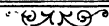


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*Published by the Co-operative Union Limited,
Holyoake House, Hanover Street, Manchester.*

CO-OPERATION IN MANY LANDS

CO-OPERATION IN MANY LANDS



BY
LIONEL SMITH-GORDON, M.A.,
AND
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VOLUME I.

Published by The Co-operative Union Limited,
Holyoake House, Hanover Street, Manchester.

1919

FIRST PUBLISHED IN 1919

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PREFACE.

In the following pages an attempt is made to describe some of the activities of co-operators in many lands. The importance of co-operation in its international aspects is increasing and is bound to increase still more during the next few years. The operations of commercial trusts and trade combinations of various kinds are international in scope and their influence can be countered only by international action on the part of co-operators. Moreover, it is evident that the problems for which the co-operative movement in various countries is seeking to find a solution cannot be solved in any one country. The co-operation of co-operators everywhere has become an imperative necessity.

The economic circumstances created by the war are compelling the peoples of all lands to think co-operatively. War-time experience has demonstrated the need for international co-operation on an extended scale. It is well known that adequate food supplies could not have been satisfactorily provided for Britain apart from the co-operation of the Allied Powers acting through an inter-allied committee representing several countries. International co-operation on similar lines is to-day even more necessary. Indeed, the League of Nations, of which such high hopes are entertained, is virtually a co-operative society of nations which can attain success only if co-operative principles are applied in international relationships.

The application of co-operative principles in international affairs will depend to a great extent upon the efforts of co-

operators, who are convinced of their value and are the persons best fitted to apply them. Joint action between the co-operators of various countries will undoubtedly pave the way for larger schemes of joint action between the members of the League of Nations. If, however, co-operators are to co-operate with their fellow-co-operators in other lands they must first of all know something of the co-operative movement in countries other than their own. It is for the purpose of spreading a knowledge of co-operative activities and their form of organisation in different countries that the present work has been prepared.

In this volume the societies described are classified according to the nature of their activities; a second volume, shortly to be published, will continue the description in greater detail for each country. In addition, a special series of books, each of which will deal with the co-operative movement in a single country, will also be published by the Publications Department of the Co-operative Union. Books on Co-operation in Denmark, Ireland, and Scotland, are now in the press, and these will be followed by several others. The present volume will serve as a suitable introduction to the study of co-operation the world over. Its pages show that the co-operative movement knows no national frontiers, and it will be seen that, despite many differences in the structure and trading methods of co-operative organisations, men in all countries have found that the application of the co-operative principle alone can enable them to solve the social and economic problems of our time.

The opinions expressed in the book are those of the writers and are not to be taken as an official expression of opinion of the Co-operative Union or as a statement of policy adopted by it.

August, 1919.

Co-operation in Many Lands.

CHAPTER I.

Principles and Organisation of the Co-operative Movement.

THE task which we have set ourselves is to study a form of economic organisation which is termed co-operation. The word is used in ordinary speech in several senses. People are said to co-operate—or work together—to secure, let us say, a legislative reform or some other desired end. But the sense in which the term is used by economists is a narrower one, restricted to a special form of economic organisation in which people work together for definite business purposes under certain definite business rules. Before we consider what special meaning is given to this use of the word co-operation we may profitably ask ourselves something about the part which association plays in industry and commerce.

We are accustomed, in ordinary life, to think of the principle of competition rather than that of association as being the underlying principle of the modern industrial structure. Most of the earlier economists indeed gave a certain authority to this view. But when we examine the working of our industrial system we cannot fail to perceive that competition is not really its essential foundation. Competition there is, and we must not lose sight of the part which it plays; but it only begins after the principle of association has had full play. We have only to picture to ourselves the sort of industrial system which a number of

competing Robinson Crusoes would achieve, and to compare it with our own, to see that it is a necessary condition of industrial or business efficiency that men should work together. Our banks and our railways compete with each other ; but they maintain clearing-houses to facilitate their joint working. In like manner the whole industrial system is associative as well as competitive. It is not, therefore, the mere fact that the special subject of which we treat involves association that makes it necessary to study it as a subject of descriptive economics.

What then is it which distinguishes the theory of co-operative association from that of other associations for the purpose of carrying on business undertakings ? We shall find it convenient at the outset in clearing our minds on this point to consider one type of co-operative enterprise which economists consider as representative of co-operation in its fullest form ; but, meanwhile, we must make the reservation that, for reasons which we shall afterwards have to study, this form is not that most widely adopted as yet. Suppose a number of skilled workers in some trade—say in printing or in boot-making come together with their savings, and determine to form themselves into an association for the carrying on of their trade, each man, in so far as the ultimate government of the society is concerned, being on an equality with every other man ; suppose, further, that the profits of the business—the difference in this case between the cost of production and the wholesale selling price—are divided amongst the members, not in proportion to each man's capital holding, but in proportion to his output (or by reference to some similar standard) ; then this business undertaking would be termed co-operative, and we shall see that the term co-operation is applied to enterprises founded on similar principles.

If we contrast such an association with that form of association which is commonly termed a joint-stock company, we shall understand the meaning of one of the formulæ often used in contrasting the co-operative with other business

forms of association ; that co-operative undertakings are unions of persons, whilst joint-stock and similar enterprises are unions of capital. In the co-operative society which we are studying, the members are at once shareholders and workers. They employ capital and pay it a fixed rate of interest. In the joint-stock enterprise, the shareholders are not the workers ; they provide the capital, and with it employ the workpeople at fixed rates. In the co-operative society of producers the profits, after capital has been paid its fixed rate of interest, go to reward the worker members ;* in the joint-stock enterprise, after the workers have been paid their wages, the profits go to reward the holders of capital. Thus in the co-operative system of association, the workers employ capital and undertake the risks of the business, while in the capitalist system the capitalist employs the workers and undertakes the risks. Further, in the capitalist, or joint-stock, system of association the profits go to reward the undertakers in proportion to the amount of capital held by them, and the power of influencing the government of the association is in direct proportion to the amount of share capital owned by each of them ; but in the co-operative society, in which capital is regarded merely as an instrument of production, the power of influencing the government of the society is equalised amongst all the members, each having one vote and no more, however much or little he may share in bearing the risks.

So far, we have been examining a difference of structure between these two forms of association for business. We have now to consider a vital difference of principle. The success of joint-stock enterprise depends upon successful competition with other enterprises of a similar nature. Each company is an individual concern taking advantage of the free competition which is theoretically supposed to exist in our industrial system. It is independent of its neighbours. The co-operative system does not encourage this doctrine

* In practice many of these societies distribute their profits to labour, capital and custom in varying proportions.

of individualism.* It is part of the theory of those who practise this form of association that each society should be a unit in a system of similar societies federated for common action and not designed to compete with one another. When we come to deal with the various types of co-operative enterprise we shall see that these federations take care to prevent the entrance of competition by bringing pressure to bear on persons desirous of starting a co-operative enterprise which would be likely to enter into competition with another in its neighbourhood. But we shall also see that although the theory of those who co-operate is that competition should be avoided, yet in actual practice competition takes place, particularly in the case of co-operative societies for production. This, however, does not mean that the theory is unsound or has broken down. We shall see that the reason is to be found in the lack of that complete organisation of industry for which co-operators strive. If the demand of consumers organised in co-operative societies were made upon producers similarly organised, it would be possible to eliminate the competition that now exists within the co-operative system. That is the theory which co-operators hold and the end which they wish to attain.

If, then, we hear it said that the difference between the co-operative and other forms of association for business purposes is that the one is non-competitive and the other competitive, we must be on our guard against accepting the statement literally. If it is meant as an indication of the theory of co-operation, it is true; but, if it is meant to describe actual conditions as they are, it is certainly not true. The aim has been but imperfectly attained. We must take care in our study of the co-operative theory to keep this aim before our mind as being one of the central principles of the co-operative system of industry; and we must remember when we come to actual examples of co-

* We must not be taken^{as} meaning that co-operation is contrary to the development of individuality of personal character—a matter which will be dealt with later.

operative work that the movement, though well advanced in many respects is, necessarily, but in its commencement so far as the realisation of its main principles is concerned.

How far then is it true that the actual wealth producer is himself the undertaker of his business? We must leave aside for the moment the case of those co-operators who, while they combine to purchase the necessaries of life, are not themselves employed in a co-operative business, but are units in the "capitalistic" industrial system. We shall see, however, that these co-operators are also developing towards the control of industry by finding employment for their members, not only in the retail trade but also in productive departments, and even in the ownership and cultivation of land.

In several co-operative enterprises, the wealth-producer stands in a relation to the undertakers of the business very little different from that held by a worker in a joint-stock company. It is so, for example, in many consumers' societies. He probably receives more consideration and a better wage; but that is all. He is an employee, not necessarily a member. In most societies, he is encouraged to be a member, and welcomed as such, but he may be ineligible for a seat on the committee and therefore, although he has a voice in the control of the society, he may not look forward to shaping its policy, or getting that training in business administration which is the valuable part of committee work.

In giving this picture of the status of the employee or producer of services, we are not making a criticism; we are merely stating a fact. There are reasons for the existence of such a status; one is to be found in a fundamental difference of policy and theory between two schools of co-operators; the second is to be found in certain administrative difficulties which occur in practice. The difference of theory lies in the fact that one school of co-operators holds that the consumer, and not the producer, should be the controller of industry. This is called the "consumers'" or "federalist," theory; while the other doctrine that the

producer should control is known as the "individualist" or "producers'" theory.

The two opposing theories are so important and require such careful examination that we shall consider them in the next chapter. Here, we may note that the theory of consumers' control is held by the majority of co-operators outside the agricultural industry; and the status of the worker in most societies is naturally that of a wage-earner. We may note, also, that in most societies in which agricultural producers combine to turn their raw material into a finished product, as in creameries and bacon factories, those who actually do the work of conversion—the dairy maids and operators—are not members of the society; they are, in fact, wage-earners employed just as they might be by a joint-stock company. The cause of this is the administrative difficulty to which we have alluded above. It has been found hard in practice to associate the workers in the management of the societies because of friction, petty jealousies, and disciplinary difficulties.

Nevertheless it is not to be denied that inasmuch as these workers are excluded from a share in the management of the societies, the co-operative ideal has not been reached. Even in societies which ostensibly hold the doctrine of producers' control, and in which the workers are themselves the members, the management is sometimes entirely controlled by the representatives of consumers' societies who have supplied most of the capital. In some of these societies, the worker-members are in a minority on the committee of management; in others they are not represented at all. The difficulty might be overcome by combining the two controls and having a representation of both producer—or worker—and consumer; but so far no satisfactory solution has been reached.

We shall see in our study of the co-operative movement, as it exists to-day, that many of the enterprises, which are conveniently termed co-operative, are far from satisfactory when examined in the light of true co-operative principles.

For the general economist, these enterprises would be classed as examples of partial or incomplete co-operation. But as we are surveying the whole field of co-operative effort, such enterprises will come under our review with a necessary reservation as to their claim to be called fully co-operative. Nor must we forget that, although in structure there may be defects, the spirit which animates these co-operative bodies shows that they have not lost sight of an ethical ideal.

Let us take, first, concrete examples of what actually happens in co-operative societies; and we can then see if we can discover some underlying idea which is different from that on which non-co-operative association is based.

We may take first one type of co-operative enterprise—the co-operative store—of which there are hundreds of examples in Great Britain, and many in other European countries. Here we find an association of persons who band themselves together to organise a retail store for their own benefit. The first thing to be noticed about their constitution is that their membership is open to all, and accordingly their share lists cannot be closed. Here is one difference from a joint-stock enterprise, in which the share list is closed when sufficient capital has been obtained in order that the existing shareholder may obtain the best possible amount of profit.* Again, the members of the store propose to make savings and not profits—that is to say, they do not want to sell to those who are not members in order to obtain a profit on their trade; but they want non-members to become members in order that all may save through the economy which arises from collective buying and the elimination of the profits which the retailer takes as his reward for distribution of goods. Each person must hold one share; he need not hold more; and he cannot have a greater interest in his society than (in the United Kingdom) £200 worth of share capital. Whether he holds one share, or

* It is, of course, also legally necessary in a joint-stock company to fix the limit of capital, and this fact constitutes an important legal difference between the two forms of association.

fifty shares, or one hundred shares, he has only one vote in the councils of the society, so that the poor man has exactly the same right to a voice as his well-to-do brother. Again, it is the practice of retail distributive co-operative societies to limit the interest on share capital to a rate not exceeding five per cent. Here, the intention is to prevent the savings of the society going to reward those who invest money in it rather than to those who purchase their commodities through its agency. The shares of co-operative societies are quoted in no markets, and never rise beyond their face value, nor do they ever carry a higher interest with increased earnings, or even a fluctuating interest. The division of the savings is in proportion to the amount of purchases made by each member; and it is a part of the creed of some co-operators, but not of all, that some portion of the savings should be received by the society's employees. Lastly, transactions of the society are usually for cash only, in order to stimulate thrift and self-reliance on the part of the members.

Let us now take another form of co-operative society catering for the needs of a different set of people—let us say, a creamery. Here, the members unite to own the means of turning the milk produced on their farms into butter, and of marketing it as profitably as possible. Yet, here again, we have the same rule as to open membership. It would often be much more profitable for the members of a creamery to close their share list when they were strong enough; and indeed, it often involves a certain sacrifice on their part to keep their membership open to new comers at a time when the original members have borne the burden and heat of the day. Here, again, we have a rule limiting the amount of share capital which a member may hold and limiting, also, the rate of interest which he may receive on his share capital. Each member is paid for his milk at regular intervals—usually each month—and, to begin with, a price for his milk which is less than the value it will ultimately fetch as a manufactured article. The difference in value is made up

at the end of the year ; and it represents what is called a dividend in the case of a co-operative store, but it is really a deferred payment, just as in the co-operative store the so-called dividend is really a saving. Finally, the co-operatively organised producer in his creamery provides for a bonus to his employees, just as does the co-operatively organised consumer in many of the retail distributive societies.

We will take still another type of co-operative enterprise, which, as we have said, is regarded by some economists as the fullest form of co-operation. A number of people who are, say, bootmakers by trade, form themselves into a co-operative society in order to carry on their work and be their own employers. The people who actually make the boots are the owners of the society. They elect their committee from among themselves ; they provide capital, and instead of, as one might expect, taking all the profits for themselves, they divide the profits between labour, capital and purchasers. Their own rules have exactly the same features as those we have noted in the other two types of society which we have briefly examined.

It will be seen from what we have said of these three totally different types of society that, notwithstanding the fact that their personnel is different, that their interests are different, and their objects different, there are some features—and those the most important features—which are common to all. There is an attempt to realise the idea of brotherhood and common fellowship, and to eliminate the idea of a competitive system. That is the underlying idea which distinguishes co-operative from non-co-operative enterprise.

There are two forms in which what has been called the co-operative commonwealth—a society living by co-operative methods—has been imagined. One group of co-operators considers that the aim of the movement should be the creation of a commonwealth in which the organised consumers own all the means of production and employ themselves. The other school of co-operators holds that the aim ought to be more akin to the syndicalist idea, that the pro-

ducers organised in their own industries and occupations should own the means of production and should exchange their goods with consumers co-operatively organised. If we can imagine a whole state so organised there may not be really, as we shall see in the next chapter, a great deal of difference between the two schools once their final aim is achieved. For as everybody—except a negligible few—is both producer of something and consumer of many things, it is not of great importance whether the control is in the hands of consumer or producer. It does indeed in practice make some difference, for whereas in the consumers' theory all the consumers would control the producers, in the producers' theory each set of producers would control its own industry. This is a point to which we must come back in our next chapter.

How far are we justified in believing that this vision of a co-operative commonwealth is possible or realisable? The question is by no means easy to answer. When we look at the number of what are called, for convenience, producers' societies—societies of printers or textile workers, for example—which have failed, and the difficulty of starting new ones; and when we are faced with the fact that the majority of men tend to seek the advantage of the individual much more than the advantage of the community, we recognise that if a co-operative commonwealth is to be realised, workers of every kind will have to approach the problem of the distribution of wealth and the control of industry with changed ideas, in which the community will have to be held greater than the individual.

We can approach the consideration of this question more easily by taking first the case of agricultural communities like Denmark and Ireland, rather than highly-organised industrial communities like England or America. It will at once be seen that whatever the possibilities of completely organising an industrial community under the control of the consumers, the difficulties encountered in doing the same in an agricultural community would be immense; for when

the agriculturist co-operates with his fellows, he does it chiefly in his capacity of producer in order to obtain more readily and cheaply the goods and services he needs for his husbandry. He would find it difficult to accommodate himself to a system in which he would associate in his capacity as consumer with the consumer in other industries, to control the whole of agricultural and industrial production.

He would not readily transfer the ownership of his land to some national or local federation of consumers, nor would he easily be persuaded that such a system would conduce to a sound agricultural economy. How far, then, would it be possible to adopt the other expedient, that of an agricultural community co-operatively organised, with producers' control and related, by a federation, with a consumers' organisation? Here, again, we are met with the difficulty of persuading the farmer that individual ownership of land is not the best and only perfect system. In Ireland and in Denmark, two countries in which there is co-operation in the farming community, the idea of peasant proprietorship, as it is called, is deeply graven on the peoples' minds. In Roumania, and to some extent in Italy, co-operative farming is known and practised. By co-operative farming we mean a system by which land is worked in common by the members of a society. The co-operative idea in such societies is more complete than in the societies which exist in Ireland and Denmark in which co-operation is adopted for procuring the means of producing or disposing of the product, but not in production from the land itself.

