the two movements might persist as rivals, or even that State marketing might lapse with the crisis which called it into being. In fact, none of these things has happened. Rather co-operative and State action in this field have coalesced. The balance of the two elements, the strength and probable durability of the amalgam, have varied from country to country, but for good or ill, the co-operative movement has been supplemented by a new economic form whose powers, even though not yet fully exploited, are, in the national sphere, obviously greater than those which a voluntary

movement can normally exercise. In the international sphere, on the other hand, bodies so essentially bound to national interests suffer limitation from which the old voluntary movements were free, a fact of which the co-operative movements of many countries are themselves not unaware. Indeed, in considering these systems as they develop, not the least interesting speculation is concerned with the relative strength of the co-operative and the nationalist motive in their composition and the effect of such inner qualities on their survival and their value.

Agricultural Co-operation To-day

A roll-call of the co-operative movements of Europe may be tedious; a classification may be misleading. It is possible to discern certain groups, but they have indefinite edges and internal divergences while certain countries seem to defy classification. The credit movement of Germany has been one well-head of co-operative inspiration and from it fertilising streams have spread over the greater part of Central and Eastern Europe as well as farther afield in Asia and America. Though in the last few years the credit movements may have been reduced to a passive rôle and the initiative may have been transferred to the newer and less handicapped marketing societies, nevertheless throughout Germany and the Danubian lands, in all the new small States which once formed part of the Austrian and Turkish Empires, it is the credit movement and the Raiffeisen spirit which underlie the whole co-operative structure. All these States are heavily marked by the effects of war, political change, agrarian reform, inflation, and racial diversity. In Western Europe only Belgium, and in a lesser degree Italy, might perhaps be assigned to the Raiffeisen group, and they are marked off by differences of emphasis—in Belgium confessional, in Italy political—which give them a quality of their own.

The second main group does not derive from any single founder, though the words Denmark and Dairying may serve as preliminary labels. It covers the Scandinavian countries (including Finland), Holland, Switzerland and the British Isles. Poland and the other Baltic States lie geographically and economically between central Europe and Scandinavia: their co-operative status is marginal, but the trend would seem to be in the direction of the northern dairy group. The common characteristics of the group are well established and self-reliant agriculturists, relative freedom (except in the Baltic) from the effects of war and its *sequalæ*, independence of the State and a preoccupation with processing and marketing coupled with indifference to or limited interest in credit.[1] It is worth noting that credit is a

[1] Except in Holland, whose credit and marketing are equally strong.

pre-war movement which in the Raiffeisen countries stood almost alone. Since the war it has done little more than hold its own in these countries without spreading, until quite recently in Finland and Sweden, to the countries of the marketing group. Marketing on the other hand has both developed in its original home and spread rapidly elsewhere. Outside both these systems stand France and Russia, France because although credit is basic it is not of the Raiffeisen character and the part played by the State and the agricultural syndicate are unique,[1] and Russia for the much more fundamental reason that the agricultural system is collective, not individual, and the sphere of co-operative action therefore quite other than in the rest of Europe. Of Spain it is impossible to speak, though the old and somewhat rudimentary system had affinities with Belgium, while later developments seem to have been borrowed from France.

THE NORTHERN DAIRY GROUP

DENMARK.—Denmark has long presented the type of successful co-operation in agriculture. Its strength lies in the marketing of dairy produce and the economically allied bacon and eggs, but such organisation has been buttressed with highly efficient societies for the supply of agricultural requirements, with consumers' stores, insurance, stock-breeding, milk control and testing societies. The characteristics of the Danish movement are its high degree of specialisation (no societies undertake more than one function, few handle more than a single commodity), the profoundly voluntary character of the movement, the absence of legal form, state control, or, except in the case of stock-breeding societies, the smallest approach to state subsidy and the consequent high demand on the loyalty of members and their readiness to bear responsibility. No co-operative law exists in Denmark and, legally speaking, societies are mere unregistered groups of individuals. In every case they began work on capital borrowed from banks on the security of their members' unlimited liability, afterwards setting aside year by year from the proceeds of trading, funds with which to pay off the banks, depreciate property and establish reserves. In the meantime, the stability of the society was assured by the pledge, loyally observed of all members, to do all their business through the society. Prudent management and constant attention to quality (which in the case of the marketing societies meant the application of research and discipline to raising the level of every members' production) have done the rest.

[1] But they have influenced Sweden and would seem to be influencing Spain.

Danish dairy-farming is not the grassland dairying of Ireland or New Zealand, but is based on arable farming and a heavy import of feeding stuffs. Bacon and eggs are interlocked, since the dairies make only butter and pigs are reared and fattened on skim milk from the dairies. As a result milk flows throughout the year almost with the regularity of an industrial product, and many of the selling problems of the grassland dairyman are avoided. Eggs, of less account co-operatively, are the natural subsidiary to this scheme of production which has been built up over two generations on the expanding demands of the English breakfast-table. There are to-day (1937) 1,362 co-operative dairies and sixty-two co-operative bacon factories receiving over four-fifths of the milk and bacon pigs of Denmark. They have their own national federations and in the case of dairies also district associations. Both mark their products with the famous Lur brand, first adopted (in 1900) by the creameries as the privilege of voluntary inspection and control, later made compulsory by the State for all exported produce.

Export is indeed the main preoccupation of the Danish dairy and bacon societies, and until the slump of 1930–35 accounted for over 90 per cent. of their output. The dairies have eleven export societies, the bacon factories a single Danish Bacon Company selling on the London market. Actually there is more unity in dairy selling than this would suggest. A committee in Copenhagen, which includes private butter manufacturers and dealers, fixes the price of Danish butter at the beginning of every week. This price may be modified more than once, according to the ease or difficulty with which sales are effected, but the rule is that all stocks must be cleared by the end of the week. As a result Denmark has avoided the cold storage and speculation which are not only costly but damaging to the reputation of the butter of any country which practises them for long. The price and reputation of Danish butter on the English market have both remained even through the period of slump. The English bacon quota came as a grave blow to the Danish bacon industry and it was met, characteristically, by a tightening up of co-operative machinery. Production was severely rationed both by factories and by individual producers, and all sales, whether private or co-operative, were put under the control of the Union of Danish Co-operative Bacon Factories, which had formerly been occupied with the purchase of factory requirements, insurance, stock improvement and consultative services. These measures required legal backing, which made a first and deeply resented breach in the voluntary character of Danish co-operation, but they restored bacon prices to a level which made production worth while.

Stock-breeding, cow-testing and insurance societies are all

co-operative in form and subsidiary to the co-operative dairy industry. The supply movement is superficially complicated, since a strong rural consumers' movement handling agricultural requirements exists side by side with a group of societies selling requirements alone and with others which confine themselves to one group of commodities, such as feeding stuffs, or even to a single commodity, such as coal, cement or lime. One federal society sells only tested seeds produced by its own members, and there is a tendency in all cases for wholesaling to be the work of a single-commodity society. Formal specialisation is balanced by informal integration. Local requirements societies work in close alliance with dairies, committeemen double their parts, and in the rather rare cases when a member takes unduly long credit for feeding stuffs, he will find his debt has been paid by the creamery from money due to him for milk. Credit on the Raiffeisen plan has played no part in Denmark, nor have State advances, except for a short period when Land Loan Societies were initiated. Credit banks modelled on the German *Landschaften* (mortgage banks) have existed since 1850. Farmers are the principal investors as well as the recipients of loans on mortgage. Recently a few village banks have been founded and financed, in part at least by rural consumers' societies, but they are of secondary importance.

Danish agriculture, highly capitalised and highly specialised, suffered more from the slump than Danish co-operation, which had more than enough financial flexibility and managerial skill to adjust itself to a new price level. The shrinkage in the world market, and especially in the English and German markets, have faced Danish farming with a new problem, and though the last year has once more seen prices rise, it seems doubtful if the industry can ever again rely so completely or so confidently on its foreign earnings. For the first time in half a century the Danish consumer is becoming of serious importance to the Danish farmer.

NORWAY.—Norway, like Denmark, is a dairy country and a country of small family farms. But it is less overwhelmingly agricultural than Denmark. Seafaring, fishing, forestry and the industries which derive from it occupy an important place. Fertile land is scarce. As a result there is little agricultural export, and the tendency is towards national self-sufficiency and a balanced economy. Tariffs, a state grain monopoly and other measures have secured a high internal price level and a general high standard of living.

As in Denmark, the agricultural co-operative movement is the work of unregistered groups backed by no special law and is mainly an affair of dairy marketing and the supply of requirements. If it has not gone so far as in Denmark, it is largely

because the country is broken, mountainous and thinly populated and lack of communications, especially in winter, have held up organisation. In methods of finance, obligations of membership and safeguards of quality, the Norwegian dairies resemble the Danish. But since there is no specialisation for export, they are more varied in their function, selling perhaps half their milk liquid to consumers in towns and villages and manufacturing a quarter into butter and the remaining quarter into cheese. They do not claim to handle more than 40 per cent. of the liquid milk of the country, 13 per cent. of the butter and 90 per cent. of the limited cheese output. Of the rest, by far the greater proportion goes direct from the farm to the consumer or at least the retailer. The local Norwegian dairies are smaller than the Danish, but they have strong regional federations, notably that selling liquid milk in Oslo. In 1930 the fall in world prices and the resulting threat to Norwegian standards brought about a review of the whole dairying position and the introduction of a statutory milk-marketing scheme which resemble the English scheme in that, though not strictly compulsory (suppliers join voluntarily for five years) it involves strict control and introduces the principle of price equalisation as between liquid and manufactured milk, but differs from it in that it is based on the existing system of co-operative creameries. Price regulation and equalisation are carried out through district milk centrals, the members of which are individuals, not creameries, and their function is to register and supervise existing contracts and if necessary to take care of surplus. The problem of the world price and its effect on the home producer which so increased the difficulties of stabilisation in Great Britain has in Norway been associated with the difference between winter and summer output (which is much greater than in Denmark) and the need once felt to export in the full and import in the lean months. This problem has been relieved by the Co-operative Creamery Export Society which, with the help of a State loan, has turned from export to cold storage, a development also taking place in Ireland.