If farmers and their families did all their own work on the land there might not be in the theory of co-operation much objection to individual ownership and working of land with co-operatively-organised disposal of produce and a co-operative system for furnishing credit and the requisities of production. But when, as is the case in most countries, men are employed as agricultural labourers, the place which they are to occupy in the co-operative commonwealth has to be taken into account. It will not do—again we speak

from the standpoint of theoretical principles—to leave the labourer contented with the assurance that he can form co-operative farming, or allotment, societies in which he may work during his leisure.

It is true that if we are to reach a co-operative commonwealth some such makeshift arrangement will exist in one or more stages on the way. But we must emphasise the fact that such a solution is not a full development of the idea of co-operation. If we leave aside this difficulty, we can say with some confidence that in agricultural communities the co-operative idea and method are more likely to be applied and developed than any other method of economic reconstruction. It would not be difficult to apply co-operation to every phase of the farmer's business, nor to perfect the machinery of federation in order to eliminate the competition which at present exists between societies making such commodities as butter and bacon. If the difficulty of co-operative ownership and working of land could be overcome we could say that in agricultural communities the possibility of realising a co-operative commonwealth was not an illusion; but it is not so easy to deal with the problem in a highly specialised industrial community.

The application of the co-operative system on a large scale to our complex industrial system is regarded by many economists and thinkers on social subjects as impracticable. It is objected that the sense of individual initiative, which is supposed to lie at the root of high production, will be weakened by a system which is founded upon a communal rather than upon an individualistic theory of society. By others it is said that it is not fruitful to proceed along the line of co-operation, except in so far as it affords a convenient way of making economies and eliminating waste in the obtaining of domestic requirements. They point out on the one hand the failure of co-operative productive societies, of which we have so many examples in Mr. Jones' book,* and,

* B. Jones' "Co-operative Production." Oxford, 1894.

on the other, the aloofness, if not somewhat hostile attitude, which until recently the trade unions maintained towards a co-operative solution of our industrial problem. These facts, they consider, constitute a sufficient proof that, on whatever lines we are to seek a remedy for the present inequality of wealth distribution, it is not along the lines of co-operation except to the limited extent described.

Although it is true that co-operative productive undertakings have not proved as successful, on the whole, as the advocates of that form of co-operation expected, the causes are not to be found in the inefficiency of the co-operative method, but rather in the material upon which it had to work and in the circumstances in which the societies were founded. The great success of such an example of co-operative enterprise as Godin's Familistère at Guise demonstrates that co-operative production on a large scale is possible ; and that what is called the self-governing workshop can, if the proper conditions are given, be successfully administered. Godin certainly devoted an amount of time, energy, and money which few men would have given to achieve his object ; but this strengthens rather than weakens our argument, for the material which he had to mould was precisely that average material which, for lack of a Godin, caused the failure of so many societies in England.

The hostility, or indifference, of the trade unions has probably been due to the fact that a quasi-co-operative method, such as profit-sharing, has sometimes been used by joint-stock enterprises to lure away (as the trade unions put it) the worker from allegiance to his union, though profit-sharing has sometimes developed into a really co-operative system. As we shall show at a later stage, such quasi-co-operative methods cannot be regarded as coming under the theory of co-operation at all : they are not directed to change an individualistic to a co-operative system, but rather to make the individualistic system more endurable to the working classes.

It must be admitted that the most plausible of these

objections is that, in society as we see it to-day, there is a tendency for each man in industry to look forward to the time when he can outstrip his fellows and become an *entrepreneur* himself. We must confess that this tendency is not wholly absent from a large number of those who practise co-operation in its limited forms. A co-operator who is enthusiastic in employing co-operation as a means, *e.g.*, of obtaining his household requirements, may not be, and very often is not, prepared to acquiesce in an application of the co-operative idea which would make it impossible for him to become the proprietor of a small manufactory. But if, by a right system of early training, the same man had been made to realise that a purely individualistic system, regulated by supply and demand alone, is the cause of a distribution of the surplus of production which keeps the masses in economic subjection, he would probably be led to apply to the whole of the problem, and not merely to the least part of it, the principles of co-operation which he professes.

We are thus brought to the real root of our problem. The present industrial system can be altered only if men's desires are altered first. It is assumed that rewards are only appreciated by most people if they are capable of being measured in material values. While this is true of people as we see them, it does not necessarily follow that it is a fundamental characteristic of human nature; nor that it cannot be changed by a different method of education from that under which our people are at present trained. Scientists, inventors and artists ever since civilisation began have shown that there are some men who look to other than material rewards, and who will put forth a remarkable amount of exertion and sacrifice without seeking for high material gain. Explorers like Nansen or Scott did not face the rigours of Arctic weather in order to be able to purchase more of this world's goods. A painter like Degas might, with his genius, have made himself rich and famous in commercial or industrial life, but he chose to be a great painter extremely poor. And if, in science, we

are met with an Edison who is at once a great inventor and a great *entrepreneur*, we can point to a Finsen, the inventor of the rays which bear his name, who sought cheerfully the good of his fellows at a cost not only of fortune but of health. Why should it be supposed that it is natural and fitting that artists and scientists should be animated by a sense of communal welfare rather than of individual gain, and that it should be natural and fitting that men who are engaged in business should be actuated in a totally opposite way ?

The truth is that education on right lines can give to almost anybody a truer vision than that of those who would have us see industrial life as a sordid struggle for mastery between those who should be the captains of industry and those who compose the armies of workers. We need education to give the workers a sense of responsibility, of stability, and of oneness with other parts of the community. We need it even more to give those who possess the energy and the capacity for industrial leadership a larger view of their place in human society than the view which sees no other bond between themselves and those who produce the goods they manufacture or sell, than that which exists between the man and his machine. It is true that men regard machines as requiring to be maintained and kept in good condition ; but there ought to be a higher motive in the relations of men.

The root of the co-operative idea is that there is a relation between business and ethics which is greater than the necessary commercial honesty of our present industrial system. In a plutocracy we find, however, that the phrase " it is not business " is a sufficient excuse for neglecting duties in industrial life, the evasion of which in private life would be rightly and spontaneously condemned. If our educational system could be so changed as to substitute the idea which co-operators express in the formula " Each for all and all for each " for the idea of a war of all against all, there is nothing impracticable in applying co-operation as a means of reconstructing our industrial life on a more equitable basis. Although we may see many defects in the

present applications of the co-operative idea, and many imperfections in its working, we can take hope from the fact that co-operators as a whole show themselves fully alive to the importance of education as the supreme factor in making possible the triumph of the ideals in which, however imperfectly they may act at present, they sincerely believe.

CHAPTER II.

Theories of the Relation between Producers and Consumers.

WE have seen, in Chapter I., that co-operators are not at one in their theories of the methods by which co-operation should be applied as a means towards the equalisation of present industrial conditions. We shall see, when we come to deal with the historical development of what is known as the co-operative movement, that it sprang from two sources. There was the idea of association for the attainment of a common economic end, on a basis of equality, applied on the one hand by people living in urban conditions, and, on the other by agriculturists having to face conditions under which they could not hope to succeed unless they joined together for common purposes. Those who, like the Rochdale Pioneers, applied it to help the urban worker to benefit his condition by buying his necessities more advantageously, and those who, like the first Danish co-operators, applied co-operation to agriculture, were both influenced by the ideas preached by earlier social thinkers with communistic views like Robert Owen. But if we are to get a clear view of what it is that divides those who hold the federalist, or consumers' theory of control and those who hold the individualistic, or producers' theory in co-operation, we must keep our minds fixed upon the fact that the co-operative movement has developed upon these parallel lines : Co-operation as applied to the agriculturist,

who is a producer, and co-operation as applied to the urban worker, not in his capacity as a producer, but in his capacity as a consumer.

At the beginning of co-operation of consumers in England, in the rather ambitious schemes of Owen and the pioneers, it was not part of co-operative policy that the consumers' societies should have anything to do with production. The Rochdale Pioneers were distinguished from those who preceded them by their concentration upon a single unambitious aim, and by their application of sound common sense in working for its attainment. Similarly, those who applied co-operation to the development of agriculture and to the production of butter and bacon had to devote themselves primarily to the immediate object in view. This was to bring the agricultural producer, through co-operation, from a state of economic inefficiency to a position in which he could develop his agricultural production to a high state of efficiency, and could place his product to the best advantage upon the market. Whilst they aimed at a product economically produced and of high quality, they had not in mind any special relation to the market which the co-operatively-organised consumers might provide for them.

When, however, the great increase in the consumers' movement in England led to the formation of a trading federation in the Co-operative Wholesale Society, and the advantages of wholesale buying were brought home to the members of consumers' societies, men's minds began to move in the direction of manufacturing for the use of the societies the goods which they needed, and the Wholesale Society added to its trading function that of manufacture. In manufacture, it found a use for the capital of its constituent societies, and its business on this side gradually increased until it assumed its present large proportions. It was not unnatural that, as the co-operatively-organised producers in agricultural countries had little or no relation with the federation of the co-operatively-organised consumers of England, the consumers should have regarded their own

method of production, through a federation under their own control, as a desirable ideal. And, were it not for the fact that, side by side with the consumers' movement and its federation, there were growing up societies of industrial producers associated in self-governing workshops—printers, **textile workers**, **hardware workers**—it would not have been felt in England that there was any conflict of theory in the co-operative world. Nevertheless, the conflict would sooner or later have presented itself to those whose eyes are set upon ideals of co-operation and upon its future. The existence of the two theories side by side made it necessary to realise that there was such a conflict. The relative dimensions of the opposing forces tended to obscure its nature; for, in England, those who advocated the theory of control by the producers were, and are, comparatively weak in numbers and achievement, whereas those who advocate consumers' control are considerable both in numbers and in the importance of their work.

Accordingly, the latter are apt to regard their theory as that most acceptable to the majority of co-operators; but, apart altogether from the merits of the two theories, we must, if we are to have a proper perspective of the co-operative movement, take into consideration the fact that there exists in Europe a very large body of opinion holding the view that producers' control is the proper co-operative method. If we cannot bring these two bodies into relation we shall have failed to make the co-operative movement a coherent whole, linked up in all its parts. We have, in our previous chapter, alluded cursorily to the differences between the two schools of co-operative opinion; we must now examine them more closely in order to see whether it is possible to take one theory for the whole movement; and, if not, whether it is possible to arrive at some reconciliation between the two rival doctrines.

It is not contended by any co-operative thinker that societies of consumers for the purchase of commodities are not necessary. It is, indeed, common ground to both schools

that such societies are an important part of the machinery of co-operation. On the other hand, the advocates of consumers' control set no limit to the commodities the production of which they desire to control. If they recognised that the agriculturist in his production must be left to his own methods, the practical conflict would be narrowed down to one between industrial producers' societies and the wholesale federation; although the theoretical objection to having two unrelated kinds of co-operation would still remain. But the advocates of consumers' control are thorough-going and logical. If, they rightly argue, the consumer's ought to be the determining voice in controlling production, he ought to control all kinds of production, including agriculture. Accordingly, it is the policy of the Co-operative Wholesale Society to obtain access to land and to produce crops and animal products for the constituent societies; and, therefore, unless some common theory can be arrived at, the co-operative movement is likely to have added to its theoretical disunion a practical conflict which will rend it in twain. We are therefore not indulging in merely theoretical speculation when we state this problem, but are dealing with vital practical issues as well. Indeed, there has already been one example of this in the unfortunate controversy between the Co-operative Wholesale Society and the Irish Agricultural Organisation Society, when the Co-operative Wholesale Society established creameries in Ireland. The Co-operative Wholesale Society contended that there was no violation of the co-operative idea in establishing these creameries under consumers' control. The Irish Agricultural Organisation Society argued, from the standpoint of producers' control, that it was not good co-operation to have under the control of the consumers' movement a manufacture which ought to be the property of the producer. The controversy was no doubt embittered by various extraneous considerations which need not concern us here; but the real issue was to determine which theory was the proper co-operative theory.

It is worth while at this point to make a digression in order to define our terms. What is understood by co-operative production, and in what does the co-operation of members of a creamery consist? The issue is not as precise as it then seemed to the advocates on both sides to be. In a creamery, the process of co-operation is not for the purpose of producing co-operatively, in the true sense of the term as understood by the school of co-operative production. The members of a creamery co-operate, not as the members of a co-operative printing society, for example, to do the work themselves, but to own the means of producing from their raw material—milk—a finished product—butter. To this end they employ the services of workers, just as the ordinary private manufacturer would do. From the standpoint of pure theory, therefore, the dispute was between consumers co-operatively organised to employ labour for the manufacture of a finished product on the one hand, and the producers of the raw material co-operatively organised to employ labour to the same end on the other. It is important that we should have our minds clear as to what exactly co-operative production is.

Although the issue was not, in reality, a wholly clear one, there can be no doubt that in the minds of the contending parties the battle was really one between the two schools. If the movement had then realised its solidarity; if it had recognised that each side was right, and that what was needed was a common policy for the whole movement, much good might have resulted and a great deal of work which has yet to be done might have been at least under way. But the time was not ripe. Before we can say whether the time is ripe yet for an agreement on one theory for the whole movement, we must survey first the argument and then the changes which would be involved.

The Co-operative Wholesale Societies of England and Scotland, in their Annual for 1902, put their case in the following words :—

“The real reason why the control of industry, as regards the owning and managing of factories, should be in the hands of the consumers is because they are ultimately the whole community, and they work for the interest of all.”

In other words, the advocates of consumers' control believe in what is known as the doctrine of production for use and not for profit. They hold that because, through their societies, they know the demand, and can eliminate the waste due to competitive methods, their production can be more economical than if it is controlled by the actual producers themselves. It is undoubtedly true that the existence of a large number of societies with a more or less standardised demand makes it possible for the Wholesale federation to produce economically; and it is also true that the accumulated reserves of capital in the societies can be profitably utilised in the manufacture of goods which they consume, with more advantage, probably, to the consumers, than if they invested their capital in producers' societies. The advocates of producers' control, while admitting this, ask themselves the question—What constitutes the difference, from the standpoint of co-operation, between the Co-operative Wholesale Society's manufacturing department and a Joint Stock Company manufacturing the same goods? Let us try to answer this question. In the Co-operative Wholesale Society the manufactured goods are made, not for private profit, but to supply the needs of the co-operatively-organised consumers, who receive the benefit of the surplus when the necessary charges for management, maintenance, and services are met. Inasmuch as the whole community is at liberty to come into the consumers' societies, there is a vast difference between this form of manufacture and that of the private *entrepreneur*, whose profits go to a limited number of shareholders. Again, in the Co-operative Wholesale Society, the demand is much better known than it is in the case of the private manufacturer. The societies find it to their advantage to deal as much as they can with their

federation and the federation, therefore, has the advantage of manufacturing for a market which is but little affected by competition.

What, however, of the workers ? It is quite true that the workers employed by the Co-operative Wholesale Society are well treated, and that the conditions under which they labour can challenge comparison with the best private employers. But the private employer may be, and often is, quite as fair in his treatment of his workpeople ; and in that case the position of a worker in an ordinary commercial enterprise differs in no way from that of a worker employed by the co-operatively-organised consumers. This is the point upon which the advocates of producers' control join battle with the upholders of the consumers' theory. They argue that, no matter how well treated the workers may be, it is only by being free to control their own production that they, as wealth-makers, can realise the full advantages which they are entitled to receive at the hands of those who use the wealth they create. They further argue that, even if full economic advantages be derived from wealth-production ; if, that is to say, fair exchange rates in the form of wages are to be obtained by producing under the control of the consumer, the producer still has a want unsatisfied—he does not feel himself to be, to the same extent, his own master, as he would if he controlled his own industry in common with his fellow-workers. This is a psychological want, but to admit this, does not make the want any the less real. It will be urged that what has been said of the workers in the manufacturing department of the consumers' federation applies with equal force to the workers in societies, such as creameries, owned by producers. The truth of this contention cannot be denied for a moment ; and it is for that reason that we called attention above to the kind of co-operation which producers owning creameries and similar manufactories are associated to practise. Their co-operation is for production ; but it is not co-operative production ; and, with the single exception that it is in their capacity

as producers and not as consumers that they associate, they are in precisely the same position as the federated consumers who own the manufacturing departments of their federation. That is why we said that the issue between the rival creameries in Ireland was not a really definite one. Neither group of creameries was engaged in what the student of the theory of co-operation could call co-operative production.

If co-operation were merely a matter of the application of theoretical principles it would perhaps be more consonant with its aim if the consumers' organisations confined themselves to co-operating for distribution and left production to co-operatively-organised producers. But the forms under which co-operation actually is practised have been produced, not by the strict application of principle, but by a combination of a principle not always perfectly understood and the practical circumstances of those who applied it. We shall now pass on to consider what is the relative strength of consumer-controlled production, and production carried out under the management of the producers themselves.

Partly owing to the difficulties which we have discussed in the preceding chapter, and partly owing to the competition of the consumers' manufacturing departments, the special productive societies in England, although in most cases quite successful enterprises of their kind, possess a very small volume of trade when compared with that of the Co-operative Wholesale Society's manufactories. If we exclude agriculture, we find that, of the total output of productions in the co-operative movement in Great Britain, the consumers control a trade six times as big as that of the producers. The eighty-three producers' societies in England and Wales had a total trade of three million pounds sterling in 1917, whilst the production of the Co-operative Wholesale Society exceeded eighteen millions sterling. Accordingly, if a change were to be brought about, it would be much more likely to be by the absorption of the producers by the consumers than by the absorption of the consumers by the producers. Furthermore, although the producers'

societies are united in a productive federation, the superior organisation of the Co-operative Wholesale Society makes it impracticable to consider the substitution, in those commodities which the Co-operative Wholesale Society manufactures, of producers' for consumers' control.

It is therefore clear that, however desirable it would be to impress the whole co-operative movement with the stamp of a single idea, it is, in the present stage of development, impossible to do so. But we can profitably consider whether a harmony may be found between the two theories; and to this end we must consider first whether there are any practical limits to the extension of control of production by the consumers' federation. It is evident that the production of the Co-operative Wholesale Society is only limited by the demand which it has to supply and by its capacity for extending its manufacture. In goods which have a restricted market, either because of their nature or their quality, the productive societies may have a better field. This should be so particularly in the case of luxury articles, which the large-scale production of the Co-operative Wholesale Society and the general character of its market put out of its range.

What are the limits to the consumers' control of agriculture? It is already part of the settled policy, not only of the consumers' federation, but of the constituent societies, that farms should be owned by, and worked for, the consumer, to produce meat, milk, and vegetables. A number of societies in England already possess extensive farms and manage them with considerable success, although the considerable losses which are occasionally experienced show the difficulties and risks of the undertaking. The Co-operative Wholesale Society has decided also to put itself in a position to control a milk supply sufficient for the whole of its vast membership of consumers, and the federation proposes, furthermore, to acquire tracts of land in the Dominions for the purpose of wheat growing.

Leaving aside, for the moment, this latter projected enterprise, let us consider what is involved in the new

agricultural policy. From the point of view of business economy, there can be no doubt that the large industrial farm has many advantages, and that if the consumers' organisations were merely business organisations it would be well for the interests they serve to acquire land, employ labour at good wages and benefit their members by the economies of large-scale production. But the consumers' federation and the consumers' societies are not ordinary commercial enterprises conforming to ordinary commercial ideas of what is involved in business relations. They represent a community of men striving towards an ideal, and their policy must be examined in the light of that ideal. Now in England, as a complement to these societies of urban consumers, there exists in the countryside a network of societies of agriculturists, co-operating to raise from the land as good a subsistence as they can, and to ameliorate gradually the social conditions of peasant life. The argument applies with more force still to Ireland and to European countries of smallholders like Denmark and Finland. It may be true that these agriculturists would obtain a greater material return in wages from work on an industrial farm controlled by consumers than they do from their own small holdings, but another factor is to be taken into consideration. The smallholder, whether proprietor or tenant of his holding, looks upon his land as something more than a mere instrument of production. It is, to him, associated with the whole of his life. It is redolent of the associations of his forbears and of his friends; and he hopes to hand it down to his children and his children's children. It is, therefore, not merely a material but a cultural asset. By uprooting him from the soil and making him and his neighbours part of a highly-specialised industrial farm system, his material position might be improved; but this advantage would be heavily outweighed by cultural deterioration. It is true that in countries like Belgium, the smallholders live in villages and go forth to cultivate their land; but they do so as possessors, not merely as labourers.

If we are to regard wealth as the sum not merely of material and exchangeable things, but in its truer and more vital sense as everything that contributes to human welfare, we cannot but see that the affection of the peasant for his land and his roof-tree is a possession of which he should not be despoiled by those who profess the ideals which lie at the root of co-operation. The consumers' movement, when it embarks upon a policy of developing agricultural production under its own control, is consequently embarking upon something more than the acquisition and working of land ; and it has, therefore, if it wishes to remain co-operative, to acquire land the working of which is not likely to injure those other co-operators—the smallholders.

It may be objected that in making this statement we have left out of account the fact that in communities in which agriculture is predominant, and in which the co-operation of agriculturists is highly organised, the condition of the agricultural labourer is worse than that of a labourer employed by a consumers' society on its farm. We fully admit the fact ; but it is not an objection to our criticism, for we are concerned, not with the defects in the results of applying any one theory, but with the theories themselves. Unfortunately, the co-operation both of urban consumers and of agricultural and other producers falls far short of the ideals of either theory. The lot of the agricultural labourer, and his part in the co-operative system, will engage some of our attention in the next chapter. It may be asked why, in our discussion of the problem which we are considering in this chapter we have devoted our attention so much to Great Britain and Ireland and have not examined the problem in the light of the experience of other countries in which co-operation is developed. The reason is not far to seek. The consumers' movement in Great Britain is not only the oldest in Europe, but is the largest and most progressive. In every country of Europe in which consumers' societies are to be found, the example of Great Britain has been followed with a fidelity which would be testimony

enough in itself, even if not accompanied by a frank and hearty acknowledgment of the exemplar which is copied. In Denmark, in France, in Germany, in Italy, the model rules of the great union of consumers in England—The Co-operative Union—have been employed, and the memory of the Rochdale Pioneers has been honoured. For a statement of the problem, therefore, we find it unnecessary to travel beyond the confines of Great Britain and Ireland; although when, in the next chapter, we are considering what solution is possible we may be able to find some aid in considering foreign experience.

Before we pass to a consideration of the possibility of making a practical reconciliation between the consumers' and the producers' theories of control, we must mention one other aspect of the policy advocated by the consumers' federation. It is that the consumers' movement should secure control of raw materials, such as coal and iron. Here, from the practical point of view, the position is somewhat different from that which we have been considering. The acquisition of coal mines by the consumers' federation would mean, in practice, a change from the ownership of a company to that of a co-operative federation, and the position of the miners, who are, for the most part, not likely to form themselves into productive societies to buy and to work the mines is not prejudiced by the policy in question. The objections, from the point of view of theory, of those who believe in producers' control no doubt hold in this case, as in others; and the fact that an endeavour has been made by the miners in one mine to take it over and work it as a co-operative or syndicalist society would seem to strengthen the objection. Under present economic conditions of society, however, it does not seem that coal and iron mining is the most likely industry for associations of producers to control; and we may leave this part of the programme of the consumers' federation out of account when we come to deal with the reconciliation of the two rival theories.

CHAPTER III.

Theories of the Relation between Producers and Consumers (continued).

IN the early days of the manufacturing activities of the Co-operative Wholesale Society there was no lack of warning from some of the leaders of the co-operative movement, like Mr. Vansittart Neale, against the danger which he foresaw of the federation becoming, on its manufacturing side, more a capitalistic than a co-operative concern. The reason which determined the Wholesale to embark upon manufacture was that, while the productive societies were not strong enough to supply its needs, the private wholesale houses began to boycott it, as being a federation of stores which entered into competition with what is sometimes rather humorously known as the legitimate trader. Vansittart Neale quite realised that, in the condition of the times, the Wholesale had to embark upon its manufacturing policy; but, so zealous was he for the principles of co-operation that he drew up a scheme, somewhat after the manner of Godin's plan at Guise, by which in due season the workers employed in the productive departments might themselves become the possessors of the workshops.

Some of the leaders of the co-operative consumers' movement have expressed themselves from time to time as dissatisfied with the theoretical relation of the employees of the Co-operative Wholesale Society's productive departments and their organised employees. They feel that although in

practice the lot of these workers was much better than it would have been in most privately-owned enterprises there ought to be a possibility of their exercising more direct control than they actually could. It is true that as a member of his own store society an employee of the Co-operative Wholesale Society can be held to possess a voice in policy and management, but to many thinkers this is not enough. The profit-sharing scheme which the Co-operative Wholesale Society adopted at one time no longer exists, nor can the workers become members of the federation as the workers of the Scottish Wholesale can. Nevertheless, it is to be noted that the constitution of the Co-operative Wholesale Society is the cause of the latter inhibition rather than any desire to exclude the workers from a voice in determining the conditions of their labour. And if the theory of consumers' control be sound there is no conflict between the theory and the practice of this great trade federation. Its attitude, however, in this matter is not accepted by the co-operative productive societies as carrying out what to them are the true principles of co-operation, and there have been in the past many heated discussions at Co-operative Congresses and other co-operative meetings between the advocates and opponents of the co-partnership form of organisation, discussions which impaired the unity of the movement.

Assuming that a complete reversal of policy on the part of the Co-operative Wholesale Society is impossible, on the one hand, and that, on the other, the productive societies have established a right to the fuller form of co-operation which they practise, the problem which we have to discuss is whether it is possible to harmonise the conflicting interests involved so that there may not be a discord in the relation of one side of co-operative enterprise with another. The problem falls into four parts. We have first to consider how the friction and competition between the productive societies and the consumers' federation can be eliminated, or at least reduced to a minimum, without

the consumers' federation absorbing the productive societies, as its normal tendency would be if it were not checked by the best thought of students of co-operation and leaders of the movement. We have next to consider how the employees of the productive departments of the Co-operative Wholesale Society can be brought into a genuine co-operative relation with their organised employers. We have also to consider how the co-operatively-organised agricultural producers and the farm-owning consumers' societies can enter into a 'mutual' relationship. Lastly, we have to consider how the agricultural labourer can be made part of the co-operative world, and not merely an underpaid wage earner as he is at present.

It is unfortunate that the relations between the productive societies and the Co-operative Wholesale Society of recent years have not been very harmonious. It should be possible to arrive at some compromise by which certain productive works could be carried on by the Wholesale Societies, and certain others could be left to the producers' societies. This would eliminate the possibility of future competition between new departments in the Wholesale Society and new societies of producers, but it would not end the competition which exists between the present producers' societies and the Co-operative Wholesale Society's factories. To do this, it might be possible to arrange with the Wholesale to take the output of the productive societies up to a certain point, and to limit its own production in those goods, if necessary. Against this, it may be urged that there is a practical difficulty of price, which brings us to a serious phase of the conflict between the two schools. The Wholesale Society, representing the consumer, naturally wants to buy at the lowest price it can; the organised producers want to sell at the highest price they can; and they might be able to obtain a higher price for their goods in the competitive market than they would from the Co-operative Wholesale Society.

The same problem meets us in the relations between the co-operatively-organised farmers and their producing

societies, on the one hand, and the consumers' stores on the other. Hence we find that the greater part of, for example, butter manufactured by co-operatively-organised farmers' societies finds its way, not into other co-operative societies of consumers, but into the hands of non-co-operative retail distributors. If the co-operative movement is ever to approach the ideal of a commonwealth, this system must be changed, and instead of a fluctuating price, determined only by the operation of the law of demand and supply, a price must be arranged based upon equitable consideration of the producers' costs on the one hand, and of the consumers' needs on the other. In the pre-war days, when the public mind was unaccustomed to controlled prices, it was regarded as economic blasphemy to suggest any interference with what was called the normal working of the law of demand and supply; but the experience of the war has shown that it is possible, however imperfect the achievement may be, to fix prices by other considerations, so that the consumer will not take advantage of the need of the producer, nor the producer of the need of the consumer. To apply this to the relation between the productive societies and the Wholesale Society, if inter-trading is to be accomplished, would require a federal arrangement with a joint board to fix prices, but where men are animated by the principles which co-operators profess, there should be no insuperable difficulty in supplying such machinery. We shall see, later, that in the case of the agricultural producer and the consumer it is possible to harmonise their apparently conflicting interests by means of a joint wholesale society.

Mr. Greening has put forward proposals for federalising, in a somewhat different way, the two sides of the co-operative movement* and the machinery we have suggested might well form part of his federal scheme. Some such board might delimit the spheres of action, for the future, of the productive societies and the consumers' federation,

* Greening's "Policy of Conciliation for Co-operators"

(Dublin: Co-operative Reference Library, 1917).

and thus make possible a policy of progress and development rather than one of friction and absorption. The principle of joint control is, indeed, not a new one in the co-operative movement, for, as we have seen in the first chapter, in many productive societies the consumers hold shares and are represented, to our mind in even too great a degree, on the committees of management. The principle may be criticised in the case of the constituent societies themselves ; but there can be no doubt that the weight of argument is in favour of it when applied to federations. It is not our province in an exposition such as we are making, to outline the details of the joint working arrangement which we have suggested. The machinery of the Co-operative Union, which is the supreme advisory and propagandist federation of the co-operative societies of the United Kingdom, and in which are represented not only the co-operative consumers' societies but the co-operative productive societies, the agricultural societies and the co-operative wholesale federations, ought to be sufficient to bring about such an arrangement. There is, at present (1919), a Survey Committee considering the future development of the co-operative movement in Great Britain, and it may well fall to its lot to perform for the Co-operative Congress the service of working out a policy of conciliation which would bring all the parts of the movement into harmonious relationship.

We are on somewhat more difficult ground when we come to consider what change is possible in the relation of the employees of the manufacturing departments of the Wholesale Society to the federation itself. Those who belong to the school of consumers' control hold that sufficient regard is paid to the co-operative principle when it is open to these employees to be members of any constituent society of the federation. They urge that, as all the societies are the proprietors of the federation and have a voice in its government, the employees who are members of a store share in the government of the federation which employs them. If we accept this theory as true, the argument is of some

alue ; but it requires a somewhat close examination before we can see how much that value is. If we take the whole membership of the consumers' stores, and look at the machinery of government of the Co-operative Wholesale Society as a whole, we are forced to the conclusion that, in practice, the power which the employees could exercise through their membership of constituent societies is very small indeed, not only on account of the smallness of their number in relation to other members, but also because of the not unnatural division of interest which exists between them and the vast bulk of the members. Again, even if there were no difference of interest, and the workers did have, in the way suggested, a real voice in the government, it would not be in any sense as useful as if there were a direct association between them and the management of their departments. Questions of detail, which appear exceedingly insignificant when brought up before each quarterly meeting with many important issues to solve, may well affect, seriously, the interests of a group of workers. If they had some direct representation in the management, these matters of detail would appear in their proper perspective, and could be dealt with on their merits. In Scotland, employees are eligible for membership, not merely of constituent societies, but of the federation itself, the Scottish Co-operative Wholesale Society, and are granted voting power in proportion to the total membership. If this provision cannot be made in the English Wholesale Society, it ought not to be impossible to provide for some representation of the employees, either upon the Board of Management or on an advisory board charged with the duty of conferring with the Board of Management on matters which directly concern the interests of the workers.

In some such way as this, the relations between the employees and the government of the federations might be brought into some kind of harmony with co-operative theory. The pioneers of consumers' co-operation had always present in their minds the idea of a partnership

between the consumers and those engaged in production, whether of goods or of service. Their concern is shown by the fact that the employees of distributive societies are eligible for membership and are entitled as members to receive a certain share of the savings made by the society, usually known as "dividend." With the passing of time, many of the original ideals of the pioneers have been forgotten; but although many of the employees of consumers' stores do not become members, their right to do so has not been taken away from them; and the principle of giving them, *qua* workers, some share in the savings has been embodied in a rule adopted by many societies. The workers in the federations do not, as such, receive any share of the savings made by its operations; and many co-operators feel strongly that, inasmuch as the employees are primarily concerned in the success of the federations' enterprises, to exclude them, as workers, from a share of these savings, is incompatible with the principle of true co-operation. To the student of co-operation, the existence, amongst the employees of British co-operative organisations, of a special trade union to protect their interests indicates that there is at any rate some difference between principle and practice in the movement.

It is not part of our function to discuss at any length the relations between this organisation of co-operative employees* and the societies. It is enough for us to say that, whether or no the employees were justified in thinking that a special organisation was necessary to protect their interests, whether or no they acted in a spirit consonant with that of real co-operation, the existence of such a division in the movement considerably weakens not only its economic power, but also, and this is far more important, its moral influence. Nor is it pleasant to contemplate the fact that in co-operative organisations strikes of the workers have occurred. These manifestations would not take place if

* Recently this Union has opened its ranks to other than co-operative employees.

proper machinery to give expression to the co-operative idea were provided.

Let us now consider the case of agricultural production. We have, on the one hand, the co-operatively-organised farmers, and, on the other, the consumers' retail distributive societies which already possess farms and the federation of these societies which also proposes to develop this process as far as possible. How can the interests of the consumer and producer be harmonised? From the considerations which we have already advanced it is quite clear that the farmer cannot be asked, nor, if asked, would he agree, to allow the control of agricultural production to fall into the hands of a consumers' organisation. When, too, we consider the nature of agricultural operations it does not appear that control by bodies, the personnel of which is constantly changing—we refer to the committees of consumers' societies, local and federal—is likely to conduce to successful farming; and unless the co-operative movement is to fall, as the tendency now is, into two unrelated and hostile parts, it seems that the policy of embarking upon agricultural production under consumers' control will have to be reconciled with farmers' co-operation. The members of consumers' societies must be protected against the charging of exorbitant prices for their food, and we have already considered one of the ways in which this could be done by the setting up of a Joint Board to fix prices. This board might either be a link between the consumers' federation and the agricultural producers' federation, or it might be part of the machinery of a joint wholesale society which would serve the ends of both producer and consumer.