The pig industry (which in Norway means pork rather than bacon) has gone through a somewhat similar process. Ten co-operative slaughter houses have been supplemented since 1931 by a Norwegian Meat Central having both individual and collective members, who are free to make local sales but pledged to make all sales outside their own district through the Central. The Central has the general duty of rationalising meat production, improving standards, cutting out competition between slaughter-houses and providing for export and cold storage. Membership is not compulsory, but in fact at least 90 per cent. of Norwegian

pig producers joined it in the first few months on the basis of a five-years' contract.

As in Denmark, co-operative marketing of eggs comes as a rather poor third after dairy and pig produce, though local egg circles and district associations handle a considerable volume of eggs on sound lines. As in Great Britain, a national marketing scheme has been discussed, but has not found favour with the producers. Fruit, vegetables, timber, honey, wool and the wild berries of the mountains all find their way into co-operative marketing societies. Some of them through a highly efficient auction mart on Dutch lines held in Oslo.

The societies supplying requirements are in general structure much like their Danish counterparts, but they lack the peculiar feature of single commodity wholesaling or manufacturing societies, substituting the more ordinary system of regional wholesales selling through local societies, which are little more than depots. At least three-quarters of the Norwegian consumption of fertilisers and feed is thus distributed. For the Danish link between requirements societies and dairies is substituted a similar link between requirements societies and the local savings banks, which automatically deduct members' debts for requirements from their current accounts at the bank. These savings banks, numerous throughout Norway, have much the character of co-operative institutions, but they are fairly closely controlled by the State and are never looked on as forming part of the co-operative movement. There is a strong consumers' movement with many rural contacts.

SWEDEN.—Geographically, the south of Sweden is like Denmark and the north like Norway, but the national economy is more industrial than that of either. Nor is the agricultural system identical, for though dairying and small-holding predominate, there is in the south a region of large-scale arable and mixed farming. Prosperous industries, backed by tariffs and similar devices have helped to maintain a high price level, but agricultural produce exceeds demand and there is a small surplus for export. Perhaps owing to easy marketing and the larger scale of farming, co-operation, although supported by the Swedish equivalent of the English National Farmers' Union, (the General Agricultural Society of Sweden), subsidised by Government and facilitated by a definite co-operative law, was for many years neither a spontaneous nor a wholly successful movement. Several attempts, of which the most sustained took place during the war, left the country with some 6,000 societies, but of these at least half were concerned with the supply of electricity or the hire of threshing tackle. Requirements societies were numerous but without leadership or central trading organisation, and there were several hundred fairly

flourishing dairies, but local credit societies languished after the collapse of a short-lived central bank.

In 1930 the Government, spurred on by the slump and supported by the farmers' organisations, entered upon the reorganisation of agricultural co-operation. The lines selected were credit, supply of requirements and the marketing of produce. Credit is thus brought into greater prominence than in the other Scandinavian countries and is definitely linked to the State. The system is described by the Head of the Division of Agricultural Co-operation in the General Agricultural Society of Sweden thus:

> The system of co-operative secondary and working credit is based on local credit societies (with limited liability) which co-operate in regional and district federations. These federations are in turn co-ordinated in the Swedish Federation of Credit Societies, a kind of semi-State institution. The objects of this Federation—which are outlined in a State Decree—are: (1) to borrow money from commercial banks, savings banks or other credit institutions to meet the capital needs of the districts, (2) to control the whole credit organisation, (3) to promote the co-operative credit movement in general. The State is represented on the Board of the National Federation. The loans negotiated by the Federation are in the first place guaranteed by the members, and in the second place by the State up to 45 million crowns.

The same principle of three-storey organisation, local, regional and national, was adopted for the reorganised supply of requirements and the National Union of Swedish Farmers (the Central Wholesale) can dispose of considerable State credits. Regional societies also borrow from local savings banks. In the local societies shares and votes alike are proportioned to acreage, liability is limited, the member accepts a five-years' contract to purchase and considerable credit is allowed, the object being to conform to custom and to relieve credit banks of the smaller class of short-term loans. An interesting development is the collaboration of the National Union with the powerful and enterprising consumers' co-operative movement. The two bodies jointly own a lime society and one for the preservation of green fodder by a new Finnish process and the agricultural movement leases a superphosphate factory from the consumers. Requirements societies also handled bread grains, in which Sweden has made herself practically self-supporting, and State loans are available for the building of elevators and have been widely used. A series of extremely interesting agreements (described above pp. 440–4) cover the whole range of inter-co-operative relations, actual and potential.

The credit and requirements systems of Sweden with their centralisation and State aid, are perhaps nearer to the French

than any other European system. With marketing, the Scandinavian pattern re-emerges, even though coloured by other conceptions. The butter-making dairies and slaughter-houses of Skåne, in the south, with their export federations and their preoccupations with the English market, at bottom differ little, except in legal points, such as the prevalence of limited liability. from their Danish rivals. In the neighbourhood of Stockholm and other towns there are dairies—often a federation round a central creamery—engaged in supplying liquid milk, as in Norway. In Stockholm a federation of this type (the Stockholm Milk Central) both retails itself and sells to the consumers' movement. In Malmö, supplies are handled by a company in which shares, voting rights and profits are divided equally between producers and consumers.

The drift, however, has been towards centralisation and authority. First the National Dairies Association set up district boards with the object of centralising milk contracts, one agent being appointed for all milk sales other than for purely local distribution. In 1932 a scheme of price equalisation was introduced, not unlike those of Norway and Great Britain but more authoritative than the former and more co-operative than the latter. In 1935 the National Association took over practically all Swedish butter-exporting firms, co-operative as well as private, and gathered the whole trade into its own hands. In 1933 and 1934 the existing slaughter-houses were supplemented by a number of new organisations federated for purposes of home marketing, though export remained untouched. Egg societies were federated regionally and nationally and the channels of trade cleared and straightened. Fruit, vegetables and timber are marketed co-operatively, but lie outside the field of recent state reorganisation.

ICELAND.—The ancient Scandinavian colony of Iceland has developed in the last fifty years a general purposes co-operative movement suited to its big sheep farms, scattered population and difficult communications. Societies, usually established at the calling points of steamers, supply foodstuffs, clothing, building materials, coal, agricultural machinery and so forth, and market wool (the principal agricultural product), frozen and salt mutton, fish, ponies, hides and skins, eiderdown and cod-liver oil. There are a few dairies selling on the home market and the Wholesale Federation which unites all societies runs refrigerating plant and a woollen mill as well as a co-operative school and the usual supervisory services. There is no credit movement because there is no credit problem which cannot be dealt with by the virtual barter methods of the general purposes societies. In recent years a promising beginning has been made with the co-operative organisation of the fisheries.

FINLAND.—In Finland, though economically the Scandinavian pattern continues with dairy marketing, rural consumers' societies and subsidiary credit, the peculiarly Central European characteristic of the national minority appears for the first time. Finland was once a national minority in the Russian Empire, and when the co-operative organising and educational society, *Pellervo*, called after the ancient Finnish god of fertility and good harvests, was formed by Hannes Gebhard in 1899, it was inspired as much by the ideals of national regeneration as by those of co-operative economics. Now that Finland is free, the existence of a Swedish minority with a long-standing co-operative tradition of its own has led to a sub-division of the movement into a large Finnish-speaking and a small Swedish-speaking section, co-existing on friendly terms. Finland is a sparsely-peopled country with wide stretches of mountain, lake and forest, some of which is to-day being reclaimed for agriculture. Small peasant holdings are the rule and are being extended; dairying predominates, but there is arable land in the south and three-quarters of Finland's bread grains are home grown. Considerable progress has been made with electrical development, though post-war depreciation and the dearth of capital have been a drag on all industrial development as well as on co-operative progress.

At least four-fifths of the dairy industry is co-operatively organised, substantially on Danish lines, and most of the produce is exported. The marketing of pigs, eggs and timber is similarly, though less completely organised, and the various commodity organisations have their own national federations. The important rural consumers' and requirements movement are not, as in other Scandinavian countries, separate, but fused, though fusion in the local store is combined with specialisation at the centre, where separate wholesales handle domestic and agricultural supplies. The local stores are in some measure purchasers from their members, and accept grain (for which elevators have been built), hay, eggs, farm butter, meat and vegetables, which they resell through the Wholesale, either to societies in districts where there is a deficiency, or to the separately organised urban consumers' movement—the "progressive" as distinct from the "neutral" or rural organisation.

Credit co-operation was introduced by Gebhard on strict Raiffeisen lines since modified in several directions, but it was developed from the top down, a central bank preceding the formation of any large number of local societies. Perhaps for this reason, though it has created numerous societies and done good work, especially in districts of new and reclaimed holdings, it has never been fundamental to the Finnish movement nor such a characteristic development as the dairy and consumers'

movements. About one-third of its resources come from deposits and the remainder from State loans. On the other hand the Finns have shown themselves inventive in applying co-operative principles to a wide range of activities—insurance (particularly fire insurance so important in a country of timber buildings), stock-breeding, hire of machinery, electrical supply, forestry and saw-mills, flour-mills, peat-litter marketing, bus and ferry services.

POLAND.—Historically, Poland and the Baltic States have much in common with Finland, since they all emerged at the close of the war from the shattered Russian Empire into renewed national life. Since the partition of the eighteenth century, Poland has had Prussian and Austrian as well as Russian masters, but in 1919 its three severed fragments came together as in the magical resurrections of legend. Each brought with it its own co-operative movement, coloured by the habits and prejudices of the dominant state, based on its legal system. Moreover, frontiers were not drawn—perhaps could not be drawn—on strict ethnographical lines, and the co-operative movements of national minorities found a place, willing or unwilling, in the new state. The result was for many years a bewildering multiplication of co-operative types and co-operative authorities. Not until 1935 did prolonged negotiations result in the formation of a single national union embracing all but certain self-contained German groups and the rural consumers' societies of the Ukraine, which have developed rapidly under the stimulus of national consciousness and political enthusiasm.