In Finland one of the three wholesale societies—the Hankkija—discharges to some extent the function of a joint Wholesale. To this society are affiliated both agricultural societies and store societies, and if the store societies which are affiliated to the S.O.K. Society* were also affiliated

* S.O.K. are the initials of the Suomen Osooskauppojen Keskusosuuskunta—the Finnish Co-operative Wholesale Society.

to it, the society would form a model for the kind of organisation which we suggest. In Denmark, the Wholesale Society called *Fællesforeningen for Danmarks Brugsforeninger* acts as a joint Wholesale for both store societies and agricultural societies.* Similarly, in Ireland, the Irish Agricultural Wholesale Society serves also as a joint Wholesale, although the work of consumers' societies in that country is as yet only slightly developed. A joint wholesale society in which were federated all the agricultural and all the store societies of a country would not only prove of economic advantage to its constituent members, but would make the agriculturist and the consumer realise their interdependence, which they do not realise at present. It would provide the farmer with his seeds, fertilisers, dairy machinery and implements. It would take from him his butter, eggs, bacon, and possibly his wheat, and would also provide him, through the store societies, with a market for these commodities. The advantages to the agriculturist would be that, instead of depending on a speculative market, he would have a steady market and an assured demand. The advantage to the consumer would be his opportunity of obtaining goods of a guaranteed quality at prices which would be fairly uniform and would, at all events, not touch the extremes which they now reach. The Joint Federation would be in a position to grade the goods it received from the producers' societies and to set a standard which a Consumers' Wholesale alone would not have the power to enforce. Were it not for the existence in Denmark of a federation of producers, and in Ireland of a propagandist federation—the Irish Agricultural Organisation Society—it is doubtful whether the standardisation of butter which has been achieved, completely in Denmark and to a fair degree in Ireland, would be possible.† Irish butter is being

* But it is necessary to add that of the membership of these
86 per cent are agriculturists.

† In Denmark, all butter for export must bear the mark
(*Lurmaerke*) of the Butter Control.

gradually brought under the same conditions owing to the work of the butter control of the Irish Agricultural Organisation Society.

Unfortunately, in England, there are practical difficulties in the way of establishing a joint Wholesale. The co-operatively-organised farmers have established, through their propagandist federation, a trade federation known as the Farmers' Central Trading Board,* which aims at being an agricultural wholesale society for the agricultural co-operative societies of England and Wales. After its establishment, the consumers' federation opened a department to serve the same purpose, and, unhappily, a great deal of misunderstanding, competition and confusion exists between the two bodies. If this competition continues, and the Central Trading Board goes under, the Wholesale Society will obtain its trade without having to give any representation to the farmers' societies, except such as they may obtain by being regarded as constituent societies on the same footing as consumers' stores.

A unifying policy is therefore required. There is no reason why the Co-operative Wholesale Society should not act as a joint wholesale; but it is unlikely to be recognised as such until it is prepared to agree to the propositions that producers' societies are in a different category from consumers' stores, and that special representation to safeguard their interests is both necessary and desirable. If the Co-operative Wholesale Society were prepared to assent to this, and provide proper machinery for regulating the prices at which agricultural produce could be sold, one of the imminent dangers to the progress of co-operation in England would be averted. Mr. Greening suggests that a federal council should be established in which the federations of the consumers and the industrial producers, and of the agricultural producers in Great Britain and Ireland should

* Now reorganised and called the Agricultural Wholesale Society.

be represented.* The duty of such a council would be to work out a common policy, and to promote mutual enterprises, and provided that such a council did not interfere in the internal workings of any of its constituent federations, its effect on the whole movement would be beneficent.

It can hardly, of course, be expected that the boards of the trade federations should set themselves to apply the touchstone of co-operative principle to all their undertakings, or to examine the effect which some of the new departures calculated to promote the interest of their own members will have upon the development of the co-operative ideal. Propagandist federations—like the Co-operative Union of England, the Pellervo Society of Finland, the Irish, English, and Scottish Agricultural Organisation Societies, and the German General Unions can and ought to devote themselves to such problems; and it is for this reason that such organisations are especially important to the progress of co-operation. In many countries (Denmark, curiously enough, amongst them), no such form of organisation exists. The absence of such an organisation is bound to be felt, sooner or later, as co-operation progresses. If these organising and advisory federations apply themselves to seeking a solution of the difficulties we have discussed, the formation of a council such as Mr. Greening suggests ought not to be difficult.

So far, our examination of the problems which we set out to discuss has shown that, while fully realising the actual conditions in the various branches of the co-operative movement, it is not impossible to devise a policy which will reconcile conflicting interests. We come now to touch upon a question which is much more difficult to solve: What place have we in the household of co-operation for the agricultural labourer? Up to the present, co-operation has done little or nothing for him, as, indeed, it has done little or nothing for the poorest classes in the community. He may, it is true, be a member of his village

* *Op. cit.*, page 5.

store, if one exists ; but no means has yet been found of recognising him as a producer ; and this is one of the great weaknesses of the co-operative producers' case. The chief difficulty in the way is that in the agricultural organisation of farmers the labourer has not a natural place, because he serves not a society but an individual. In countries, such as Roumania and Italy, where co-operative farming is to some extent practised, it would be quite possible to bring the labourer into a proper co-operative relationship with the society which employs him ; but where farmers are organised for the purchase of their necessities and for the obtaining of such services as credit, or the manufacture from their raw materials of a finished product like butter or bacon, the labourer has obviously no direct contact whatsoever with the society, and it is difficult to see how he can have.

In the co-operative commonwealth of the future, of which co-operators dream, the place of the labourer would be assured, for the whole community would be part of a great co-operative system. As things are, however, unless the labourers in a district are numerous enough to form a co-operative society for the purpose of working land in common and hiring out their surplus labour to the neighbouring farms, it would require an ingenious mind indeed to bring them into co-operative relation with agricultural production. Even "A. E." in that stimulating work "The National Being" finds it difficult to attempt a solution of this problem. In Italy there are some societies composed of labourers and very small farmers who combine together to run land on a system of collective tenancy. Their society pays them wages for their work, either by time or by piece. The members pay an entrance fee and subscribe for shares of the value of about ten shillings each, which are payable by monthly instalments. For farm labourers, who are subject to periods of unemployment, such societies have proved a great boon, and where credit societies exist and some technical guidance can be obtained

they provide a partial solution of the problem which we are considering. In one such society at Altedo, in Italy, membership is open, not only to farm servants and herds, but to day-labourers in the locality, and the *Societa Umanitaria* of Milan has provided model rules for co-operative labour societies.

Although, for the reason which we have already given, we have confined ourselves, when dealing with actual conditions, to co-operation in Great Britain and Ireland, the problem which we have been considering exists in greater or less degree in every part of Europe in which there are co-operative societies. But in many countries the problem is not so acute as it is in these islands, where, if we take them together, industry and agriculture are on a large scale and are both highly organised from the co-operative point of view. Nevertheless, we find that the policy of trade federations entering into production tends to develop. In countries like Finland and Denmark, where industrial producers are not co-operatively organised, and where the agricultural producer is not interfered with by the Wholesale, this tendency involves no practical problem, although it does involve the theoretical one which we stated in our last chapter. On the other hand, in countries which are both industrial and agricultural, such as Germany and Switzerland, the federations of the consumers' stores and of the agricultural producers' societies remain, for the most part, aloof from each other, and accordingly the principles which we have been enunciating apply to them.

We have now finished our survey of the two theories of control in the co-operative movement. We have seen that it is improbable, as things are, that the majority of co-operators can be brought to adopt one common policy for the whole range of co-operative enterprise. We have explored, therefore, the existing conditions in order to discover some form of compromise which will allow us to view the co-operative movement as a coherent whole and will keep it true to its principles. The

suggestions which we have made may prove useful to students of co-operation who find it difficult to tread the maze of so much differing theory and practice. In the next three chapters we shall trace the development of the co-operative idea and see the historical foundation for the theoretical differences which we have just discussed. In doing so, we propose for the sake of brevity and clearness to ignore those early forms of association which have existed, chiefly among producers, from the beginning of society. It is necessary to draw a dividing line, and we may assume that co-operation, in the technical sense in which it is now generally understood, has its origin in the beginnings of the consumers' movement in England in the early 19th century. We shall therefore deal first with consumers' co-operation in our historical survey, although when we come to scientific classification the producers must take precedence.

CHAPTER IV.

An Outline of the History of Co-operation.

I.—CONSUMERS' CO-OPERATION.

THERE have been many disputes in the co-operative world as to the date at which co-operation began. The disputes only show that the disputants are not agreed as to what they mean when they talk of the beginnings of co-operation. Some people maintain that co-operation began with the Rochdale Pioneers, others that it began with societies founded much earlier than the Rochdale Pioneers, others that we must go back to the time of Robert Owen to be present at its birth. All are right, and all are wrong. The Rochdale Pioneers' Society was the first example of consumers adopting fully the methods which we know to-day. They invented a method of co-operation, not co-operation itself. There were undoubtedly other societies which existed before the Rochdale Society started, but their co-operation, as we shall see, was animated not in the same but in quite a different way. If, indeed, we want to find the first example of a co-operative society in Europe, we must go to Switzerland and we shall find that in Jura there existed, probably for centuries, a form of producers' co-operation amongst the peasants for the purpose of cheese-making. If, however, we desire to study the many ideas which gave an impulse to the spread of co-operation everywhere, and which in particular sent forth the principle and ethic of co-operation, we shall have to study the work and teachings of Robert

Owen. His importance in the history of co-operation is not to be measured by what he achieved, but by the doctrines which he enunciated. Though these were stated in an extreme form, they were destined to work upon men's minds and to incline them to apply, in a form suited to the conditions of their time, some of the principles which he expounded.

Robert Owen was born in 1771 in Montgomeryshire. He began his industrial life as an assistant in a draper's shop, and gradually worked his way upwards until he became manager of a cotton mill at Manchester. His constructive work began when he became a part proprietor of mills at New Lanark employing many workers. Most of them he found in ignorance, vice and discomfort. He set himself to improve the conditions and character of his workers; and what marks him out from most philanthropists is that he proposed to effect his reform with the help of the persons concerned, rather than to impose restrictive measures upon them. This was the first part of his co-operative doctrine. He founded what he called an "Institute for the formation of character," but what we should call, in humbler phrase, an infant school, where the children of his workpeople could obtain that early training which was to fit them to be good and self-reliant citizens. In one of his writings, Owen foreshadowed the more practical details of co-operative association. "One oven," he says, "might suffice to bake for a hundred families with little more cost or trouble than a single household bake. It might set free a hundred fires and a hundred domestic cooks. One wash-house and laundry would save one hundred disagreeable and toiling washing days in the people's homes."

Owen was associated with the foundation of a paper called the "Economist" in which it was proposed to discuss "A new system of society projected by Robert Owen, Esq., and a plan of association for the working classes." Owen's idea of co-operation was a much more elaborate system than any of the forms which actually exist. He was impatient to

arrive at once at the co-operative commonwealth. According to him, co-operation ought to enter into all forms of activity, and into every business of life. Co-operation was proposed as "A system of universal industry, equality of privilege, and the equal distribution of the newly-created wealth."

Needless to say, in the early part of the nineteenth century these ideas, however they may have impressed the working-classes, were not likely to commend themselves to the wealthy and privileged; nor were they in harmony with the spirit of the times. Owen's opinions on theological questions not being considered sound, it was a comparatively easy task to discredit the soundness of his other ideas. On the other hand, many statesmen expressed themselves as being in favour of the practical side of his programme. That programme proposed, first, a good education for the poor, without religious or political discrimination, and, secondly, the amelioration of the condition of the productive classes by the introduction of superior arrangements to instruct and employ them. Owen's ideas, although they did not make a great impression in his time or cause great practical changes, bore much fruit in many directions afterwards. The Factory Acts and the eight-hours day were advocated first by him. He changed the popular ideas about education, and his arguments had a great effect upon the educational legislation of the future. Finally, in the ideal factory system of which he dreamed, one of the details was a co-operative store. Although he was not to realise the whole of his dream, that small detail of organisation was to play an important part in the lives of the working people of Great Britain.

In the thirties of the nineteenth century, in the period intermediate between the beginning of Owen's propaganda and the work of the Rochdale Pioneers, there was in Europe a ferment of social philosophising, most of it as noble in intention as it was impossible in execution. In France, in England, and in Germany, prophets were busy reconstructing the universe and ameliorating, on the largest scale, the

condition of the workers of the world. It would be merely of historical interest, and beside our present purpose, to study in any detail the history of this period. The only importance it has for the student of the co-operative movement is that the idea of co-operation, sometimes precise but more often vague, was in the minds of most of the writers and dreamers of that time. In France, men's minds turned to productive co-operation ; and the plans of some of those who gave themselves to vague dreamings of a communistic state provided at a later time a great impetus to producers' co-operation amongst the industrial workers of France. When, in our next chapter, we come to deal with the story of producers' co-operation, we shall touch on many experiments which were made at this period, and notably that at Ralahine, in the County Clare.

There were before the year 1844, a certain number of co-operative societies in being, having the same fundamental idea as that which actuated the Rochdale Pioneers ; but most of these languished or failed, either through adopting too comprehensive and world-wide a policy or through the more prosaic mishap of getting into financial difficulties by under-estimating the costs of management. The importance of the Rochdale Pioneers is that they applied a method by which this disadvantage could be overcome, and by which societies could be worked on a stable basis.*

It was in the year 1844, that twenty-eight weavers of Rochdale opened a store in Toad Lane for the sale of groceries. The idea of co-operation had not been unknown to Rochdale before that date. Various experiments of a co-operative character had been tried there, beginning in the year 1830, when a co-operative society was formed to supply flannels to other societies. The influence of Owen's writings was noticeable in this venture. What is it then

* The earlier societies regarded dividends and savings with loathing, and a Co-operative Congress, held in London in 1832, passed a vote declining to admit to conference any societies formed for the accumulation of profits with a view to making a dividend at some future period.

that makes us take 1844, rather than 1830, as the date of the beginning of consumers' co-operation in Rochdale and England? It is because one of the twenty-eight weavers named Howarth made a discovery which his fellow-workers applied to their co-operation. Howarth conceived the plan of selling goods at current prices and dividing the savings amongst the purchasers in proportion to the amount of their purchases. The device seemed a simple one; but it was for the lack of it that, before then, co-operative stores had failed to gain ground.*

The weavers, before opening their store, began gathering their little capital by subscribing first twopence and afterwards threepence per week, so that by the end of the year they had a capital of £28. With a stock of five commodities—butter, sugar, oatmeal, candles, and flour, and calling themselves "The Equitable Pioneers of Rochdale," they opened in a side street, to the great amusement of their scoffing neighbours. They were not, however, to be turned aside by such foolish scorn. They managed their shop in turn, keeping it open for a few hours each evening. The principles on which they founded their society have been adopted not only in England but all over the world. Besides selling goods at current prices, they insisted upon the principle of cash payment and of giving full weight and good quality. In their constitution they provided that each member should have only one vote at the general meetings of the society. The savings effected in trading were to be divided into three parts, one to be given to the members in proportion to their purchases, another to be set aside for the reserve fund, and the third to be allocated for educational purposes.

* It is true that in 1827 there was founded at Meltham Mills, near Huddersfield, a society which divided profits on purchases from its commencement, but Howarth, probably, did not know of its existence. There have been other claimants to the honour of making this discovery, e.g., Alexander Campbell, but the fact remains that Howarth, in rediscovering this method, made it the foundation of a successful society whose success led to the establishment of other societies on similar lines.

It is unnecessary here to enter into the further adventures of the Rochdale Pioneers.* The success of the society, notwithstanding many vicissitudes, was never in doubt, and, in its immediate neighbourhood, societies on the Rochdale model began to spring up. Among these earlier societies were those of Bacup, Todmorden, Leigh, Salford, Padiham, and Middleton, and in 1859 there were 130 co-operative stores in the North of England and in Scotland.

About the year 1852, when the first of the Industrial and Provident Societies Acts was passed, the co-operative stores obtained the status of legal corporations; and in 1862, by the second Industrial and Provident Societies Act, the consumers' stores were allowed, by registering under the Act, to have the benefit of limited liability, in common with other similar associations. The latest figures, 1917, show that there were then 1,366 retail distributive societies in the United Kingdom, with a share capital of £48,574,049 and a membership of 3,788,490.

The history of consumers' co-operation in Europe is mainly one of imitation of the Rochdale Pioneers. The revolutionary period of 1847-8 had a strong influence in making the working classes on the Continent desirous of adopting a co-operative form of organisation in order to make living less expensive than it was. The period from 1850-65 saw the rise, in most countries of Europe, of numbers of stores.