The region which was once Prussian Poland was the actual scene of Schultze-Delitzsch's labours, and the movement which developed there before the war was based on the large banks, the strong requirements and marketing societies, the industrial affiliations and the general spirit of unsentimental commercial probity which is characteristic of Schulze-Delitzsch co-operation. In Austrian and to a lesser degree in Russian Poland, the Raiffeisen type prevailed, and small village banks and Christian principles were the strength of the movement. Requirements societies were weak but there was the beginnings of a dairy movement. The war, the devastation of actual battle, and the confusion and monetary depreciation which followed, almost destroyed the old Polish co-operative structure, though a kind of legal and spiritual matrix remained to shape the resurgent movement. The new national government was generous with legal, financial and educational assistance. Credit and requirements societies were both reconstructed in large numbers, but they had little time to establish themselves on a solid foundation before the slump came to freeze co-operative credits and bring heavy losses to all but the strongest requirements societies.

To-day it is in the comparatively new enterprise of co-operative dairying and to a lesser extent in the marketing of meat, grain and eggs that the strength of the Polish movement lies. Even during the years of the slump, the dairies, making butter and a little cheese, advanced rapidly in numbers, membership, output and especially export, till in 1936 they accounted for just on 90 per cent. of the total butter exports of Poland. It is the dynamic character of the Polish dairy movement and its preoccupation with export and in particular with the English market, that seems to bring Poland into line with Scandinavia rather than with her old national overlord and co-operative instructor, Germany.

THE BALTIC STATES.—It is the same with the smaller Baltic States of Estonia, Latvia and Lithuania. Before the war the co-operative movement of the Russian Baltic provinces was based on a state-aided credit system which would have suggested affinities with Central and Eastern Europe. Their post-war development has, however, been strongly in the direction of commodity marketing, especially dairying, while their whole economic life has come to flow westward rather than eastward, so that it seems better to assume that the future will see them ranged with the Scandinavian rather than with the Raiffeisen group.

In all three countries more than half the population is agricultural. All three suffered a common devastation during the war, prolonged in their case until 1920. It was accompanied by the usual monetary collapse and followed by a drastic and salutary land reform. In most cases the old pre-war co-operative movement practically disappeared. All that remained of the Russian régime was a liberal co-operative law, a strange legacy of the Kerensky régime, still valid in the Baltic States long after it had been forgotten in Russia. A rural consumers' movement which also undertakes a certain amount of marketing (meat and eggs) was the first to re-establish itself, aided by famine conditions and the lack of ordinary distributive machinery. Credit banks were revived with generous state financial support and a measure of state control. Dairy societies are almost entirely a post-war creation and have made remarkable progress. In Lithuania they handle the total creamery output, in Latvia 90 per cent. In each country a central selling organisation exists and handles from two-thirds to practically the whole export of butter. Eggs, bacon, flax and potatoes are also marketed co-operatively in one or all of the three countries.

Perhaps the most distinctive contribution of the Baltic States to the theory and practice of co-operation has been the co-operative insurance societies, principally against fire. Some of the

urban societies date back to the middle of the eighteenth century. The rural societies came a century later but still show a respectable antiquity as well as remarkable vitality and success in solving the problems of insurance and re-insurance against one of the worst risks of a timber-using countryside, including preventive measures and the support of voluntary fire-brigades.

THE NETHERLANDS.—The Netherlands took their credit banks from Germany and their dairy marketing from Denmark. The supply of agricultural requirements developed naturally and spontaneously. Their original contribution to co-operation is the great auction marts for market-garden produce and, less universally, for butter and eggs. The whole movement developed late and has always been a matter of business rather than of idealism, or except in the Catholic South, of moral training. To-day it is one of the most successful and complete in Europe. The Netherlands are a country about twice the size of Wales with a dense population of over 8 million people, of whom one-third are supported by agriculture. Farms over 250 acres are rare. At least one-half of the land is farmed by small owners and the rest by tenants, who do not differ socially from owners. On more than half the farms there is no hired labour. Only in the big arable farms of Groningen, near the German frontier, do conditions approach to those of the big tenant farm of Eastern England. Elsewhere, except in the market gardens, animal husbandry on a basis of home-grown fodder is the prevailing system and dairying predominates. The home market and the German market have always been important, but the importance of the British market has been increasing in recent years. Like Denmark, the Netherlands have been virtually a free trade country. Unlike Denmark they have a great internal urban market and so had not the same inducement to organise agriculture for overseas export. The Netherlands adopted co-operation deliberately, after due observation of its success elsewhere, and proceeded to make it nearly universal within the space of a generation.

The financial skeleton underlying Dutch co-operation is exceptionally strong and well articulated. It might almost be looked on as the ideal expression of Raiffeisenism, for, escaping the war, the inflation and the political crises of Germany, it has remained solvent and self-supporting and has completely avoided either the assistance or control of the State. Credit banks on the pure Raiffeisen system of unlimited liability, voluntary management and loans on personal security exist in every village. In the aggregate, the credits given are more than covered by the deposits received from members and non-members, though a more detailed study shows the dairy-farming districts as persistent depositors, while the market gardeners

with their expanding demands for capital are constant but reliable borrowers. This diversity is provided for by two central banks, one non-confessional, the other distinctly Catholic, which act as clearing houses. These central banks are formed by the local societies on a basis of share capital and limited liability. In addition, the local and central banks and the co-operative societies have combined to finance two mortgage banks for long-term loans, and two special dairy banks and an agricultural bank have been set up to finance co-operative dairies and other co-operative undertakings, without over-straining the resources of the village banks, which are thus free to concentrate on personal credit.

The purchase of agricultural supplies is overwhelmingly co-operative and is well organised on a federal system. An international importing association, the " Inter-Co-op," has its headquarters at Rotterdam.

Dairying is not only the main resource of Netherlands agriculture but the principal industry of the country. All the national capacity for organisation has been lavished on it. The elimination of poor breeds and the establishment of herd books have been going on for a long period. Milk control has steadily improved the quality and quantity of milk produced. Butter and cheese control have raised the character of the manufactured article and increased its export. Co-operation for manufacture and marketing has gone side by side with these developments and through it the full benefit of technical advances has been secured to the farmer.

The distribution of liquid milk is in the hands of distributors or consumers' co-operatives. The producers are organised for collective bargaining, but it is in the manufacture of butter and cheese that farmers' co-operatives have reached a dominating position. The total output of cheese exceeds that of butter, and though the percentage of co-operative output is less, the aggregate is greater. Much of the soft Gouda cheese is still farm made, though there is an important co-operative selling agency. The hard cheese of Friesland is both made and sold by co-operative societies, members of the Friesian Export Union, most of which also make butter. Co-operative butter making is indeed universal throughout the country and a number of centralised selling agencies have been set up, some in the form of auctions, where societies too small to establish an individual reputation can dispose profitably of their output. Export is mainly to Germany and England, with a tendency for the weight to shift towards England as the German policy of self-sufficiency becomes more emphatic. Condensed milk is mainly in private hands, but one co-operative factory is maintained by a federation of cheese-making societies.

There are other commodities in which co-operatives handle the bulk of the trade—80 per cent.–90 per cent. of the potato-meal output (the product being starch for the textile industries), 65 per cent. of the sugar-beet output, handled through seven co-operative sugar factories, a considerable proportion of the egg output, first by way of auctions and then, when the product acquired a secure reputation, by telegraphic sales to distant buyers. It is indeed this co-operative selling which has changed Holland within a quarter of a century from an egg-importing to an egg-exporting country.

But the most distinctive branch of Dutch agriculture is market-gardening, which has grown greatly in recent years, with a remarkable extension of glasshouse cultivation. Between 1900 and 1930 the value of the output trebled and the value of the export increased even more. "This expansion has been based on small undertakings, specialisation, constant development and adaptation to changing conditions and on the fact that practically all marketing is carried out on a co-operative system."[1] Nearly all the new potatoes, cucumbers and grapes, as well as much other produce, are sold in co-operative auction sales, the property of the growers, which the buyers attend. The auction is financed by a commission on sales, the surplus being returned to members in proportion to sales. The procedure is the opposite of an English auction or a North American Grain Exchange. There is no auctioneer and no noise. The pointer of the dial moves down until it is arrested by the action of a buyer in pressing an electric button, which indicates his number on the dial face. The sellers do their own grading, and normally the stuff is sold from boats, which are poled through the hall in front of the seated buyers. Business proceeds with order and speed. Everyone can see what each parcel fetches and how it is packed. The Co-operative Auction Hall, with its trim tower, is a visible expression of quiet, corporate efficiency.

SWITZERLAND.—The inclusion of Switzerland in the northern group of co-operative countries may seem fantastic, but the conditions and structure of the movement are so much nearer to Scandinavia than to either France or Germany, that the classification seems justified. Switzerland is a small country with a high level of general education and prosperity and a long experience of democratic action. It is also in spite of strong industrial development an important agricultural country and a country of small proprietors. Agriculture produces nearly a quarter of the Swiss national wealth, and of that, nearly half is represented by milk and milk products. There is an export of milk, liquid and condensed, and of cheese, but until recently there was an import of butter.

[1] *Plunkett Year Book* (1931), p. 316.

Co-operative dairying in the form of the historic *fruitières* is of ancient date. Small societies of a more modern type multiplied in the early years of this century and were followed by federations for bulk sale and also for collective bargaining by liquid milk sellers. Cheese is the principal product and in contrast to Great Britain, the cheese price sets the price of liquid milk. Butter has only become important in recent years and behind the shelter of a tariff. The Swiss practice is for a society to be formed with unlimited liability which then sets out to obtain a loan, equip a small factory and lease it to a professional cheese-maker, who purchases milk at a rate fixed by the Central Union of Dairy Societies and manufactures the cheese. The Central Union in turn will purchase the cheese, also at a fixed rate, for export through the Cheese Union, a body in which shares and voting rights are held in the following proportions: Central (producers') Union, 45 per cent.; exporters (including one co-operative group), 45 per cent.; cheese-makers, 10 per cent. The system worked well till 1929, when the slump and the difficulty of selling Swiss cheese abroad brought with it the need for control, compulsory price stabilisation and the necessary subsidies, borne either by the taxpayer or in the form of levies by the consumers of liquid milk, or by the purchasers of imported feeding stuffs. Since the partial devaluation of the Swiss franc in 1936 and the general rise in world prices that began about the same time this recourse to compulsion and state aid has been somewhat modified. The co-operative sale of eggs has been progressing in recent years, aided by state decrees making compulsory the purchase of a proportion of Swiss eggs by importers. One or two other commodities, including a fair quantity of grain, are co-operatively marketed.

A distinctively Swiss contribution to co-operative practice is the highly successful federation of rural consumers' societies, with their wholesale depot and guiding centre at Winterthur. These are general providers, selling everything agricultural or domestic which the good farming and the high standard of living of the Swiss agriculturist can demand. They also purchase on a smaller scale, principally grain, wine and fruit. The whole complex and closely inter-related business has been built on unlimited liability, but so strong is it, that in celebrating its fifty years' jubilee in 1937, the central wholesale was able to release its member societies from all obligation and to continue to finance itself on its reserves and its reputation. In other parts of Switzerland there are societies on more usual lines dealing in agricultural requirements and grain.

Raiffeisen banks are fairly numerous in some parts of Switzerland, mostly on a Confessional (Catholic) basis, but their importance is less than in other countries, partly because other forms

of Swiss banking are reasonably well adapted to agricultural needs.

THE CENTRAL CREDIT GROUP

When Raiffeisen in Germany and, half a century later, Plunkett in Ireland, staked out the claim of agricultural co-operation, not even they could have seen the part which it would play in the formation of new national life. The war presented certain great areas of Central Europe with political freedom, and brought together peoples which had lived hitherto under different institutions. But all of them knew something about co-operation, and especially about agricultural co-operation. It served, therefore, as national cement. It provided a bond of union and of common service between the different parts of the new nation. By its aid the business of agriculture was restarted, at a time when revolutionary changes in land ownership were taking place. It is no exaggeration to say that the rural public of Central Europe has been held together by networks of tiny threads first spun on the banks of the Rhine by the great Raiffeisen.

GERMANY.—The basis of German agricultural co-operation is credit, but in Germany itself co-operation has moved as far from the early teachings of Raiffeisen as from those of its other begetter, the East Prussian magistrate and liberal parliamentarian, Schulze-Delitzsch. The agents of the change have been two, the great inflation and the National Socialist revolution. The evil period immediately after the war saw the movement floundering in a morass of unsound finance. It could hardly have been otherwise. Savings vanished leaving behind no more than an unsubstantial rustle of paper. There was a desperate cry for loans. Many (40 per cent. it was said) were unproductive. Many were made on personal security which by their nature should have been long-term loans secured on mortgage, only the credit societies did not admit mortgage and the mortgage banks did not admit small farmers. Credits on drawing account which before the war were only 58 per cent. taken up by 1927 were fully taken up and often overdrawn. The local credit society fell back on the provincial bank, the provincial bank on the Prussian Bank, the Prussian Bank on the State. In 1914 the provincial banks and even the Prussian Bank were primarily clearing-houses for local co-operative deposits. Deposits covered 41 per cent. of the funds of the Prussian Bank, shares and reserves another 37 per cent. Only 22 per cent. represented borrowings from outside. By 1927 the position had been almost reversed. Outside borrowing, chiefly from State funds, amounted to 75 per cent. of the total, deposits to little more than 6 per cent.

The whole structure of co-operative credit had become so

unsound that in 1927 it was reorganised with heroic thoroughness. The central Raiffeisen bank and certain smaller institutions were put into liquidation. The two rival unions (the Raiffeisen and Haas Unions of pre-war days) were amalgamated.[1] The Prussian Bank itself was reconstructed with increased state capital and was given much stricter powers of control, including control over the purpose of loans, as well as powers to convert personal liabilities into long-term mortgage. What emerged was a centralised, uniform system in three tiers, local bank, provincial bank, Prussian (now National) Bank, with the State paying the piper and discreetly calling the tune. It found a place for the trading co-operatives, local and provincial, for all of them were heavily indebted to their banks. It was not a system which would have delighted either Raiffeisen or Schultze-Delitzsch, but it worked. A remarkable recovery in deposits took place. Most of them were non-agricultural, and if a post-office savings bank had existed, it might have drained them away. Since it did not, the priest, the schoolmaster, the station-master, even the village grocer, remained faithful to the co-operative bank. Deposits, which in 1927 had been no more than 12 per cent. of the local banks' resources, rose by 1934 to something like 55 per cent., and outside capital fell in proportion. The deposit advance was not unbroken, for there were the lean years of the slump, beginning about 1930. The proportion of "own" capital (shares and reserves) rose steadily, and by 1930 was already higher than it had been in 1913, but the total working capital remained below the pre-war level and there was a continued slight fall in the number of societies and membership due to the weeding out of unsound organisations.

The second formative crisis in post-war German co-operation was different in character. It was not an internal economic catastrophe. It was an external political revolution which sought to assimilate the co-operative movement to a new or resurrected philosophic conception of society and especially of the State. "To-day German economic life rests on a co-ordination through the authoritative leadership of the State in which each sphere of economic activity and each organisation receives a prescribed field of action to which it is limited."[2] The old economic world, free or anarchic according to the point of view, in which co-operation might seek to extend itself by its own efforts, was gone. On the other hand the State, with far-reaching plans of economic control and co-ordination, was only too pleased to find ready to its hand the ubiquitous and ordered machinery of the co-oper-

[1] For years this amalgamation had been an obvious need and a practical impossibility. "Great is bankruptcy."

[2] *Plunkett Year Book* (1936), p. 337.

ative movement, which as a result of its post-inflationary reconstruction was already unified and broken in to a large measure of State direction. Moreover the new Germany, though it sought State absolutism, was, paradoxically perhaps, tender to the small business, and a movement which upheld the individual peasant economy was viewed with favour.

The agricultural co-operative movement passed almost immediately into a state department, becoming Section III of the *Reichsnährstand* (National Corporation of Agricultural Affairs), which includes every single person employed in any way in connection with agriculture. For a time it seemed as though the whole central organisation, including the auditing unions (originally established by the societies to avoid state control of audit), would be submerged. As a result, however, of a few months of actual experience, the need of releasing auditing unions was realised, and since April, 1935, the organisational and financial independence of the auditing unions as well as of all the other central organisations in the National Union of German Agricultural Co-operatives has been re-established. It is hardly complete independence, since (i) the directors of the auditing unions and the National Union are appointed by the State, not elected as of old, (ii) the State is represented on all boards and committees, (iii) the assignment of branches of business to co-operative societies as well as decisions as to the manner in which they are to be carried out, remain in the hands of the National Corporation of Agricultural Affairs, with full power to issue binding orders and take restrictive measures. The auditing services have been greatly extended and made the instruments by which is assured not only the commercial soundness of the co-operative society but also the faithful execution of the policy of the State. Any failure here may be punished by liquidation.

On the other hand, the legal structure of the individual co-operative society has remained practically unaltered. The control of policy being granted, all the fundamental co-operative regulations, voluntary association, self-government, the working of the managerial and supervisory committees remain as they were. Only certain forms of contingent liability have been legally abolished. The freedom of the peasant to enter an existing co-operative society, found a new one or remain outside the movement remains in principle untouched. But in practice, the State, by entrusting certain branches of marketing to the co-operative movement, has virtually forced certain agriculturists to found or enter a society.

The present position of the German co-operative movement can best be understood by studying the functional groups. The fundamental group is still that of the 18,500-odd credit banks, many of which also handle goods, especially agricultural require-

ments. These banks have always financed co-operative processing and marketing, and this side of their work has increased with the semi-compulsory formation of new societies, though here other banking institutions have been called in to help. The main practical problem, however, which the new régime has presented to the credit societies, is the financing of heritable holdings. Under the new inheritance law nearly two-thirds of the existing arable land has been registered as rural heritable holdings and has thereby been rendered practically incapable of carrying a mortgage. The owners of such holdings will henceforth be obliged to borrow on personal security only, even for long-term loans and capital investments. It seems unlikely that any financial institution, other than a co-operative society with State backing, will be able to lend to such people on reasonable terms and the whole intention is to throw them as far as possible on co-operative sources. The co-operative society will have other advantages besides State backing. Through its handling of agricultural goods or through close personal and financial interlocking with co-operative societies which do handle them, it will have a knowledge of the peasants' affairs and possibilities of prudent lending unknown to other institutions. In this direction a considerable extension of co-operative credit may be expected. It is not a wholly new departure, for the tendency to provide long-term credit on personal security has been there ever since the war. At first it was a doubtfully received expedient. Now an attempt is to be made to make it part of the regular working of the movement. Even apart from the heritable holdings, there is a movement to limit borrowing strictly to the co-operative bank and to exclude not only privately obtained loans but purchase of agricultural requirements from co-operative societies on credit. Advances on produce sold seem, however, to be admitted, at least in some cases.

With commodity marketing a different prospect opens. The old marketing movement, developing later than the credit movement, often functioned through regional general purposes societies. More recently specialised regional marketing societies on commercial lines were developing. Now the State has stepped in and has made the societies handling different commodities—dairy produce, wheat, fruit and vegetables—part or even the whole of a State-marketing scheme. The dairy societies in particular have been rapidly multiplied (3,300 new ones were formed, 1934–5) and under the new State milk regulations are becoming more and more a form of marketing monopoly for milk and its products.

Here, as throughout the agricultural co-operative movement in Germany, a structural and functional change is in progress, which

is not yet concluded and which will achieve for co-operation a completely different place in national economy from that which it has hitherto occupied.[1]

AUSTRIA.[2]—The influence of the German system of co-operative credit penetrated early to Austria, and Austria in the pioneering days of the movement meant not the knot of Alpine valleys which latterly bore that historic name, but an Empire stretching far east, north and south over modern Czechoslovakia and Hungary, much of Poland, much of Yugoslavia and a fringe of Rumania and Italy. Over this great frontierless area, the co-operative seed (trade mark Raiffeisen) passed freely, sometimes forwarded through Vienna, more often imported direct by national minorities anxious to owe nothing to imperial patronage. In some countries it sprouted luxuriantly at once, in others it lay almost dormant in the furrow, only to spring up with the quickening of all national life that came with post-war political independence.