Belgian consumers' co-operation, unlike that in most countries, is of a definite political type. From 1850-90 various attempts to found co-operative stores were made. They were mostly philanthropic and not truly co-operative in character, and were the product of the influence of Fourier. In 1880, the Vooruit was founded at Ghent; and, under the influence of Cesare de Paepe and Anseele its organisation became definitely socialistic. The socialist societies, which form the greater part of the consumers' store movement in Belgium, do not admit other than working men. The

* See Holyoake's "*History of the Rochdale Pioneers.*"

Liberals and Catholics tried to found rival societies—but were less successful. The Catholic Societies at Ghent and Antwerp have, indeed, ceased to be co-operative, and have formed themselves into joint-stock companies. The socialist societies differ from the type of society which exists in England and in other countries, in that they pay no interest on their share capital, and require their members to make this sacrifice for the principle which they profess. Further, they hold the view that a distribution of “dividend” out of the savings of the societies is wrong in principle, being in their opinion a capitalistic proceeding. Their theory is that a distribution to individuals tends to destroy the co-operative spirit; and, accordingly, it is one of their principles that all “dividends” shall be paid into the common fund of the society.

Whatever may be thought of this theory, it has been found to be too great a strain upon the altruism of even Belgian Socialists, and most societies do, in fact, distribute their “dividend” in the same manner as other societies elsewhere. The Vooruit itself, indeed, although its dividends sometimes exceed 30 per cent, does not pay them in cash, but in tokens which can be exchanged for goods in the shops of the society. From the first, Paepe, Anseele and Vander-velde, the leaders of Belgian co-operation, held the view that the co-operative store was not an instrument for obtaining goods at low prices, but one by which the working classes could band themselves together to wage their war against capitalism, to improve themselves morally and to stimulate social intercourse. The name of the great society which was founded in Brussels in the year 1884—*La Maison du Peuple*—the People’s House, indicates the character of their policy. The Belgian socialist-co-operator willingly pays for his goods a price higher than the current one, in order to benefit his society; and it is part of the machinery of working that bread, for example, should be paid for each week in advance, in order to provide abundant working capital for the society and to avoid the necessity of paying interest.

Consumers' co-operation in Denmark is rural rather than urban, and has advanced side by side with co-operation for agricultural production. Like the store movement in most countries, the influence of the Rochdale Pioneers caused its development. A Danish clergyman—Rev. Chr. Sonne—was moved by reading the model rules and the history of the Pioneers to start the first Danish store society in the year 1866 in the town of Thisted, in Jutland. The organisation of the societies was a slow work. In 1885, after nearly twenty years, there were only two hundred societies. In 1890 they had increased to five hundred and in that year progress began to be rapid and steady.

The development of the stores was greatly helped by a provision in the Danish Commercial Law which was framed with a totally different object, namely, for the purpose of restricting competition. The enactment provided that no retail shops should be opened within a certain radius of any town. It was held by the Danish courts that this provision did not affect co-operative societies, which confined their trading to their members. Accordingly, it was possible to establish stores as near a town as members desired, and those who did not wish to go some distance for their groceries and provisions found it extremely convenient to become co-operators. Another result has been that most of the societies, whether near a town or otherwise, trade only with their members. There were in 1915, 1,562 store societies, of which 1,470 were in country districts. The membership was 243,855. The wholesale federation of the Danish co-operative stores is called Fællesforeningen for Danmarks Brugsforeninger (or the common union of Danish supply societies).

In 1871 Mr. Sonne, although his store movement had less than one hundred societies, thought the time had come for a trading federation. At a meeting held in that year in the University of Copenhagen he outlined his scheme, and shortly afterwards established a wholesale society under the

title of "The Common Union of Danish Societies for the supply of Household Necessaries," which, in 1884, amalgama^{ed} with the present federation. Another wholesale federation was formed in Jutland in 1888 by Severin Jorgensen to do for Jutland what the Danish Wholesale Society was doing for the rest of the country. It, too, joined forces with the present Wholesale in 1896. Like the Co-operative Wholesale Society of England, the Danish Wholesale has a productive, as well as a distributive trade. It is an interesting feature of Danish co-operation that the societies are extremely loyal to their federation. The average amount purchased by each Danish co-operator through his store is £17 per annum, and £15 of this is spent on purchases by the society from the Wholesale.*

The organisation of consumers' stores in Finland dates, for all practical purposes, from the year 1900, when there were only seven societies in working order. As in Denmark, most of the members of stores are agriculturists, either little owners or labourers. These form four-fifths of the total membership of the societies. They are, for the most part, closely associated with the Agricultural Organisation Society, called Pellervo, which has been instrumental in giving help and advice to the central Wholesale and the store societies. Compared with consumers' stores elsewhere, the Finnish societies are very small, only 5 per cent of them having a membership over five hundred. It is an instructive feature of Finnish co-operation that machinery is provided by which non-members who deal at the stores may automatically become members. They are entitled to receive a certain proportion of the "dividend," but in no circumstances are they paid in cash. Their dividend accumulates for them at the store until it forms a share. If the non-member does not decide to join the society, the amount standing to his

* Contrast this figure with that for the French Magasin de Gros. It is estimated that the average annual amount purchased by the French co-operator through his store is £13, of which only about ten shillings' worth is supplied to the society by the Magasin de Gros.

credit becomes the property of the society, and is paid into its reserve fund.

The organising society (Pellervo) finds great difficulty in making the stores maintain a cash basis of trading with their members. Several of them have come to an end through giving too much credit, but some of the larger stores find it possible to do all their work on cash principles. In the majority of these societies in Finland, the value of a share is low, varying from eight to sixteen shillings. In a small number it varies from £1 to £2. The average of all the societies, according to return for 1917, is fourteen shillings, and the average turnover of the stores is £5,488, as compared with an average per society of £64,000 for Great Britain and £16,000 for Switzerland. The total number of working societies before the war was 419, although 512 were on the register. The societies between them had a membership of 91,000, and a turnover of two and a half million pounds sterling.

The Central Wholesale was founded in 1904 by the consumers' societies. Two hundred and forty-four stores were affiliated to it in 1914. An interesting part of its work is its education committee and its department for the training of managers for local store societies. The education committee directs a publications department and an advisory bureau, and a number of the managers of Finnish societies have been trained in the department at Helsingfors.

Co-operation in France did not develop consumers' stores until rather late, although as far back as 1855 there was a society called "Ruche Stephanoise de St. Etienne." In the period from 1867-1883 about one hundred societies were founded, some of them like that at Puteaux, called the "Vendication de Puteaux," of a socialistic character. In 1885, however, a group of co-operators at Nîmes came together and called a Co-operative Congress at Paris to found a co-operative union to federate existing societies and to promote the establishment of others.

During the following decade, the affiliated societies

remained faithful to the Rochdale plan ; but the influence of the Belgian societies led some of the French socialists to found their own form of consumers' store. At the same time, the establishment of a wholesale federation (which afterwards became the "Co-opérative de Gros") caused a split in the union. Many societies left it, and betook themselves to the socialist group, which afterwards formed its own federation, under the title of "Bourse Co-opérative de sociétés socialistes de consommation." The socialists, animated as they were by the spirit of a class war, and being exclusively working-men, became more active and more ready to make sacrifices than the original co-operators. They founded in the year 1906, a rival Wholesale to the Co-opérative de Gros—the Wholesale of the Union.

The "Co-opérative de Gros" quickly outstripped its rival ; but happily, in 1912, negotiations were opened with a view to uniting the Union Co-operative and the socialist organisation, and the amalgamation took place at a congress at Tours in December, 1912, under the title—*La fédération nationale de sociétés co-opératives de consommation.*" It was largely owing to the pressure brought to bear upon the two organisations by co-operators of other countries during the Congresses of the International Co-operative Alliance that this result was achieved. After the amalgamation of the propagandist federations, the trade federations united and took the title of the *Magasin de Gros*.

In the pact which was arrived at between the Union Co-opérative and the socialist body, after reciting the fact that they came together because their division furnished an excuse for many societies to remain unaffiliated to either one or the other, they go on to express their agreement with the essential principles of co-operation formulated by the Rochdale Pioneers, which they find to be not inconsistent with those laid down by the programme of international socialism. They declared that each society should be at liberty, provided it was not a capitalist or employers' society, to dispose of its savings as it pleased. There were

in France at the outbreak of the war 3,156 societies, with a membership of 876,000. On the whole, consumers' co-operation in France cannot be said to have a homogeneous character, but we are unable to accept the reason which Professor Gide uses to explain the fact, namely, that the Celtic character does not take kindly to consumers' co-operation, although it finds co-operation in production quite congenial.*

In Germany, the co-operative movement began with societies to supply credit to urban workers. Schulze-Delitzsch, the pioneer of co-operation in Germany, felt that the need of his time was to protect the small handicraftsmen against the exactions of usurers, to whom they found it necessary to have recourse for the needs of their industries. In 1850, the first of these credit societies was founded by Schulze-Delitzsch, and from that time on, this form of co-operation, which was modified for the rural population by Raiffeisen, grew and flourished in Germany. The co-operative store came comparatively late in the history of German co-operation. Lassalle, one of the pioneers of German co-operation, held the view, borrowed from the classical theory of the law of wages, that to lower the cost of living would benefit the capitalist by enabling him to reduce the wages of his workmen. It is true that in the period between the foundation of co-operative credit societies and the Franco-German war there were stores in existence. They were not, however, of a truly co-operative character; but were semi-philanthropic and under the patronage of the upper middle classes.

The first society on the Rochdale principle seems to have been established at Neustadt, near Magdeburg, in 1864. This society did not play any important part in stimulating the formation of others after the same model. The greatest development in consumers' co-operation took place from the

* Gide "*Les Sociétés Co-opératives de consommation.*" Paris, 1917 page 216 *et seq.*).

year 1890. The bourgeoisie had lost their interest in stores in the previous decade, and the working classes found that by the law passed in 1890, which allowed co-operative societies to enjoy limited liability, they had a chance of controlling the consumers' movement. In the years 1890-1902 the Allgemeiner-Verband, which was the union of all the stores, was divided against itself. The credit societies controlled some of the old-fashioned stores, and looked with scant sympathy upon the attitude of the working-classes. In 1902, at a congress at Kreuznach, the directors of the Allgemeiner-Verband accused the leaders of the working-class stores of introducing Social Democratic principles into the co-operative movement, and succeeded in expelling one hundred stores. These were followed into exile by fourteen provincial consumers' unions; and they established a rival to the Allgemeiner-Verband, which took up its headquarters at Hamburg, under the title of the Zentral-Verband Deutscher Konsumvereine.*

The number of stores affiliated to the Zentral is now larger than that of those affiliated to the Allgemeiner-Verband, although the latter has a very large number of other co-operative societies affiliated to it. Before 1894, wholesale buying was carried on by provincial unions called Einkaufsvereinigungen, but since that year the German Wholesale, called Grosseinkaufs Gesellschaft Deutscher Konsumvereine, was founded at Hamburg; and the provincial unions have been utilised as links between this Wholesale and the constituent stores. The policy of the German Wholesale is precisely similar to that of the English Co-operative Wholesale Society in that it desires to obtain complete control of production. Indeed, the German Wholesale has consciously imitated the organisation of its English counterpart.

In 1849, Schulze-Delitzsch founded, in his own native town, an association for procuring raw material for master

* Wygodzinski: "Genossenschaftswesen in Deutschland," pages 116 and 204.

joiners. Thirteen joiners became members of the society, and the results were so good that by the end of the year, a similar society of shoemakers was called into existence; while in the following year a shirtmakers' and tailors' society was established at Eilenburg. Since then, this type of society has made steady progress in Germany and Austria.

Consumers' co-operation began in Russia in 1865 at Riga. The well-to-do classes, rather than the workers, formed the membership of most of these early societies. The working people were, however, allowed to be customers of these stores. In 1870, the first of a type of society which is common now in Russia was founded at the Kynov Works in the Ural Mountains. In 1917 there were 522 stores attached to factories. The famine of 1891 caused a spread of consumers' stores in the country, but these societies were, like those we have alluded to in Germany, of a dependent rather than of a truly co-operative character. The directors and managers often had seats on the committee, and the co-operative machinery was used as a weapon when the interests of the workers conflicted with those of their employers. The backward condition of the peasantry and the paternal tutelage of the government made it inevitable that the development of rural stores should come from above rather than from the people. Since 1905, however, village consumers' societies have taken a new form, that is to say, they are not, as hitherto, dependent upon the leadership and domination of the leisured classes.

Before the growth of rural consumers' societies, the monopoly of the village shopkeeper imposed a heavy burden upon the peasantry. The opening of these societies has caused in some cases a reduction of prices to the extent of forty per cent. In point of size, the consumers' store movement in Russia is extremely large. It has been estimated that, in 1917, there were about 20,000 of these societies, 8,000 of which were in rural districts. The consumers' societies were federated in unions which covered areas from that of a few district towns to a whole series of

provinces. The Trans-Caucasian Union of Consumers' societies is an example of this latter kind. The central organisation is the Moscow Union of Consumers' Societies.

The failure of a divisional union at Kiev caused the government to put difficulties in the way of the formation of new district federations; but the members of the stores got over their difficulties by taking advantage of a loophole in a commercial law which enables societies to constitute themselves into what is, practically speaking, a union, by simply making an agreement with each other to that effect. The Moscow Union was founded in 1898 with eighteen constituent societies. In 1911, it was able to open its own premises and to act as a Wholesale for the societies. In 1915, it had 1,713 affiliated societies and its operations before the Russian Revolution extended over the whole of Russia. In 1915, it started a tobacco and match factory and a vegetable and fruit-drying department. In 1916, it entered upon the business of flour milling, and established a herring salting station at Archangel. The pioneers of Russian co-operation were Tchernyshevsky and Dobrolyubov, the latter of whom popularised the ideas of Robert Owen in Russia. The pioneer of consumers' co-operation was Professor Ziber. The Russian co-operative societies have lately devoted a great deal of thought to the social aspect of co-operation; and many societies have attached to them institutes which are called "People's Palaces" in which recreational and educational facilities are provided for the members.

Switzerland, which from 1848 had adopted consumers' co-operation, began from 1863 consciously to model its societies on the Rochdale plan. In Swiss distributive co-operation, however, there were two schools, the one aiming at the lowest possible prices and the other at good quality and the social advantages of a co-operative society. In 1901, the Swiss Federal Council forbade civil servants to act as members of the committees of consumers' stores, but as a result of a protest of the Federation for the

Allgemeiner-Verband Schweizerischer-Konsumvereine, which was founded in 1890, the prohibition was modified to apply to societies which traded with non-members. Accordingly societies which had a fairly large trade with non-members refused to serve them any longer. This course weakened the societies for a time from the material standpoint, but greatly strengthened their co-operative character. The stores which have not affiliated to the federation are known as "Wildemänner" (wild men). Although previous to 1890, when the federation was formed, the growth of consumers' co-operation had been slow, a great advance took place after that date, and there are now four hundred societies with a total membership of 300,000, which is a remarkable achievement for a country with a population of under 4,000,000.*

* These figures are for 1914-15. It has been found difficult since the war to obtain exact information as to increase.

CHAPTER V.

An Outline of the History of Co-operation (continued).

2.—PRODUCERS' CO-OPERATION.

BEFORE we trace the development of co-operative production, as it is known to-day, it is necessary that we should discuss some of the implications and results of the theories of Owen in England and of Fourier and his disciples in France. Neither of them had any important practical effect in bringing about the establishment of co-operative productive societies on sound lines. The value of their work, as we have observed before of that of Robert Owen, lies in the stimulus which their speculations gave to the thought of their time. Owen's dream was the creation of a community in which the members would live in co-operative association and rely upon themselves to produce the necessaries of life. Fourier held much the same central doctrine, although in the details of his working he parted company with Owen, whom he designated a charlatan.

Fourier's plan for remoulding society was to form communities into a Phalanstère composed of separate phalanges, each of which was to consist of 1,600 persons. He was always seeking some wealthy capitalist who would found his Phalanstère, and, in 1832, he did at last succeed in establishing one near the Forest of Rambouillet. For financial and other reasons, it met with an inglorious end; but up to the

time of his death in 1837, Fourier clung to his view that the ills of society could, and would, be cured by his panacea.

Owen was more fortunate with his communities, for a number of experiments in Scotland, England, and Ireland were made along the lines of his teaching. Three of these are worthy of notice. The first was founded by Abram Combe at Orbiston, near Glasgow, in the year 1825 or 1826. There were living in community nearly three hundred persons, divided into "squads" of ten to twenty families. At first, things went extremely well. Shoemakers made shoes for the community, the children worked in the gardens and made fishing nets from twine which was spun by other members. Cartwrights, ironfounders, and cotton and silk weavers were set to work to produce for the common stock, and it was agreed that all their common expenditure should be paid out of this common stock and an equal share of the surplus of their labour placed to the account of each member of the community, according to the time he worked. This principle of equal distribution caused, however, a certain amount of heart-burning; and there were signs of coming trouble when, in 1827, Abram Combe died and his relative, William Combe, gave the whole population notice to quit.