In the Alpine dairy lands of modern Austria, the movement was almost a replica of the German original, save that the Schulze-Delitzsch type is rare outside the towns, and the Christian character of the Raiffeisen society became not merely Christian but clerical, a development which has also taken place in Belgium and parts of Holland. As in Germany, the accumulated resources of the numerous credit societies—their capital, reserves and savings deposits—were reduced to the value of waste-paper in the period of inflation. With the stabilisation of the currency came a recovery more rapid than that of Germany, since by the end of 1928 deposits already exceeded credits, though neither figure was as high as in pre-war years, and the old wide margin of thrift over borrowing had not been recaptured. Thereafter there was steady progress, and though the total for loans continued to increase, it never outstripped the patient accumulation of deposits.

The provincial unions (which may be clearing banks, trading centres and auditing federations, or may split these functions between two or more organisations), resembled their German counterparts. It was not till 1927 that a central bank, the *Girocentrale*, was established, with a large part of its capital drawn from the German agricultural co-operative organisations, including the National (once the Prussian) Agricultural Credit Bank. But it never attained anything like the importance of that model and appears in fact to have been mainly used as a receptacle for small unused deposits in the hands of the provincial unions, and as a source of working capital by some

[1] *Plunkett Year Book* (1937), p. 383. [2] Written in January, 1938.

Viennese co-operative undertakings, including the cattle- and meat-selling society, jointly owned by producers and consumers.

Apart from credit, a considerable trade in agricultural requirements, grain, potatoes and miscellaneous produce passed through the hands of the provincial unions. Of the specialised marketing societies, by far the most important group were the thousand-odd dairies, selling liquid milk, butter and cheese, though local societies for the sale of cattle or meat are gaining in importance.

Austria, like Italy, passed into a system of nominal corporatism, but the internal administration and even the external financial and trading policy, of the agricultural co-operative movement seems to have been but little affected. Such changes in conditions as occurred came rather through the marketing schemes for particular commodities which are familiar in most countries. The distribution of milk to Vienna and the export of dairy produce, for instance, were both the subject of elaborate systems of price equalisation levies and controlled supplies, in which co-operative societies played their part. In the rye and wheat markets, however, the co-operative movement itself took the initiative and attained a dominating (and stabilising) position with no compulsory powers and a minimum of state backing, chiefly in the form of import control.

HUNGARY.—Hungary lost territory to Czechoslovakia, Rumania and Yugoslavia, even to Austria. What remained was the fertile Danubian plain, with its great estates, small peasant holdings and predominantly grain economy. No sweeping land reform disturbed the traditional distribution of agricultural wealth and leadership, from which has sprung the peculiarly Hungarian type of co-operation. The movement dates from the last quarter of the nineteenth century, a period when the peasants, only a generation removed from serfdom, and still dependent on the great estates, were being ground between the millstones of American competition and the petty profiteering and usury of the village. It has taken the two main forms of credit and consumers' societies. Credit societies diverge somewhat from the Raiffeisen model, admitting limited liability and non-member directors. Consumers' societies handle agricultural and domestic supplies and are collecting points for grain and other commodities. Both systems were created from the top down by the far-sighted labours of Count Karolyi, backed by the public authorities. Both the National Central Credit Co-operative and *Hangya* (the Ant), the consumers' Wholesale and Union, were founded before any considerable local development had taken place. The Central Credit Co-operative was founded with public though not with national capital and when its resources melted away in the inflationary period, it was the State which came to the rescue, but locally, the credit societies,

often led by some public-spirited priest or schoolmaster, developed the corporate sense and village pride of the true Raiffeisen movement.

Hangya has never been as nearly a public institution as the Central Credit Co-operative, though when its resources were depleted by inflation and frozen credits, it was forced to accept State help in the form of a single capital contribution. It is an organisation at once highly centralised and elaborately departmentalised. It manufactures household goods and, more recently, has taken up the marketing of agricultural produce—eggs, poultry and feathers, fruit and meat. Acting jointly with the Central Credit Co-operative, it has set up a wheat- and wool-marketing organisation, *Futura*, to which the Hungarian Government has given something like a monopoly in the export of grain. As in Austria, the dairy societies are separately organised and federated, and their importance grows both on the liquid milk market of Budapest and as manufacturers of butter and cheese.

Two branches of co-operation, though not unparalleled elsewhere may be noted as distinctively Hungarian contributions—the tenancy society and the labour society. Both have the support of the Central Credit Co-operative. The labour society is considered above (pp. 171–2) as a form of industrial co-operation. The tenancy society is a product of the Hungarian land system. The big land-owner is unwilling to let land to a number of small tenants, the State is anxious to see, without too much social or political disturbance, an increase in the number of self-supporting peasant holdings. The tenancy society, a group within the credit society which guarantees and finances it, is the solution. The land-owner, or his agent, is not concerned with the tenant of each tiny holding, but only with a group making itself responsible for rent and good farming on a fairly large acreage. To some this seemed the thin end of the Bolshevik wedge, but persuasion, experience and the authority of the Central Credit Society have carried the movement to a modest but substantial success, not least evident when a society is dissolved because its members have grown rich enough to buy their own land.

CZECHOSLOVAKIA.—The State of Czechoslovakia lies, a democratic outpost, in the heart of authoritarian Europe. It has a population of some 14 millions and a rough balance of agricultural and industrial enterprise. In shape, the country has been likened to a whale, swimming westward. The historic kingdom of Bohemia, the germ of the whole State, and to-day the most highly industrialised region, is the head, Moravia, with Silesia, the shoulders and Slovakia and Ruthenia the agricultural tail. The western half of the country emerged from Austrian, the eastern from Hungarian domination. Both had their

co-operative movements. Bohemia and Moravia practised Raiffeisenism, the minority of German-speaking farmers in close alliance with Vienna, the Czech majority in a movement of their own, similar in economic machinery but informed with nationalist enthusiasm, drawn from its founder, the country doctor, Kampelik. Slovak co-operation on the other hand was, with small exceptions, a branch of the Hungarian movement—credit and rural consumers' stores—administered fairly strictly from Budapest.

One of the first acts of the new State was to institute a land reform at once measured and far-reaching. The motive was partly political. The great estates in the hands of German and Hungarian landlords were broken up and settled with Czech or Slovak peasants. There was never complete expropriation, for a core was left to the former owners and compensation was paid, though in a currency which rapidly depreciated. By these means Czechoslovakia was transformed in the course of ten years into a country of independent peasant proprietors, the type to whom in all countries, co-operation is most necessary and as a rule most congenial. This entailed naturally a decline in market deliveries of grain, more grain being consumed on the farm and more of the farming being animal husbandry. The latter transition was welcome to the authorities, since it corrected the nation's adverse balance of meat and fats. As with the other countries involved in the war, Czechoslovakia, too, when rebuilding her economic life, curtailed agricultural importation, in order that she might, as nearly as possible, live from her own resources. She felt that foreign foodstuffs had become a luxury which she could not indulge.

The strain of these changes—economic, social and technical—would have been much greater if there had been no co-operative movement ready with its widespread local machinery and democratic capacity for responsibility. Fortunately for Czechoslovakia, co-operation was of old growth, both in her industrial fringes and her agricultural centre. The movement not only facilitated change, it throve on it. There are now (1937), as the result of pre-war growth, which reaches back to 1870, some 5,000 co-operative credit banks in all; which gives, roughly, one to every 2,500 inhabitants—a density surpassed only in Germany. The members are small or medium peasants, with a sprinkling of labourers, craftsmen and officials. The secretary is generally the village schoolmaster. As in Germany, the local societies are federated, so that the surplus funds of one district can be used in another. The inflation never reached the devastating point which destroyed the autonomy of the German movement. The societies rebounded from what had been no more than a temporary check, and by 1927, deposits were nearly three times the

credits advanced and co-operative thrift was invested in State and even in private securities.

The credit bank, faithful to the Raiffeisen plan, is the nucleus of non-credit activities, which are conducted through subsidiaries. These embrace land purchase (under the State scheme), supply of requisites, warehousing and sale of produce, and some flour-milling. With few exceptions, fertiliser and coal are obtained co-operatively, but sale of produce, apart from grain, is less advanced. The private trader, who goes out to the farm in his motor-truck, gets most of the business. The National Wholesale Society, called *Kooperativa*, engages both in supply and in sale. It buys some of its fertiliser through the *Inter-Co-op.* of Rotterdam. It sells in particular, forage, seeds, potatoes and export barley. Recently it has become the keystone of the national semi-compulsory system of grain-marketing carried on through the Czechoslovak Grain Company, in which it is the principal shareholder, the other shareholders being the consumers' co-operative movement and the milling and trading interests. Only a small part of the country's milk passes through a creamery, but the bulk of this is co-operative. The co-operative handling of cattle is represented by breeding societies, by pasture societies for the renting of a common pasture, and by slaughteries. Some of these are highly successful.

Czech agricultural co-operation has always had a strong element of social idealism and local community feeling, but the Christian element in Raiffeisenism has never been prominent, and clerical influence is unknown. The movement, though it has bickered with the industrial consumers, has yet been enterprising and usually successful in establishing inter-co-operative relations. In spite of its association with State marketing and its old link with resurgent nationalism it has surrendered neither its international contacts nor its international ideals.

YUGOSLAVIA.—As we pass eastward into the Balkans, the co-operative movement of Yugoslavia presents itself as typical at once of Central European influence and post-war dislocation and reintegration. Much of the country was ravaged by battle, famine and disease. It is politically heterogeneous. "Immediately after the unification of the country there were in Yugoslavia five judiciary territories, each having its own civil penal and administrative legislation."[1] To independent Servia the Peace Treaties added Croatia, a Hungarian province, and Slovenia, an Austrian, together with the Banat (a broad strip of territory north of the Danube with a considerable Hungarian and German population), maritime Dalmatia (fresh from Austrian

[1] *Yugoslavia: An Economic Survey*, published by the Office for Foreign Trade, Belgrade.

rule), Bosnia and Herzogovina (Austrian for a time and before that Turkish), Montenegro (once an independent kingdom) and Macedonia (mixed in population, until recently Turkish in allegiance, but incorporated in Servia at the close of the last Balkan war). National differences are even more numerous than differences of territory, with which they do not always coincide, and there are at least three religions.

The country is essentially agricultural; three-quarters of the population consist of small peasant proprietors and their families. A land reform of considerable intensity has been carried out in certain provinces, notably among the rich arable estates of the Danube basin, most of which were in alien ownership. The new settlers have frequently been moved thither from the poor mountainous country of the south and west, from motives part economic and part political. New colonies have been built up by methods which include a good deal of general co-operation, though they are neither collective nor bound to co-operative buying and selling. Since the depression the State, not content with redistributing tenure, has intervened to relieve peasant indebtedness and to control the export of agricultural commodities.

As might be assumed, the co-operative movement is divided into racial, territorial and even religious fragments differing in their legal constitution, in the functions emphasised and in the ability with which they are conducted. They are only loosely assembled in a national federation. Fundamentally, credit is everywhere of most importance and has been particularly successful in sub-alpine Slovenia and in the old German colonial community of the Banat. But the movement, though widespread, was, with certain exceptions (the Banat being one) almost wholly frozen in the slump, and its unfreezing has been a slow and painful process not yet completed. Agricultural requirements societies, which in Serbia give place to rural consumers' stores, have done better, though for many years their turnover has been severely limited by the peasants' inability to spend. The recent advance of the movement has been in marketing and in certain social experiments. Grain (often handled through the credit banks) in the Danubian plain, dairy produce, especially in Slovenia, wine in Croatia and Dalmatia, the latter also producing olive-oil and perfumes, tobacco, rice and silk in Macedonia, are all marketed co-operatively, if not in great bulk at least with considerable local success.

The most original and striking contribution of Yugoslavia to co-operative enterprise has been the health co-operatives. The war, superimposed on very primitive living conditions, left rural Yugoslavia and more especially Serbia, with an appalling legacy of disease. Public health services and even private medical

practice hardly extended beyond the towns. The central Government had small means to spare for remedying such conditions. In the years immediately after the war the Serbian Child Welfare Association of America did something and provided a stimulus even more valuable than its actual achievements. Out of its work, and with the help of certain interest-free loans from the State, grew the Health Co-operatives. These co-operatives usually cover a group of villages and may have a membership of from 300 to 1,000 families. Members subscribe small shares carrying a liability of ten times their value. The primary object of the society is to provide a dispensary and a resident doctor or doctors at a guaranteed salary. Members pay a small fee for consultation and treatment, but in many cases a monthly subscription covers free consultation and greatly reduces the cost of drugs and treatment. Dispensary, doctors' living quarters and often simple hospital accommodation are provided in a " Health House " built by the voluntary labour of the members. Such labour is also, in many villages, applied to improving water supply and sanitation and to draining malarial ground, for the Health Society is concerned not only with curative medicine but with public hygiene and the combating of social diseases by inoculation and other means, including the spreading of health knowledge. To that end it runs courses, especially for women and young people, and through these it has taken the first tentative step towards rural social organisation of the kind which in other countries takes the form of Women's Institutes and young farmers' clubs. The whole movement is remarkable for the devoted service of doctors and organisers, the strong democratic interest of the members, their readiness to give labour and take responsibility and for the very striking results already achieved.

There is a local consumers' movement in Slovenia and throughout the country State employees (including railwaymen and workers in State mines) have their own well-organised and flourishing system of stores.

RUMANIA.—Rumania, like Yugoslavia, was a beneficiary of the Peace Treaties. To the rich Danubian plain of the " Old Kingdom," oil below and grain above the surface, with its heritage of Turkish misrule, its great landlords and serf-like peasants, one in blood and faith but divided by an unbridged economic chasm, was added in 1919 sub-alpine Transylvania, with its ancient and thriving Saxon colonies scattered amid the Ruman and Magyar population, Russian Bessarabia, the Bulgarian Dobrudja and the marginal lands of Bucovina and the Banat. The political problem was the same as, and except for the greater natural wealth of the country perhaps worse than, that of Yugoslavia. Manifest injustice and the fear of peasant risings had brought a

pre-war land reform as far as the statute book of the "Old Kingdom." The anarchy of the war and the mighty example of Russia produced a *de facto* distribution of land among the peasants in this territory and in Bessarabia, which subsequent enactments made legal and universal. Frequently the transfer passed through a co-operative or semi-communal stage, or resulted in the creation of permanent communal pastures, but the final outcome was always individual property purchased from the State with depreciated currency. The first result was a heavy fall in output. The country had been ravaged by war. The great estate, highly capitalised and efficiently managed, had been replaced by the peasant holding, without money or equipment, in the hands of owners without experience or technical training. A slovenly subsistence farming replaced the export wheat of the Danubian basin. Only in Transylvania and Bucovina, where peasant proprietorship had always been widespread, did the change mean little.

Rumanian co-operation has passed through three phases. Before the war its principal object was to rescue the peasant, by means of credit banks, from the oppression of the landlord and the usurer, not infrequently the same person. Immediately after, it became one of the principal agents in the land reform. Finally, it was called on to make good the economic collapse involved in that reform and to replace the economic direction undoubtedly exercised by the great landlords, even where it was least associated with social conscience. In the first phase the movement was, as in Russia, at first suspect and then tolerated by the State. In the two latter phases it became almost a State department disbursing millions of pounds of Government credit to societies nominally Raiffeisen in type but little trained in self-help, controlling the financial side of the land reform and finally providing credit and organisation wherewith to move the harvest either into starving Bessarabia or on to the export market. The whole elaborate and apparently ambitious scheme was in many ways an anticipation of the semi-State, semi-co-operative systems of agricultural organisation which became common in other countries a few years later. It was an attempt to deal with a desperately difficult situation and to deal with it quickly. It broke down badly and was reorganised in 1929, with more co-operative self-government and a clearer distinction between banking and trading. How well this might have worked is hard to say, for the depression, setting in almost immediately afterwards, subjected the movement to debt relief and frozen credits on the one hand and to a still more authoritative scheme of grain monopoly on the other. This has been as "a scheme of partial control" which still keeps alive "the spirit of initiative and the sense of responsibility which are the foundations of

co-operative action." The consumers' movement scarcely exists in Rumania, but a word must be said of the forestry societies in which a co-operative group contracts to exploit the timber, and of the fishery societies of the Danube delta. In Transylvania the Saxon colony conducts an orthodox Raiffeisen movement little different from that of the German colonists in the Yugoslavian Banat.

BULGARIA.—Bulgaria, though a defeated nation in the war, suffered less from its consequences than some of the victors. While she gained no territory and indeed lost certain areas, she has no problem of national minorities or diversity of legal and social usage. Peasant proprietorship is as old and generally older than national independence. No battles were fought on Bulgarian soil. The problems of the post-war period were poverty and refugees, though even these came in more manageable numbers than to Greece. The task of the government of this almost wholly agrarian state has been first to settle its refugees and then to bring about a general intensification of agriculture, a change over from subsistence farming to the more remunerative, if also more hazardous, production for the market, by which alone a higher standard of living becomes generally possible. The instruments of that change have been education and co-operation.

The keystone of the co-operative structure in agriculture is the Agricultural Bank, a remarkable institution with foundations reaching back to the days of Turkish rule and drawing funds from various sources, including the loans of the League of Nations. For a time it had a rival in the Co-operative Bank, but the two were amalgamated in 1934. It has never been a co-operative or even a popularly controlled body (its directors are nominated by Government), and it does a considerable business in direct loans to individual peasants, but more than any other body it has lent to agricultural co-operative societies both for fixed and working capital and for reloan to members. In recent years it has been entrusted with wide powers of audit and inspection, more especially of societies borrowing from it, while important Government monopolies for the marketing of grain, tobacco, attar of roses, silk, cotton and sunflower-oil, have been placed in its hands. By a bold measure of debt relief the Government has transferred to itself up to 80 per cent. of the peasants' debts, leaving the resources of the Bank relatively liquid.

Such measures might seem to suggest a movement robbed of all initiative, mechanically carrying out the commands of the State under a cloak of co-operation. In fact this is not so, for a movement copious, lively and jealous of its independence has grown up within the paternal shelter of the Bank. Its worst fault is the carelessness with which societies have been

allowed to form, decay and linger unpruned on the living organism of the movement, a defect which the rigid (and somewhat resented) control of the Bank is designed to remedy. Village co-operation usually takes the controversial form of the general purposes society based on unlimited liability. Beginning as a credit bank such a society will add a consumers' store selling agricultural requirements, the marketing of agricultural products (probably seasonal), machine-hiring departments, stock-breeding, small dairies or works of local improvement including rehousing and water supply. The dangers of such a confusion of functions are obvious. In answer to objections it is argued that few villages can produce efficient personnel for more than one society, that if the success of different sections does indeed vary, the society will be in a position to gain on the swings what it loses on the roundabouts, and finally that a society should be something more than a mere string of business enterprises, should, in fact, be the centre of the village with conscious social and cultural ideals. These are not mere words, for there are villages where the co-operative spirit has permeated peasant life and, joined with the real interest in technical and general education, is slowly creating the type of educated, self-disciplined and self-helping peasant community which has so far been more characteristic of Scandinavia than the Balkans.

In addition to the general purposes societies, the movement towards more intensive cultivation, which is to be the basis of material advance, has led to the formation of a number of specialised marketing societies, not differing structurally from the typical dairy societies of Northern Europe, but often handling sub-tropical crops, notably the tobacco, silk, cotton and attar of roses of the rich Maritza Valley between the Balkans and the Rhodope. The export trade in these products is directed by the state monopoly in the hands of the Agricultural Bank, acting through the societies which it has itself financed.

Three important co-operative groups stand outside the system of the Agricultural Bank—the consumers' movement, the popular banks and the insurance societies. All are urban in origin, but all have peasant members, advance agricultural credits or purchase from agricultural co-operative sources.