A community on a less ambitious scale, but one which came to the same kind of end, was that founded by Vandeleur in the County Clare, at Ralahine. Vandeleur resolved, in 1831, to form an agricultural community on Owen's lines, and brought over Mr. Craig, the historian of the experiment, to organise it. The whole of the labourers and artisans on Vandeleur's estate, and some who lived in the neighbourhood, were assembled at the end of 1831, and proceeded to elect by ballot the members of the "Ralahine Agricultural and Manufacturing Co-operative Association," to the number of fifty-two, with the object of "acquiring a common capital, attaining a greater share of the comforts of life and improving by mutual association the members." The experiment, so long as it lasted, was a great success; and it became the ambition of people in the neighbourhood to become members.

In 1833, the membership was eighty-one. Mr. Craig tells us in his book* that the progress of the association had become so marked that it was determined, at the harvest of 1833, to mark the occasion by a festival, a feature of which was a procession of the members, their wives, and children, headed by the secretary, mounted on a bay pony, and wearing a silk sash on which were printed the words "Each for all." In November of the same year, Vandeleur was found to have gambled away all his property, after which he fled the country. There was no tenant-right, and the little community, having no corporate existence at law, was sold up to satisfy writs placed in the hands of the sheriff.

The third and best known of these communities was that of Queenwood, in Hampshire, with which Robert Owen was himself directly associated. Financial difficulties caused the collapse of this community in 1845, its promoters having worked on too large a scale and being unable to finance the undertaking.

The next stage in the development of co-operation for production was that of the Redemption Societies which were established about 1850. Their object was to work out the redemption of labour by union amongst the workers. These societies were capitalised by subscriptions of one penny per week from their members. Societies were established at Bury, Norwich, Pudsey, Leeds and Stockport. They devoted themselves to different forms of productive enterprise, one to making shawls, another to shoemaking, binding and hat making; a third to ironwork.

The Leeds Redemption Society, which was the largest of them, conducted a journal called "The Herald of Co-operation." This journal the society caused to be published in the Isle of Man, because of a peculiar privilege enjoyed by that island giving it the power to circulate, at the expense of the State, any journal published within its shores.

The Redemption Societies gave place to the Christian

* Craig : "Co-operative Agriculture in Ireland."

Socialist Associations, which were formed under the auspices of a body known as "The Society for Promoting Workingmen's Associations," founded by Mr. J. M. Ludlow, the promoter of the Industrial and Provident Societies Act and a Registrar under the Friendly Societies Act. Ludlow was much influenced by the French Workmen's Associations started by Louis Blanc after the Revolution of 1848. The society began by founding a working-tailors' association. As in so many other experiments of the same kind, everybody who came was accepted as a member; and the efficiency of the association by no means equalled its enthusiasm. It was dissolved in 1850, after a short life, owing to internal dissensions.

Another association was the "Castle Street Tailors' Association," which borrowed its capital from the manager, allowing him to dominate the whole concern until it was repaid. The rules provided that interest should be paid on the borrowed capital at the rate of 4 per cent, that one-third of the net profits should be devoted to the expansion of the association by the admission of new members, and that the remainder of the net profits should be divided among the workmen in the ratio of their earnings.

Other associations formed by the Christian Socialists were associations of builders, bakers, and shoemakers. The shoemakers' association was in existence in 1863, and it is on record in the *Quarterly Review* that the lenders of capital were paid their interest punctually. The Christian Socialist Societies, like their predecessors, suffered from the disadvantages of not being able to limit their liability, and from the fact that under the Friendly Societies Act of 1846 they could not sell to non-members. This difficulty was overcome by vesting the whole of the property of their associations in trustees, with the power of entering and dealing summarily at any moment with the property.

It is to France that we must look for the fullest example of co-operative production, in the Familistère founded by Godin at Guise in 1879. Godin, who was born in 1817,

started in 1840 an ironworks, which in 1846 he removed to Guise. While contending against a remarkably keen business competition he gave a great deal of his thought to finding a solution of the labour problem. He studied St. Simon and Owen without deriving more than a theoretical inspiration. When, however, he had read Fourier's "Theory of Universal Unity" he was much attracted to the doctrine of a partnership of capital, labour, and ability; and he studied and helped to finance one Phalanstère which Victor Considerant—one of Fourier's disciples—had founded in Texas, and which ultimately proved a complete failure.

This failure caused Godin to realise that it was necessary, before embarking upon any ambitious scheme, to educate the workman whom it was proposed to emancipate. Godin, accordingly, did not at once hand over the ownership and management of his factory to his workers. The plan on which he proceeded was much more sound. He surrounded the workers with an environment suitable to the growth of responsibility; but he provided services such as insurance and pension funds which gave them economic security; and he gradually associated them with the ownership, through profit-sharing, and with the management through the establishment of committees for various purposes. He built his *familistère* to house the employees, who were destined afterwards to be the owners of the ironworks.

The method which he adopted, and afterwards embodied in the legal constitution of the society, was to divide the workers into four classes corresponding to four stages of initiation. In the first stage, they were merely employees with a right to a pension and insurance against illness and accident. In the second stage, they became profit-sharers, receiving one share annually, calculated in proportion to their services. In the third stage, they received as their share of the profits 50 per cent more than they had enjoyed in the previous stage. Finally, in the fourth stage, they became full members. The Committee of Management was composed of heads of the chief departments, with three

members elected by all the members at a general meeting. It was part of Godin's scheme that the workers should live with their families in the dwelling-houses of the *familière* ; but he did not make this provision obligatory. He was so much impressed, however, with the influence of environment upon the ability of workmen in management, that he made it compulsory for those who wished to become full members to reside there, in order that they might partake of its advantages. He provided that those workers who lived outside the *familière* might, after twenty years, receive the same financial advantages in the distribution of profits as the full members, but without having a share in the management or any vote at the general meetings of the society.

Although no levy was made on the workers' wages, it was found that in 1894 they had completed the process of buying out the founder's interest. The workers' share in the profits was not paid in cash, but in savings certificates on which they could draw 5 per cent interest in cash. Godin had to guard against the danger that, when the workers acquired the ownership of the factory, they would continue after their retirement to own it. Accordingly, in the constitution he made a provision that on retirement the members should be paid in cash the value of their savings certificates. In 1876, the rules of the society were laid down, and in 1880 they were given legal effect. It has been urged by some critics that the provision by which only those who were resident in the *familière* could become full members was a weakness, rather than a source of strength, to the ideal which Godin sought to realise ; but it must be remembered that from 1870 onwards he was experimenting with his workers in order to discover how a democracy, such as he proposed they should become, would use its power. He found that by associating them in groups and by giving them votes in the election of committees, the motives which led them to select representatives were hardly ever such as would conduce to good management, and he was therefore

afraid that the committee-workers would be less fitted to exercise the power of control when there was no means of educating them to do so. It was part of his system that the children of the members should receive an education suitable to their work and responsibilities, and in the familistère he provided schools, as well as a theatre and study groups for the adults.

A different method from that of Godin was adopted by Leclaire—a house-painter of Paris—who, when he entered into business for himself in 1827, resolved to associate his workmen with himself in the management, as soon as he was in a position to do so. In 1838, he established amongst his workers a Mutual Aid Society, which was to be the instrument by which the firm should, in due season, become the property of the employees. At first, the Mutual Aid Society was given the administration of a portion of the profits of the firm, as a fund to provide sickness benefit and pensions for the workers. It was governed by a General Council, the president of which was elected by the Council itself and became automatically a partner in the firm. Leclaire himself was the first president. He was moved to establish this society by the great havoc which lead-poisoning made amongst the employees of the firm. He not only took steps to provide for sick pay, but, by substituting zinc oxide for white lead, he eliminated the gravest danger to the health of his fellow-workers.

The history of the Maison Leclaire shows that, like Godin, the founder was wise enough to carry out his reforms in stages, and did not try by a sudden endeavour to create a logical whole with a single stroke of the pen. In 1840, two years after the establishment of the Mutual Aid Society, Leclaire told his workmen that he hoped none of them would imagine that when the association was formed everybody was free to do as he pleased. His next step was to set up what he called the “Noyau” or nucleus of workers who were to have a direct share in the administration of the business. They correspond to the “full members” of

Godin's Familistère. The members of the Noyau were, at first, selected from the ranks of the Mutual Aid Society; but this method of selection gradually gave way to the better method of selecting them from the skilled workers and officials of the firm. Members were co-opted by the Noyau, and could claim the right to belong to the Mutual Aid Society.

In addition to the partnership of the workers, Leclaire provided for a partnership for his own successors. They, however, held only three-eighths of the capital, while the workers held five-eighths, and had only a life interest in the business, so that if, at any time, the association was dissolved, all the property, reserve and goodwill was legally vested in the Mutual Aid Society. As in the Familistère of Godin, new workers, although they might not belong to the Noyau, received a share in the profits. This provision was not part of the original constitution but was instituted in 1860, when Leclaire thought it well to guard against the Noyau becoming a close corporation.

Leclaire found that many legal difficulties were in the way of his work. He wanted his workers to be protected by limited liability; but it was a provision of French law that a partner with limited liability could not take part in the practical direction of a firm's business. Accordingly, the liability of the Mutual Aid Society was limited, whilst the liability of Leclaire and his successors was unlimited, in order that they might be the heads of the business. The manager and managing director were to be elected by the workers, through the Noyau.

The importance of the work of Godin and Leclaire for students of co-operation for production is that their methods offer a solution of the problem of giving the control of a large industrial concern to workers, who are not well educated either in a cultural sense or in business administration. Under the method which they adopted, the workers were made to serve an apprenticeship to management, in addition to their apprenticeship to their craft. Had this method

been adopted in some of the schemes which failed in England, the history of co-operative production might have been a more inspiring one.

In France, side by side with the development of co-operative production by industrial idealists like Godin and Leclaire, there grew up societies founded by the spontaneous action of workers in various crafts. The earliest of these was founded by Leroi, a working jeweller, who had been inspired by a book on co-operative production written by Buchez in 1831.* This society was called "L'Association des ouvriers bijouterie endoré."

The ribbon-makers of St. Etienne, struck by the success of the jewellers, followed their example in 1841, and formed themselves into a co-operative productive society. Unfortunately, they fell foul of the Government, for some reason which is not plain to us, and were indicted as an illegal association. The manager was sent to gaol for six months and the members for a fortnight. Another society, of working printers, called "La Crampe" which started at the same time was not interfered with by the authorities. This society devoted itself to producing editions *de luxe*, and succeeded fairly well for some years. But, although the members had no lack of work, they had a serious lack of commercial training, and their enterprise, for this reason, perished in bankruptcy.

The revolution of 1848 caused a recognition by the Provisional Government of the right of workmen to join together in order to secure the profits created by their labour. The Provisional Government proceeded at once to put this theory into practice, and organised a society of working tailors, who were called "The Tailors of Cliche," to make uniforms for the National Guard. The results were highly satisfactory, both from the commercial and the sartorial points of view. By a further decree, the Provisional Government lent three million francs to be divided amongst voluntary co-operative productive societies. The results, however,

* Buchez : *L'Europeen*, 18.

were not satisfactory, for half the loan was irretrievably lost. There seems to have been a considerable amount of fraud about the method of obtaining loans.

In the same period, the velvet makers of Lyons and the working printers obtained loans from the State to buy out the interests of their employers, and to establish themselves as co-operative societies. Another society formed by paviors in Paris undertook paving work for the State about the same time. The report on their work, which was made by M. Leon Faucher to the Legislative Assembly, showed that it had been executed with the greatest care and with perfect discipline. There remained a profit which enabled each of the sixty-six members to receive one hundred and seventy francs as his share.

Most of the workmen's co-operative societies of this period failed, however, for the reason that they thought nothing more was needed than to form themselves into a society. They neglected all the discipline and prudence of management which they had seen in the capitalistic world of industry.

Some societies escaped the general doom, and amongst them were the piano, chair, last and spectacle makers' societies. In 1863, when a revival began, only sixteen co-operative societies existed in France. In this year, some of the pioneers of 1848 agitated for a credit bank to supply the credit needs of the new societies. The Credit du Travail was established by J. P. Beleuze, with a capital of twenty thousand francs, of which only four thousand was paid-up. In the next year the capital was trebled, and a journal, published monthly, under the title of "*L'Association*," and afterwards weekly, under the title of "*Co-operation*,"* was founded at Lyons to form a means of assisting the growth of co-operative production. In 1865, a second bank—Credit au Travail—was founded at Lyons, and others sprang up at Lille and St. Etienne.

* See Hubert Valleroux "*La Co-operation*," and Merlin "*Les Associations Ouvrières et Patronales*."

Under the influence of the writings of M. Casimir Perier and the goodwill of Napoleon III., a law was elaborated asserting that co-operative societies required no superintendence by the State, nor any authorisation to constitute them. Some of the managers of co-operative societies at Paris protested against this law, declaring that the societies were perfectly able to choose amongst the various existing forms of legal constitutions one suitable to their needs, and suggesting that the new law proposed to divide the citizens into two classes. An enquiry was opened in 1866, and a questionnaire sent to various persons known to be interested in co-operation. The evidence showed that there was no dissatisfaction with the existing provisions of the Civil Law, but that administrative difficulties and the lack of facilities for founding societies hampered co-operative development. Accordingly a new law was prepared in 1867 recognising co-operative societies as societies with variable capital.

In 1868, the *Credit au Travail* failed badly. It was only able to pay its creditors eighteen per cent of its liabilities, and it brought down with it many co-operative producers' societies. This year, accordingly, marked the end of the second period of co-operative production in France. From this period until 1880 the working men turned their attention to the creation of *Chambres Syndicales*, which were simply trade unions, formed to give the advantage of combination to workers in resisting unjust demands by their employers, and in augmenting the rate of their wages. These trade unions, however, looked with much favour upon co-operation, but though resolutions in favour of starting co-operative productive societies were passed at Congresses, in 1873 at Vienna, and in 1878 at Philadelphia, there does not seem to have been any very definite result until 1880. In 1884, there were in Paris between fifty and sixty societies, ten of which dated from 1848, another ten from 1863, while the remaining thirty-five were of recent foundation. The last-named found it easy to obtain capital through the operations of the *Caisse Centrale des Associations Populaires*. In 1883, M. Floquet,

Prefect of the Sienne, delivered a judgment to the effect that exhibitors at exhibitions should no longer be required to pay an entrance fee, thus making it possible for many co-operative societies which had been hitherto hampered by the financial barrier to submit examples of their work. In 1893, the *Banque des Associations Ouvrières de Production* was founded in Paris to supply co-operative productive societies with the capital they required.

The history of co-operative production of the type we have been discussing has been uneventful in most other countries. In Belgium, the outlines of its development have been more or less as in France, and what we have said of the division into the socialist and non-socialist schools, in the case of consumers' co-operation, applies also to productive co-operation. Amongst agriculturists, co-operation for productive purposes is highly developed in most European countries, as we shall see in our next chapter. For the purposes of a historical survey it is sufficient to note here the development of co-operation for production in Germany, Russia, and Italy, in addition to the countries with which we have already dealt. In other countries there is nothing eventful, or indeed of much interest, for the historian of co-operation to record.

Co-operative production, in the true sense of the words, has not been very popular in Germany. Ferdinand Lasalle endeavoured to persuade workmen to found productive societies aided by the State, thinking the individual incapable of improving his economic condition without the help of the Government. Schulze-Delitzsch threw all his influence against this doctrine, and showed that in France State aid only resulted in the failure of societies. The Government was naturally favourable to giving its aid to societies in return for some measure of control, and in the 'sixties Bismarck permitted a productive association on Lassalle's lines to be formed, but this failed to maintain itself.

CHAPTER VI.

An Outline of the History of Co-operation (continued).

3.—PRODUCERS' CO-OPERATION (*continued*).

THE earliest application of co-operation to agriculture is to be found in the cheese-making societies, or "Fruitières" of Switzerland. In these societies, the farmers united co-operatively to supply milk to a common centre where it could be made into cheese for them, just as in modern creamery societies farmers combine to establish a creamery where their milk is made into butter. The Fruitières existed in the 14th century, and continue to exist to the present day. In Ireland also, a form of co-operation amongst small agriculturists existed in the 18th century, in a type of co-operative society called a "Knot." The chief purpose of the Knot was to enable the small cultivator to have ploughs and other implements in common, and it is probable that the influence of the clan system may have been the cause of the frequency with which these societies appeared at that time.*

Co-operative methods, in the organised form in which we know them to-day, were first employed by the farmers of Denmark. Before the war of 1858, Danish agriculture was carried out on the extensive system; large areas were devoted to the growth of cereals; grazing had a prominent place in the agricultural system, and dairying was practically

* *Quarterly Review*, 1819.

neglected. After the war, Denmark lost the market which, up to that time, she had had in Germany for corn and for live stock. American competition in cereals destroyed her corn trade, and the small market which the German middlemen made for the extremely bad butter which the Danes exported was lost as a result of the bad feeling which the seizure of Schleswig-Holstein produced. If the Danes were not to go under as agriculturists it was necessary for them to develop their agriculture on an entirely new basis. The history of the transition in Denmark from cereal and meat production to the production of breakfast-table commodities is the history of Danish co-operation.

We have already seen how the first Danish store was founded by Mr. Sonne, whose enthusiasm was fired by the example of the Rochdale Pioneers ; but it was not until some years later that the beginnings of co-operation in agriculture were to be seen. About the time that Mr. Sonne was developing store co-operation, Professor Segelecke, the dairying expert of the Danish Agricultural Society, began the work of changing the butter production of Denmark from its condition—unscientific and rude in the extreme—to a state of high efficiency. As a result of his work, private capitalists, in 1879, when the separator was introduced, began to establish creameries known as *Fælles Mejerier*, or “Dairies worked in Common.” These, however, were not co-operative, for the milk suppliers received no more benefit than do the suppliers of a modern proprietary creamery. The suppliers of these dairies, not having the interest which can be given only by co-operative methods, were disloyal in many instances and were tempted to desert their creamery in the hope of obtaining a little more advantage elsewhere. Other creameries lacked sufficient capital to carry on their work, and after a time all the *Fælles Mejerier* failed.

In 1882, Stiller Andersen founded the first co-operative creamery, which was capitalised by the members assuming a joint and several liability, on the security of which they obtained a loan. The movement grew with such rapidity

that ten years after the foundation of this creamery there were no less than eight hundred similar creameries in Denmark. A great deal of the success achieved was due to the fact that there was close inter-working between Danish scientists in their laboratories and Danish farmers. The experts of the Royal Veterinary School devoted themselves to raising the standard of purity and efficiency in butter-making, and the farmer members of the society showed themselves eager to benefit by the results of their experiments. The fact, too, that in Denmark the Government is largely controlled by men interested in agriculture helped to make the progress of co-operation rapid and smooth. The State did not, as in other countries, interfere on the purely business side of co-operation. Its influence was directed to education and propaganda. In 1900 the Co-operative Creameries' Association organised the Danish Butter Brand Association to standardise export butter, in order to give to the foreign consumer of Danish butter a guarantee that the article which he bought was made under the most stringent conditions, thus ensuring a uniform purity and quality. In 1912, the Government passed a law requiring all butter exported from Denmark to bear upon it the "Lurmærke," or butter-control brand of Denmark, which the Butter Brand Association had registered.

Having succeeded in establishing butter production on a co-operative basis, the Danes began to apply co-operation to other branches of their agricultural production. The position in Danish industry which the export trade in bacon occupies is altogether due to co-operative methods. In 1850, there were in existence only two private bacon factories which traded with England, and these obtained most of their raw material from Sweden. In 1887, the first co-operative bacon factory was established, and when, in the next year, Hamburg, which had until then admitted swine free of tax, joined the German Customs Union, the Danes saw the need for developing co-operative bacon-curing as fast as possible. They capitalised their societies in the same way as they

did the creameries; and in order to keep their members loyal they imposed on any member who broke his pledge to supply all his pigs to his society a fine of ten shillings per pig.

In 1893, when two wholesale egg houses in Copenhagen tried to establish a union of exporters to capture the English egg market, the Danish co-operators, led by S. verin Jørgensen, saw an opportunity for applying to their egg trade the principles of standardisation, which they were already applying to butter. In 1896, two large co-operative egg exporting societies were founded, one in Denmark, the other in Jutland. These were to act as trade federations for a great network of small societies which collected eggs from their members. The principle of standardisation employed was that of dating and stamping the eggs, in order that each egg could be traced without difficulty to the original supplier. The effect of this system on poultry breeding was at once apparent.

In butter, bacon, and eggs, the Danes equipped themselves, through co-operation, for the capture of the breakfast-table market of Great Britain. The development of Danish co-operation differs from that of other countries in the form of its centralisation. In Denmark there is, for example, no single federation of creameries; but, instead, there are central unions with other federations in touch with them for the supply of statistical information, technical information, and market information.

Unlike Danish co-operators, German co-operators have sought to develop General Purposes Societies as far as possible, so that the individual farmer need not be, as he is in Denmark, a member of several societies.

The German agriculturists co-operated first, as we have already seen, for the purpose of supplying their credit needs. The next step was the undertaking by the Raiffeisen banks of the business of supplying agricultural requirements. In 1871 a creamery of a semi-co-operative character was established in East Prussia, and, in the next year, the first supply society (*Einkaufs Genossenschaft*), which was not a credit

bank, was founded at Freiburg, in Hesse. From 1872, the history of the supply societies is chiefly that of their efforts to establish strong federations, federation being the outstanding feature of German co-operation. These federations of supply societies are members of the greater federations, such as the Bezugs-Vereinigung der Deutschen Landwirte and the Allgemeiner Verband.

In 1888, the ordinary type of co-operative creamery, as we know it in other countries, began to appear in Germany, the first being in Hesse. Between 1871 and 1895 societies for the storage of corn, co-operative mills and bakeries, and societies for distilling potato spirit were organised. In fact, it may be said that in this period co-operation began to be applied to every branch of agriculture. Until 1883, however, the societies had no effective federal organisation, and in that year only two-fifths of the credit societies were members of the Raiffeisen federation of Neuwied. This federation had been established in 1877, under the title of Anwaltschaftsverband ländlicher Genossenschaften, as a central organisation to protect the interests of co-operative agricultural organisations and to promote their development. The remaining three-fifths of the co-operative purchase and production societies, and a small number of creameries, had formed their own local and provincial federations.

From about 1880, the need had been felt for a union of federations which could deal with foreign affairs and develop German agricultural co-operation as a whole. After three years of preliminary study, the federation of German Agricultural Co-operative Societies, which twenty years later took the name of National Federation of German Agricultural Co-operative Societies (Reichsverband der deutschen landwirtschaftlichen Genossenschaften) was constituted on the 6th July, 1883. This union includes all the agricultural co-operative federations of Germany, except that of Wurtemberg, and a few others of minor importance, and controlled, in 1910, 18,962 societies.

At its inception, the National Federation was composed

of nine smaller federations, embracing 239 societies, and of nine creameries which affiliated directly with it. The National Federation could not, at first, admit agricultural credit societies, these having been provisionally excluded in order to meet the objections of some of its federations to the co-operative societies controlled by Raiffeisen and Schulze-Delitzsch. After the death of Raiffeisen, however (February, 1888), the fourth Co-operative Congress passed a resolution (April, 1888) admitting the loan societies to the Federation. Their admission not only added greatly to the power of the Federation in dealing with external matters, but created a stronger bond between the federated societies themselves, for co-operative credit may be said to form the foundation of agricultural co-operation. Under the new system, too, all kinds of agricultural co-operative societies were enabled to federate systematically, first in the federation of their district, and then in the powerful national union.

Side by side with the National Federation, there existed that of Neuwied, and, in the beginning, no attempt was made to unite the two. The number of organisations affiliated to the Neuwied had increased considerably, and it had formed them into "Rural Commonwealths." There was constant friction between the two federations, especially in the case of the Rural Commonwealths, the members of which were often claimed also by the National Federation. This friction continued until 1905, when, after prolonged and often interrupted negotiations, the Neuwied, numbering 4,300 societies, amalgamated with the National Federation. This amalgamation was described in a manifesto published in 1908, on the twenty-fifth anniversary of the establishment of the National Federation, as marking "a memorable page" in its annals. The union has certainly aided the rapid development of agricultural co-operation, but has also produced an excessive eagerness to form new associations, and has aroused violent controversies in the Press and at public meetings. These controversies, in turn, have led to internal dissension and the weakening of the movement. The policy of the National

Federation had always been that of centralisation, while the Neuwied had believed in decentralisation. The antagonism between these two creeds was bitter, but after the union it was slowly effaced, the Neuwied making certain concessions to the principle of decentralisation, and the National Federation tacitly recognising the benefits to be gained from judicious centralisation. Early in 1905, the whole of the German agricultural co-operative societies, with the exception of that of Wurtemberg, were united in apparently complete harmony; and a single body, founded by the National Federation, was empowered to deal with all external matters on behalf of the whole 19,000 German agricultural co-operative societies, the membership of which was about 1,750,000. In 1913, however, a further dissension took place and we cannot at present say what the post-war situation is likely to be.

Just as in Germany the crisis in agriculture lasting from 1890-99 made the people receptive to the idea of co-operation, so in Ireland, circumstances contributed to the growth of the co-operative idea. The agricultural condition of the people during the land agitation of the 'eighties, and in the years immediately preceding the Land Act of 1903, which transferred most of the agricultural holdings of the country from the landlords to the tenant-farmers, made it necessary, if the Irish agriculturist was to compete with his Danish rival, that he should have recourse to the same methods. The history of the co-operative organisation of the Irish agriculturist is interesting because the whole of the propaganda work was carried out by one body, and because Ireland became the model for similar co-operative organisation in other countries—in England, in Scotland, in Finland, in Serbia, in America and in India.

The pioneers in Ireland, as in Denmark, began with the organisation of dairy societies, though it is an interesting fact that when Sir Horace Plunkett started the Irish movement in 1889 he was unaware of the existence of these societies, or that, seven years earlier, Mr. Stiller Andersen had been attempting in Denmark what he himself was about to attempt

in Ireland. Some efforts had been made earlier to establish co-operative stores in the Irish countryside, but without conspicuous success. In 1889, Sir Horace Plunkett, who had been much attracted by the success of co-operation amongst consumers in England, began to investigate the possibility of applying co-operation to Irish farming. He realised that the time was coming when the backward Irish farmer, as the proprietor of his own small holding, would be faced with the problem of making his industry succeed against the competition of up-to-date methods.

With the assistance of the Co-operative Union of Great Britain and Ireland, Sir Horace Plunkett, or Mr. Plunkett as he then was, organised a co-operative dairy society at Drumcollogher. After the foundation of this society, progress was very slow, and very many meetings were addressed by Sir Horace Plunkett and by Mr. R. A. Anderson, who joined him in 1891, before the creamery movement was established. In 1894, Sir Horace Plunkett, Mr. Anderson, Lord Montecagle, and Father Finlay thought that the time had come when the co-operative organisation of the farmers should be taken over by a body specifically created for that purpose in Ireland. Accordingly, the Irish Agricultural Organisation Society, which has been the model for so many others, was founded. After creameries, societies for the acquisition of agricultural requirements, much on the model of the German supply societies, and, later, credit banks on the Raiffeisen model to supply the farmer with necessary loans for his agricultural work were founded. As the society grew, it took occasion to improve its methods by first-hand inquiry into the progress of agricultural co-operation on the continent, particularly in Denmark and in Holland.

The development of co-operation in Ireland was rendered much more difficult than its development in Denmark because of an unholy alliance between the politicians on the one hand, and the private traders on the other. The politicians, it is probable, believed that the new doctrine of co-operation as a means of increasing the prosperity of rural

Ireland was an insidious device to lure away the peasantry from the struggle for land reform and self-government, reforms on which the political energies of the country had long been centred. The traders in the small country towns were able the more easily to foster this view in that they themselves, more than any other class in the community, helped to fill the political war-chest. When the politician called upon the patriotic sentiment of the farmer to abandon a movement the pioneers of which were supposed to hold political views different from those of the people, the trader was able to wage war with still weightier weapons. In many places the "gombeen" * system was rife, and it was not difficult for these traders to convince those farmers who were heavily in debt to them of the error of co-operative ways. In several places where a co-operative creamery was established, a proprietary creamery sprang up offering better prices to milk suppliers, with disastrous results to them afterwards. When the State Department of Agriculture was founded, wholly through the instrumentality of Sir Horace Plunkett, the traders and the politicians forged a new weapon to capture its machinery, which they employed against the co-operative movement. The lack of harmony thus created had for many years most serious results, for it entailed the breakdown of that interworking between the State Department and the voluntary body which had been the central point of Sir Horace's programme. It is hard to estimate what good might not have been done had the inspectors and organisers of the two bodies been able to work together. Fortunately things have now greatly improved and we may hope for greater harmony in the future.

Notwithstanding all these adverse circumstances, however, the Irish Agricultural Organisation Society formed all over the country a network of co-operative societies, creameries, agricultural supply societies, egg and poultry societies, credit banks, and bacon-curing societies. It has now in

* The "gombeen" man is the Irish name for the small trader who advances money or gives credit at usurious rates of interest.

membership one thousand societies, with one hundred and twenty thousand members. The chief federation of the Irish societies for trading purposes is the Irish Agricultural Wholesale Society, which aims at being a joint wholesale for producers and consumers alike, just as the wholesale Hankijja does in Finland. A federation of dairy societies, called the Irish Co-operative Creamery Agency, also exists, and undertakes the marketing of the creamery societies' butter, but most of the societies market their own butter. At present, the tendency of the Irish co-operative movement is to organise general purposes societies, which will supply agricultural requisites and have a credit department. Many of these societies are doing a store business as well.

In Finland, the agricultural producers are organised for co-operation by a society which closely resembles, and, indeed, was modelled upon, the Irish Agricultural Organisation Society. The society took its name, Pellervo, from one of the characters in the Finnish epic "Kalevala." It was founded in the year 1899. Its first work was to secure the passing of a law bearing on co-operation, and making possible the establishment of properly-constituted societies. Before this law was passed, the society had done some preliminary work in founding associations of farmers which were ready, on the enactment of this law, to become co-operative societies. Most of the founders of Pellervo were not agriculturists, but literary and scientific people, who, when the proper time came, called in expert agriculturists to help them.

In 1901, the Act for which the society had worked came into force, and the society, with the help of lawyers, set itself to prepare model rules for creameries, banks, stores, purchase and sale societies, and to form co-operative societies of every type. It also published handbooks dealing with various branches of co-operative activity, in order to afford a guide for the management of societies when founded. Believing from the outset in the importance of accurate book-keeping in the societies which it might establish, it published

a set of books for the better accomplishment of the accountancy work of creameries and banks.

Before the Pellervo Society began its work there were numerous peasant societies engaged in the business of purchasing agricultural implements for their members. The Pellervo Society began its operations with these, and found it an easy task to transform them into properly-constituted co-operative societies. It next organised creameries and credit societies, and endeavoured to guide the movement so that the common purchase of all agricultural necessities should be carried out through the societies, which were mostly composed of agriculturists. Many farmers having joined a rural society preferred to purchase their agricultural requirements through the store rather than to join a special agricultural society. We find, therefore, in Finland, that the general purposes society which combines the function of a store and a supply society is the commonest type, although there are a number of societies which confine themselves altogether to the purposes for which in other countries an agricultural society is established.

Owing to the fact that Finnish co-operation was organised and supervised by people fully acquainted with the movement and its history in other countries, the policy of centralisation was introduced at a comparatively early date, and though calling for great efforts on the part of the local societies developed very rapidly. Its progress was helped to a considerable extent by favourable circumstances. The State looked with favour on the co-operative movement from the beginning, and undertook to grant a loan and an annual subsidy for the organisation and support of a central co-operative institute.

The Pellervo society, which was concerned in the foundation of all the central societies, followed up this advantage by sending out emissaries to urge the societies to affiliate with the proper central institution. The first effort at centralisation was in the year 1901, when, on the initiative of Pellervo, an agency for the common purchase of agricul-

tural requirements was founded. It undertook to collect the orders of the co-operative societies and to place them, on as favourable terms as possible, with wholesale houses. In 1905, this federation was reorganised as a true co-operative society, under the title of the Hankijja Central Co-operative Society. In 1902, a second federation called the Central Institute for Co-operative Credit Societies was founded. It is interesting to note that this took place before a single local credit society existed. A year after its foundation seven credit societies, to which it granted loans, were established. In 1905, on the advice of Pellervo, a society called Valio, which acts as a butter export society, was established by the creameries.

Pellervo derives its funds from three main sources—(1) The subscriptions and donations of affiliated societies; (2) the subscriptions of individuals; and (3) a subsidy from the State. It also derives some revenue from subscriptions to its official organ, "Pellervo," and from the sale of its many publications.

In France many of the old *fruitières*, to which we alluded when dealing with Switzerland, still exist; some of them with their original unwritten form of constitution. The members contribute whatever capital is required, deliver their milk at the chalet, which they own in common, and take their turn in making the cheese. Some of the *fruitières* which date back to the beginnings of this type of society have adopted a legal constitution, but those which have not done so seem to work quite as smoothly as those which have. In France, the organisation of co-operative societies for production is chiefly undertaken by the *syndicats agricoles*, which are professional unions of farmers, and correspond to the unions of various professions. At first, the work of these *syndicats* was altogether of an educational and informative character, but, afterwards, their scope was enlarged to include the purchase in common of agricultural requisites for their members, and, finally, most of them also undertook the work of organising co-operative societies for production.

such as creameries, mills, bakeries, &c. It is a curious feature of French co-operative development that hardly any creameries exist in Normandy—a great dairying country well known for the quality of its butter. The greatest development of dairying is in the Charente, most of the produce of which goes to Paris.

In Russia, Tchernyshevsky and Dobrolyubov, as far back as 1850, preached the ideas of Robert Owen and recommended the establishment of purchasers' co-operative societies. In 1869, Professor Zieber proposed to establish consumers' societies; and in the following year, Prince Vassiltchekof suggested to a Congress of agriculturists a scheme for the organisation of rural savings and trading associations on the model of the Schulze-Delitzsch societies in Germany. The Russian Zemstvos encouraged the work of agricultural organisation in supplying the credit needs of the peasants. Most of the credit societies which they established were not, however, on a truly co-operative basis and failed, chiefly because the peasants had no sense of responsibility towards them.