GREECE.—The first Greek co-operative law was passed in 1914, but it was only after the war that Greece was faced with the problem of building up a peasant economy on a co-operative basis. Traditionally the Greeks are seafarers and traders rather than peasants, and profit-sharing voyages seem to be the main native contribution to co-operative experience. The accumulated results of the Balkan wars, the Great War and the disastrous adventure in Asia Minor, left Greece with wide new agricultural land to exploit in Macedonia and Thrace, but with

an overwhelming influx of refugees from Smyrna, Constantinople and other Turkish or Bulgarian territories, many of them urban artisans with no agricultural experience. A land reform and a measure of financial and other assistance from the League of Nations were only the first steps in a solution still incomplete. Meanwhile the full severity of the agricultural depression, following on intermittent bad harvests, was met by the usual moratorium on peasant debts coupled with national control of the marketing of important commodities, notably wheat, wine, tobacco and dried fruit.

Under these conditions it is not surprising that a co-operative movement, courageously but hastily initiated to meet quite unfamiliar difficulties, has developed at a rate with which popular understanding and efficient control could not keep pace. Credit societies in particular multiplied rapidly and distributed considerable sums which, when the depression came, they were unable to recover. In 1929 an Agricultural Bank was created and given powers of co-operative audit and inspection similar to those of the Agricultural Bank in Bulgaria. This arrangement has been much more successful than the preceding direct State control, in keeping the sound societies afloat, and has done something to salve the derelicts. District unions have been set up, notably in the north, and a beginning has been made in the supply of agricultural requirements. Probably the most progressive section of the Greek co-operative movement at present is the limited but well organised group of specialised marketing societies with their own buildings and machinery, each in their own district, handling wine, currants, citrus fruit and other products within the framework of State control and supported by considerable public credits, generally advanced by the Agricultural Bank. Several of these are in different degrees compulsory and may resemble the more co-operatively developed local marketing board, such as, for example, the Scottish Milk Marketing Boards. Membership is obligatory after a local vote has been taken, there is limited State representation on boards of management, and strict State inspection, while internal structure remains democratic. Such compulsory co-operatives may also be set up for the group settlement of land, and land improvement of various kinds.

THE NATIONAL SYSTEMS

In three countries—France, Russia and Italy—co-operative systems have been built up which are at the same time so far nationally integrated and so comparatively little influenced by outside examples (or have made of such examples so original a synthesis) that they can only be treated individually. To these may perhaps be added Belgium: while Spain and Portugal, as

and when their co-operative movements develop, will probably find a place more readily here than among either the typical "dairy" or the typical Raiffeisen countries.

BELGIUM.—Belgium and Italy are in some measure intermediate types. Studied from its balance sheets and financial statements, Belgian agricultural co-operation is an almost pure Raiffeisen movement with local credit banks, a central clearing bank supported by deposits well in excess of loans, a considerable supply of requirements, managed commercially by large central societies acting through local selling points, and a rather limited marketing movement standing a little apart from credit and supply, and with a group of dairies as its strongest unit. But this would be to miss the whole spirit of the movement and even its structural peculiarities. For in spirit it is not merely Christian (as was Raiffeisen) but Catholic and clerical, and in form it is an outcome of that typically Belgian development, the professional association.

The *Boerenbond Belge* was founded in 1890 at a time when the Belgian peasant, then as now a small man (the average holding in 1937 is still only eight acres), carrying on mixed farming in the neighbourhood of great industrial towns, was suffering under the impact of overseas competition and his own lack of technical knowledge and economic combination.

> The *Boerenbond* has as its general object to work for the religious, intellectual and social progress of its members and to give full attention to their material interests; in other words, it proposes to convert our agricultural population into a strong, educated and Christian class.[1]

The *Boerenbond* to-day, though not extending over the whole country, is the strongest and most characteristic instrument of Belgian co-operation.

The basis of the organisation is the local guild grouping the agriculturists of a parish in their social, moral and professional interest. Once established the guild proceeds to create within itself sections with limited objects, sale and purchase societies, dairies, stock-breeding syndicates, thrift and loan banks, live-stock insurance groups, women's sections, youth sections and others. All these are distinct societies and naturally it is not every guild that has the full complement of sections. The central *Boerenbond* is not only a general federation of guilds, it has established a series of specialised central bodies, a rural credit bank, a wholesale society, a creamery office, an insurance society and others which deal direct with the appropriate local sections.

[1] Rules.

Ably led, largely though not exclusively by the Catholic priesthood, the *Boerenbond* has won for itself a remarkable place in national life. Its most serious trial came in the great depression, when the surplus of deposits confided to it by the thrifty Belgian farmer and, in part at least, invested in capitalist industry, were suddenly endangered. Considerable reorganisation and some State assistance was necessary before the position could be righted. The *Boerenbond* is criticised by the socialist consumers' co-operative movement of Belgium for its clericalism and because it seeks to adapt the peasant to a landlord system held to be in urgent need of reform. There is probably substance in the criticism, but accepting conditions as they stand, the *Boerenbond* has undoubtedly done much to make them tolerable and has moreover created that rather rare thing, an integrated rural life in which co-operative better business is really linked on equal terms and inside the same organisation with better farming and better living.

ITALY.—The pre-war co-operative movement of Italy was distinguished by its fecundity and what might be called decentralisation or indiscipline, according to the point of view. The credit movement was associated with the names of Wollemborg and Luzzatti, respectively the Raiffeisen and Schulze-Delitzsch of Italy, whose influence in turn carried the two types of credit society to South America. The second feature of Italian co-operation, which aroused the widest international interest, was the collective labour and farming society. Supply and sale societies, though known to exist in considerable numbers, were less remarked, because less distinctive. Political and religious as well as regional groupings were widespread, creating an impression and perhaps a reality of confusion and a marked lack of comprehensive statistics.

The Fascist régime imposed political uniformity. The extent to which, in agriculture, this involved the suppression of societies, as distinct from the mere deletion of political aims from their programme, coupled with a certain amount of continued surveillance by the local Fascist authorities, is hard to determine. The effect has been to leave a movement fulfilling, within the limits of the Fascist political frame, purely economic functions on terms of competitive equality with private trade. Nationally, a good deal of formal integration has taken place and the *Ente Nazionale Fascista de Cooperazione*, or National Union, now includes nearly all co-operative organisations, rural and urban, except the credit societies. It is a representative body with higher appointments subject to political approval, and is the principal organ of co-operative propaganda, education, organisation and control. The adjustment of co-operation to the corporative scheme of national economy has not at present greatly

affected the practical working of the societies, but has been the occasion of some lively battles of theory in which the societies may be accounted victors, since they have secured the recognition of the co-operative movement as an economic entity apart from capitalist enterprise, to which it is assimilated only for the negotiation of labour contracts with employees.

The credit societies, both the Luzzatti popular banks and the mainly rural unlimited liability, Wollemberg type, stand with certain local exceptions outside the *Ente Nazionale*, and their national associations are grouped with private banks. Their numbers have declined in recent years, due probably to the weeding out of weak societies, but they are still considerable and they maintain an aggregate excess of deposits over advances. They have to contend, however, not only with their divorce from other forms of co-operation, but with severe competition from other sources of credit, especially the State itself, which makes direct advances to agriculturists, the agricultural requirements societies, which supply much short-term credit by discounting bills, and the marketing societies, which make advances on produce delivered.

The agricultural *consortia*, which may be regarded for practical purposes as requirements societies, are only recently and still incompletely affiliated to the *Ente Nazionale*, since their first loyalty was to the National Fascist Confederation of Agriculturists, a professional association with sections handling different agricultural needs, sometimes through co-operative machinery. The *consortia* have affinities with the agricultural syndicates of France and not all are strictly co-operative in form. They have their own wholesale society and handle a substantial proportion of the agricultural requirements used in the country, especially fertilisers, for which they have established their own factories. During the campaign for increased wheat production, the wholesale society established an autonomous section to deal with the crop, and similar sections handle wine, silk and fruit on behalf of local marketing societies.

The oldest class of marketing society is that of the sub-alpine dairy, which may be anything from the vanishing type of primitive *fruitière* to a modern cheese factory. Recently the liquid milk supply of Rome, Milan and other large towns has with a good deal of official encouragement been transferred to co-operative management. Wine, silk and tobacco societies date for the most part from the last few years. They have received generous State aid in the form of loans and privileges; the tobacco societies sell direct to the State monopoly, the silk and wine societies either on their own account or (in a lesser degree) through the central selling agencies set up by the Wholesale Society of the *consortia*.

But the most striking and characteristic form of Italian co-operation is still the labour society, which in agriculture is concerned with land reclamation followed by individual colonisation or in some cases collective farming. Of land reform, in the sense of the compulsory breaking-up of great estates, there has been little or none, but the reclamation of derelict land has not been confined to the spectacular draining of the Pontine Marshes, and nearly everywhere co-operative societies, whether acting as labourers or settlers or both, have played a leading part.[1]

PORTUGAL.—The Portuguese movement has recently introduced, in imitation of Italy, a corporative system providing for a considerable measure of public control over the principal Portuguese agricultural products. Apart from a few wine societies and the relics of a mediæval credit system, Portugal had little native co-operation. It remains to be seen whether the new system will stimulate or retard its growth.

FRANCE.—The co-operative movement of France has enjoyed uninterrupted political and legal stability. A moderate inflation, a slight natural increase in small properties, an agricultural depression of considerable but not unmanageable severity, have little affected the normality of its development. From its earliest days, long before planned economy became a catchword, it presented a remarkable synthesis of State and popular action. The agricultural syndicate, with its wide aims and fluid constitution, was the foundation and was genuinely popular. It could be converted to the functions of a co-operative requirements society, but it was unsuited to credit giving. The Raiffeisen society with its limited liability did not readily appeal to the thrifty and suspicious French peasant. The alternative was inaugurated by the State. The system has gone through several modifications, but as it stands to-day it is a pyramid with the National Agricultural Credit Bank at its apex, 6,000-odd local banks with some 600,000 members at its base and in between, the 98 regional banks which in fact take most of the strain of organisation and control.

The local bank is a self-governing co-operative institution with share capital and usually with limited liability. Its members may be individuals or collective bodies such as co-operative societies or syndicates and its business is to receive deposits and make short-, medium- and in the case of individuals, long-term loans. Each society is affiliated to a regional bank to which it transfers all its deposits and from which it draws the funds for loans. The regional bank, the committee of which is elected by the local banks, exercises a strict control not only over their accounts but also over the actual granting of at least

[1] See above, pp. 193–7.

medium- and long-term loans. The whole system of application, verification, accountancy, audit and inspection has been worked out with the precision of a civil service. Most regional banks also have as their members the larger marketing and requirements societies, to whom they lend direct and whose accounts they audit. The National Bank was set up in 1920 after most of the local and regional banks were already firmly established. Rather more than half its members are officially nominated, the rest being elected by the regional banks. It controls a revolving fund consisting of the sums placed by the State from time to time at the disposal of agricultural borrowers, together with the deposits of the regional banks. These amount to about one-third of the total resources of the movement and rather more than cover the demand for short-term credit.

The primary object of the system was to finance the individual farmer. As it has gained in resources, capacity and confidence, it has been used to build up a co-operative trading movement. As already noted, an agricultural syndicate could, without undue strain, act as an agent for agricultural requirements. Many did and do, but the need to build warehouses, hold stocks and take the risks of the market led to the establishment of regular co-operative societies with a large shareholding membership and limited liability. Equally important has been the development of co-operative marketing. The oldest type is the dairy society, particularly the butter-making creamery of the south-west, which dates from the famous substitution of dairying for wine-making following on the phylloxera catastrophe of the last century. If these flourishing societies borrowed from credit banks in their early years, they have long repaid all their debts and do not even look to the regional banks for audit. It is otherwise with the newer societies formed to sell liquid milk to the towns or with the numerous and highly capitalised wine societies of the south and east. The impulse to form them was spontaneous, but they could rarely have raised the large sums involved or faced the commercial responsibilities of their early years without the resources and experience of the regional banks behind them. Societies for the sale of olive-oil, fruit, vegetables, eggs and other produce owe a similar financial and moral debt. More recently still, legislation to increase the consumption and stabilise the price of French wheat, while it has created no legal monopoly, has so tilted the balance in favour of co-operative marketing that some 70 per cent. of the French harvest of 1936–7 passed through co-operative societies. Some of these were *ad hoc* bodies, hastily created with the help of the regional banks, some were long-established requirements societies or the old type of combined mill and bakery known

as a "panification," which has done good service among the small mixed farms of the south-west. It was part of the scheme that all should borrow both for the erection of modern silos and for advance payments to suppliers. The National Inter-Professional Wheat Office, by which the whole scheme is directed, is governed by a Council of whom nearly three-fifths are representatives of agricultural producers with marketing societies in a majority, while among the remaining members, consumers' societies are substantially represented.

One type of co-operative enterprise, standing outside the credit system, has attained a remarkable development in France. This is the system of agricultural insurance, covering fire, live-stock, hail, employers' liability and in recent years, workers' health insurance and family allowances. Societies for all these purposes are organised on the familiar pyramidal plan, with regional and national reinsurance. Each type of risk is insured separately. The health insurance system, with its opening for voluntary participation, is at present experimental, but it has introduced the interesting feature of an "approved society" of which both employers and employed are equal members.

All French agricultural societies are affiliated not only to their appropriate bank or reinsurance society, but to the National Federation of Mutuality and Agricultural Co-operation, the propagandist and organising centre of the movement which represents their interests before the public and the public authorities.

As far as legislation can produce a movement, the French system has been applied almost unaltered to the French Colonies. It has worked well among French settlers and the more economically advanced native farmers. For the more backward a system of compulsory friendly societies has been instituted with the object of advancing native agriculture. The system is only by courtesy co-operative and there are signs that a more genuine co-operative movement adapted to native traditions and aptitudes may shortly be initiated in certain territories.

U.S.S.R.—In contrast to France, the pattern of co-operative stability, Russia has experienced in intensified form every upheaval which shook and remoulded the co-operative movements of Central and Eastern Europe. During the period of the New Economic Policy (1921–8) it looked as though the movement might settle down to conditions not unlike those of other agricultural countries—peasant proprietorship, rural consumers' societies, co-operative supply of requirements and use of machinery, processing and marketing of agricultural produce, much of it passing direct to a vigorous urban consumers' movement. Only the credit movement had disappeared and seemed unlikely to be revived. The Five Years' Plan changed all this. Individual farms were abolished and with

them went the need to combine a number of small businesses for economic ends, which is the basis of normal agricultural co-operation. The collective farm took the place of the co-operative society as the purchasing, processing and marketing agent of the community. All that remained was the personal needs of the peasant and his family, and for their satisfaction the rural consumers' store was retained. So for a time was the more imposing urban co-operative society, till in 1933 the special factory societies and in 1935 the whole urban movement, were assimilated to the system of State trading.

Looked at from the point of view of the village, the consumers' movement is sufficiently near to the orthodox Rochdale pattern. Membership is open on payment of a small share, management is by elected committee. The village society elects its delegates to a district union, the district unions in turn elect the regional unions and the regional unions the Central Union. Each union, though thus democratically elected, exercises a strict control over the accounts, personnel and policy of the organisations immediately below it, besides acting as a wholesale trading society. No obvious political or State control is introduced at any stage, though it may be assumed that communists are readily elected to responsible positions. The novelty of the system is not in its structure but in its functioning. The Central Union (*Centrosoyus*) and the regional unions are in touch with the State factories from which all manufactured goods, including processed agricultural products, are derived. They know roughly the bulk of consumer goods which will be available each month in each district and it is their job to see that these goods are distributed rapidly, evenly and cheaply to the individual consumer. If they do not do this, no one else will, since private trade (except for the open-air produce market of the peasants) has been abolished. Consequently each unit receives monthly from the organisation immediately above it a programme of work—so many loaves of bread, pounds of butter, pairs of goloshes to be sold in the next four weeks, at such and such maximum prices, so many new stores to be opened or old ones repaired. If the unit can improve on the programme it is praised, if it falls short it is more or less severely censured. To a limited extent the programme may be financed by the movement's own share capital and reserves, but it also borrows freely and on reasonable terms from the State Bank for working capital and from the special Co-operative Bank for capital investments. The differences in the problems of this commissariat system and those of normal trade are wide and obvious.

The consumers' movement, both local and regional, is a considerable direct purchaser of agricultural produce, either from collective farms or from their members, who generally own

private gardens and small livestock and not infrequently have received payment in kind from the collective, which they are glad to put on the market. Some consumers' societies have taken over large State farms, which they work with hired labour, others run the creameries which once belonged to co-operative societies of small peasants.

The exact status of the collective farms has been contested, but on the whole it seems fair to class it as an advanced form of co-operation bearing in mind that, unlike the consumers' movement, it has no democratically elected higher structure and that the production plan, as apart from the internal management and discipline of the collective, is rigidly laid down by the State. In theory, and it would seem fairly generally in practice, the collective farm member has his own large food garden, his cow and small livestock, with ownership of the produce subject to certain taxes. What is held collectively is the arable land and common pasture of the village, the central farm buildings, the work animals, implements and common herds and flocks. These are managed by an elected committee which appoints foremen and assigns work. Members receive payment on a basis of labour days calculated according to the nature of the work and the strength and skill of the worker. Their efforts are stimulated by an elaborate system of mutual competition, rewards and penalties. Payment is to a small extent regular and in cash, but to a much larger extent in kind, and at irregular intervals as each crop is harvested. This share in kind is frequently sold by the member to his co-operative society or on the market. The link with the State is threefold: (1) The production plan laying down the acreage under different crops, the number of animals to be kept, etc., is received by each farm from the State; (2) a fixed proportion of what is assumed to be an average yield is subject to compulsory sale to the State at a low rate. The difference between this rate and the market price may perhaps be looked on economically as rent; (3) mechanical operations such as ploughing and reaping are usually carried on by the state-owned Machine Tractor Stations and paid for in kind at a fixed rate. After these and all other productive costs have been met and reserves provided for, any surplus is divided among the members. The whole system can best be thought of as something between a company farm in which the labourers are the shareholders and a mediæval village which has somehow become its own lord of the manor.

It seems clear that the collective farm is the outcome not merely of communist theory but of the extreme difficulty experienced during the period of the New Economic Policy in securing from an ignorant and ill-equipped peasantry a sufficient supply of agricultural produce to feed the rapidly growing industrial

population of Russia. The collective system aims at putting agriculture on the technical and scientific level of modern industry. At present it has not achieved that aim, but the system is young and has shown itself capable of self-improvement. Its greatest dangers seem to be the undiscriminating belief in doing things on a large scale, and the rigidity of the State production plan, which must remain comparatively blind to local differences and deaf to local criticism.

SPAIN.—One European country has been omitted. The future of the Spanish co-operative movement hangs on the issue of war. Spain shares with France the distinction of preserving perhaps the oldest known co-operative societies, the *positós* or grain banks of the early middle ages, which after a long period of decline were merged in a form of State and clerically controlled credit banks early in the present century. Some agricultural syndicates handling requirements, some societies for internal colonisation, a few groups marketing fruit and wine formed the beginnings of a modern co-operative movement. Before and since the outbreak of civil war the Catalan Government has been active in promoting new agricultural co-operative societies and integrating those already in existence, coupling this policy with a land reform which is permissively but not compulsorily collective. If this experiment stands, it will probably bear the marks of French and to a lesser degree of Russian influence.

Since the above was written (Jan., 1938) it has become apparent that a new process of territorial change and economic adjustment in Europe is taking place. The annexation of Austria has brought the assimilation of the Austrian co-operative movement to that of Germany, with what, if any, reservation of local autonomy is not yet apparent. The fate of the German-speaking movement of Czechoslovakia is even more uncertain, since political decisions suggest that while part will be allowed to return to its former economic affiliation with Vienna, the rest will be incorporated in the Bavarian movement, with which it has had no previous links. The Hungarian movement will recover a number of its old centres of activity and a section of the Slovak movement presumably sink into its former dependence. The surviving Czech and Slovak movements (the latter mainly a post-war growth) will need all their resources, moral and material, if they are not only to survive the loss and dislocation which the disruption of Czechoslovakia has brought, but are to play their part in sustaining what remains of the State and become once again what they were in the old days of Austrian domination, a light in darkness, and a fulcrum for the constructive power of Czechoslovak patriotism.

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