To the Russian peasant, co-operation in its modern forms was a natural outcome of the artels which have existed in Russia from early times. The artels are associations of workmen or peasants for the purpose of producing in common, either agricultural produce or other commodities, such as boots, toys, &c. In the artel, the profits are divided amongst the members in proportion to the work done by each. In 1860, there were already in existence in the provinces of Tver and Yaroslav cheesemaking artels. Some of the leaders of co-operation in Siberia went abroad to study dairying methods in other countries and, on their return to Siberia, they established a number of artels for cheesemaking, with the help of subsidies from the Zemstvo. Their efforts, however, were not crowned with success; and it was not until 1895 that co-operation in dairying was revived.

After the building of the Siberian Railway, co-operation developed, and the peasants found it to their advantage to

combine co-operatively for buttermaking. Under the leadership of Mr. A. Balakshin, buttermaking artels became numerous, and from 1900 the movement to combine these artels in a union rapidly developed. In 1908, the Union of Siberian Creamery Associations was established at Kurgan with a very small capital and only twelve affiliated societies. One of the rules of affiliation with the Union was that the constituent artels should send to the Union for disposal all the butter which they produced, and likewise that they should place all their orders for machinery with the union. The obligations of both of these binding rules were enforced by fines. The latest figures for the Siberian Union show that one thousand creameries are affiliated to it, and that its annual turnover is roughly one million pounds. From Siberia, the buttermaking artels spread to European Russia, the first being in the provinces of Yaroslavl and Vologda.

In Holland, co-operation for production amongst agriculturists has been organised chiefly by the peasants themselves. The crisis in agriculture in 1880 was the indirect cause of co-operative association. From 1890 onwards, co-operative societies came rapidly into being. The first creamery was founded in 1886 at Warga in Friesland. The creameries grouped themselves into provincial federations, the majority of which formed a National Federation called the General Dutch Federation of Co-operative Creameries. The federations act as a wholesale society for the creameries, buying their machinery for them and marketing their butter.

Like Denmark, Holland has a butter control system. This was established by the societies themselves, but is subsidised to some extent by the State. The control is worked through a number of stations which test the quality of the butter, much in the way in which it is done in Denmark. The societies avail themselves largely of the expert assistance given at these stations, and the Dutch butter mark has raised the standard of purity almost as much as it has been raised in Denmark by the Danish mark. There are, in Holland, in addition to the ordinary types of co-operative

enterprise, co-operative factories for strawplaiting and for the making of sugar from beet.

In Norway, co-operation amongst farmers is of recent date, and is due partly to the example of Denmark and partly to the work of several societies connected with agriculture, of which the chief are the Land Husholdnings Selskaber, which are societies for promoting rural economy in various districts, the Royal Society (Kongelige Selskab for Norgesvel) and the Norwegian Farmers' Union (Norsk Landmands Forbund). The Norwegian co-operative creameries are very numerous. Most of them produce both butter and cheese, but some of them confine themselves entirely to cheesemaking. Others which are situated near towns undertake to supply them with milk. In the Norwegian mountains, societies exist for the purpose of collecting milk and transporting it to creameries to be made into butter and cheese. In 1904, the first co-operative abattoir was founded at Hamar and several other abattoirs have since been modelled upon it.

Agricultural co-operation in Italy, particularly in dairying, dates back to very early times. In the 14th and 15th centuries, the peasants in mountainous parts found it to their interest, on account of the smallness of their holdings, to unite in a spontaneous form of co-operation in order to make milk production profitable. The earliest form of co-operation in dairying was unlike that which we know to-day. The peasants equipped a small dairy with butter-making implements and hired a butter-maker. They all supplied their milk daily to the dairy but, instead of the profits being divided after the manner of the modern co-operative creameries, the system adopted was that of paying by rotation. Each member was credited in turn with the proceeds of a day's buttermaking. Almost all these societies have now adopted the modern method; and most of them are affiliated not only to four Provincial Federations but also to the National Union of co-operative dairy societies.

At Turin, Milan, Rome and many other places, there

are co-operative societies which undertake the milk supply of the towns, and others which act as wholesale sellers of butter. An important form of co-operation in Italy is that of the *Cave Sociali*. The object of these societies is to collect the grapes grown by their members and to make a uniform quality of wine from them. There are also co-operative distilleries which make brandy from the residue of the grape after the juice has been expressed.

In America, co-operation amongst farmers is rather like Topsy, in that it "grewed," and, up to recent years, not a great deal has been known in Europe of what it has achieved. Most of the co-operative societies have developed under the ægis of great social organisations such as the Grange, or Order of the Patrons of Husbandry, which has been established for nearly fifty years and has branches in all the States, the American Society of Equity, whose headquarters are in Wisconsin in the Middle West, and the Farmers' Educational and Co-operative Union in the South. Unfortunately, the differences between those taking the business and the educational points of view respectively in these great societies has done much to retard the orderly development of co-operation.

In many parts of America, the term "co-operative" has been applied to organisations which are anything but co-operative in spirit and practice. On the other hand, organisations like the societies for the co-operative marketing of fruit in California, the Sheboygan cheese factories in Wisconsin and the co-operative abattoirs, elevators, and creameries in the Middle West are co-operative associations which can hold their own with any example of co-operation that Europe can furnish. It is interesting to note that about the same time that Sir Horace Plunkett was organising the first creamery societies in Ireland, Professor Haecker was, to use his own phrase, "gum-shoeing" about Minnesota on the same errand. The population of Minnesota being largely Scandinavian, he found little difficulty in carrying out his

propaganda, and he formed his creameries on the Danish model.

There remains to be noticed the co-operative farming, in the proper sense of the term, which exists among farmers in Roumania and Italy. A co-operative farming society hires land and distributes it amongst its members in proportion to the size of their contribution to the guarantee fund. The members farm the land under the direction of an agricultural director, who prescribes the proper methods of cultivation and sees that the members carry out the same work at the same time and sell all their produce in common. In Italy some of the societies, having hired land, furnish their labour to work it collectively under the direction of a manager, who is controlled by a committee appointed by the society. In both countries, this form of co-operation arose from the existence of large properties with intermediary tenants who sub-let land to the peasants.

CHAPTER VII.

Classification of Co-operative Societies.

ONE of the difficulties which beset those co-operators who wish to make a close study of the theory of their movement—and without such a study the ideals are bound to fall behind the material interests—is that it has never until recently attracted the attention of orthodox economists to any great extent. Of English economic writers, Marshall alone realised the part played by co-operation in modern business. Unfortunately the promise implied in his first volume of dealing fully with the matter has not been fulfilled. Even in European countries where more sympathetic attention has been paid to the movement it has not been treated as a distinct part of the organisation of industry in any well-known work by a recognised economist.

As a direct consequence of this neglect, the fact that co-operation is in itself a scientific form of organisation with its own laws and boundaries has been overlooked. Now the first step towards establishing the claim of co-operation to scientific treatment is the production of a reasoned, scientific and acceptable classification of the types of effort involved. There is more in this than a mere pedantic desire for orderly arrangement, for until some classification is arrived at clear thinking on the subject is extremely difficult. That this difficulty is very greatly felt, and leads to much confusion at present, can be realised by anyone who talks on the subject to the typical co-operator—much more the average man

in the street—for even half an hour, or who takes up one or other of the articles, pamphlets and books, now so abundant, in which co-operation is treated in a thoroughly haphazard manner.

In conversation, the expression “co-operative agriculture” is so freely used as if it were exactly the same as agricultural co-operation that the vast majority of people are now unable to appreciate the difference between them. As an instance of how such verbal misunderstandings may have serious consequences, it may be remarked that quite a number of intelligent people, misled by the expression “co-operative agriculture,” have believed such countries as Ireland to be covered by associations of farmers engaged in tilling the land in common. The discovery that this is not the case has led them to proclaim, in the bitterness of disillusionment, that all this talk about co-operation is a fraud.

The same misapprehensions have arisen from the use of such terms as co-operative production, productive societies, distributive societies, industrial co-operation, and so forth. Moreover, practically every authority has consented to the theory that “agricultural” and “industrial” co-operation are essentially different. This belief, which has led to a good deal of unnecessary separatism, would at once be shown to be fallacious by any attempt at scientific classification. A store which purchases on behalf of its members must belong to the same *genus* whether those members are townsmen or countrymen. It may, of course, be put into a different subdivision for convenience; but there is no excuse for putting one kind of store into a class with a creamery because it is agricultural and another into a class with a printing society because it is industrial. It may well be argued that a large amount of the friction, past and present, between the exponents of individualism and those of federalism within the co-operative movement springs from the lack of a proper understanding of distinctions which might be realised by classification.

A study of the existing bibliographies and standard works on co-operation reveals how little has been done in this direction up to the present. The compilers of the bibliography published by the International Co-operative Alliance, while covering the whole field of co-operative endeavour, have made no attempt to classify it other than in the most general manner, and the headings used overlap badly, as may be seen from the following examples :—General, Distribution, Production and Labour, Banking, Agriculture, Insurance, Settlement and Landholding, Workmen's Dwellings, Co-operative Housekeeping and Lodging, Education, Women's Part, Profit-sharing and Co-partnership. There is obviously no attempt here at more than a very rough and ready division which leaves room for infinite differences of opinion.

Compilers of other bibliographies pay scant attention as a rule to co-operation ; and where they do give space to it, as apart from general economics, they are content with such a casual division of the subject as occurs for instance in Stamhammer (*Bibliographie der Social Politik*) where the sub-headings are General, Trade, Labour, Agriculture, while types of societies such as creameries are treated individually as separate units in alphabetical order.

Turning to libraries, we find that most of them have practically no knowledge of co-operation, and certainly no specially devised classification. Except in the case of the Co-operative Reference Library, Dublin, to which we shall again refer, and that of the International Institute of Agriculture, no data are available as to the methods adopted by libraries which specialise in this form of literature. The catalogue of the co-operative section of the Central Bureau of Social Science in Holland is undoubtedly a careful and important piece of work ; but so far as classification goes it follows more or less the lines of the International Co-operative Bibliography. The skeleton classification which was drawn up by Dewey in issuing the celebrated decimal system which is the basis of almost all modern library work, shows

a complete ignorance of co-operation. It is possible, however, to fit a new sub-division of any subject into the Dewey system and this has been done in the case of the International Institute and the Co-operative Reference Library. These efforts will be discussed in more detail at a later stage.

The number of books which deal with co-operation in general as apart from co-operation in its application to the needs of a particular country or a particular section (agriculture and industry being usually treated separately) is very small. In most books, the chapters are merely devoted to different types of society in the order of their importance, or else to different countries, without any attempt at classification. There is, however, one notable exception to this general rule. Mr. C. R. Fay is one of the few writers who have treated of co-operative theory and of the practical details of the movement from a standpoint which was primarily that of the economist and only secondarily that of the co-operative enthusiast. As a trained student of economics, a pupil of Messrs. Marshall and Cannan, he has been able to approach the subject from a point of view which, while sympathetic, is unprejudiced and scientific. Thus his book "*Co-operation at Home and Abroad*," which remains a standard English work on the general theory of the movement, may be expected to throw some light on the matter we are discussing. We find, in fact, that he deals in his introduction with the question of classification and proceeds to classify the whole subject under four main headings: (1) Co-operative Banks, (2) Co-operative Agricultural Societies, (3) Co-operative Workers' Societies, (4) Co-operative Stores. This classification he believes to be exhaustive; and in discussing it he states that the first three classes are Associations of Producers, the fourth class being Associations of Consumers.

Space does not permit us to enter into a detailed examination of this claim; but with all due respect to the author, whose work is of the highest order, we believe the statement to be entirely vitiated by two considerations. The first

is that he classifies co-operative societies not by the functions they perform, nor by the purposes for which the members resort to them, but by the occupations of those members. This seems very like classifying plays not by their dramatic intention but by the temperament of the audience. It leads to two grave anomalies—the placing under the same heading of an agricultural society for the purchase of requirements and one for the manufacture of butter, which seems obviously inconsistent, and the separation of consumption from production by an arbitrary line in the case of “store” societies. Secondly, it leads to that differentiation of agriculturists and industrialists which both in the interests of academic correctness and also of practical co-operative harmony it is most desirable to avoid. A society purchasing requirements is, to Mr. Fay, an association of producers if it is made up of farmers and of consumers if it is made up of artisans. What, then, is to be said of a society of which half the members are farmers and half artisans? There are many of these now in existence and we hope they will continually increase in number and importance.

We do, however, see in Mr. Fay's classification a great advance beyond the ordinary method of treating the subject in that he has called attention to the desirability of using the terms Associations of Producers and of Consumers instead of the very misleading expressions “Productive and Distributive Societies.” It is only in the method of defining terms that we differ from him.

The classification adopted by the International Institute of Agriculture in its monthly bulletins (that used in its Library is a modification of the Dewey system on the same lines) marks another step forward. Co-operative societies are here classified “not according to what the society does as a society but according to what the members have combined to do.” Thus, when they combine to purchase it is called a “Society for Purchase.” Similarly we have “Societies for Sale” and “Societies for Production and Sale.” Societies where the object is increased production

have been called "co-operative productive societies"—but here, unfortunately, the description becomes somewhat inaccurate, for it is not the societies which are producing but the members. It is only fair to say the difficulty is partly caused by the fact that the classification is made in French. The final classification is as follows :—

1. Credit.
2. Production.
3. Purchase.
4. Sale.
5. Production and Sale.

There are, of course, serious difficulties here. The third and fourth classes often have to be grouped together, and there is bound to be overlapping. But, as usual, the chief trouble arises over the word "production." The critic will ask why a member who goes to his society for the purpose of hiring a machine differs from the one who goes to his society to buy basic slag—both are using the society for the purpose of increasing their production.

We may, however, concede that the International Institute has made a more determined and more scientific effort to deal with the matter than any other body. It is unfortunate that its work has necessarily been confined to co-operation among farmers, with whose interests it is alone concerned. It is also to be regretted that, no doubt for the sake of convenience, the classification outlined above, which would go a long way towards covering the whole field, has been departed from in the Bulletins by making many exceptions. Thus insurance is treated quite separately; collective farming has not been brought into the classification; and even co-operative dairies and wine societies have sections to themselves. These last, of course, can be fitted into the scheme and are left out only for convenience of handling; but it is noteworthy that societies which merely sell milk or wine are treated under the same heads as those which manufacture and sell, and this seems misleading and illogical. At any rate, the existing index to the Bulletins

has so many overlapping headings as somewhat to obscure from the reader the excellent work which has been done by the Institute in the direction of clearing the issue.

The Co-operative Reference Library in devising its scheme of indexing, adopted a complete modification of the Dewey decimal system. The resulting classification has proved, on the whole, convenient and satisfactory for library purposes, but has little value for our purpose in this chapter, since "Industrial" co-operation and "Social" co-operation both figure as headings, and thus perpetuate the overlapping and arbitrary distinctions of which we have complained. The classification of agricultural co-operation is, however, more helpful; the ideas of both Mr. Fay and the International Institute have been considered and modified, so that only two divisions remain, which are called "Producers' " Co-operation and "Consumers' " Co-operation. Societies are classed under one or the other according as their members have combined in their capacities as consumers of raw materials and services or as producers anxious to manufacture and sell their product. This division seems to go nearer to the root of the matter than any other. The difficulty remains that one society may perform functions which would bring it under both these heads; to this it can only be answered that such a society does not admit of classification unless its two functions be separated for the purpose.

Such is a brief survey of the position in respect of classification as far as we have been able to discover it from the available data. It is at once apparent that it would have been impossible to write the present book—and more particularly the second volume—with any approach to clearness or completeness without some attempt to create a scientific division of co-operative types so that each might be illustrated according to its importance. Accordingly, we have been obliged to frame such a classification for ourselves.

In doing this, we have found the one great difficulty to be that of distinguishing production and consumption without dividing one class of the population arbitrarily from another.

We have been particularly anxious to do this in such a way as to remove some of the misunderstandings which have sprung up between the exponents of the federalist and the individualistic schools. We have rejected, absolutely, the formal distinction between Industrial and Agricultural Co-operation and have abandoned the mischievous terms "distributive" and "productive" co-operation. The expressions "Producers'" Co-operation and "Consumers'" Co-operation also seemed undesirable, as being liable to lead to the adoption of Mr. Fay's system of classification by occupation. We adopted as an alternative, the phrases "Co-operation for Production" and "Co-operation for Consumption." Under these two main headings, we have sought to group the whole range of existing and probable co-operative activities. Consideration of the fact that consumption includes consumption of services as well as of goods, has led us to sub-divide this heading into these two branches, and we have been thereby enabled to bring both credit and insurance into our main scheme by classifying them as co-operation for the consumption of services. Co-operation for sale has presented a more difficult problem; but after consideration we have included it under production, regarding sale (even where manufacture does not take place) as necessarily the completion of the process of production.

In our sub-divisions, in addition to distinguishing between goods and services, we have tried to indicate the various processes in production or consumption which were actually handled co-operatively, and have indicated, to some extent, the difference in the nature of the articles dealt with—as, for instance, raw materials, and half finished or finished products.

We claim neither originality nor completeness for this scheme; the task of making it has been one which we would willingly have avoided; but under pressure of necessity we have done our best to construct out of the available materials provided by the pioneer work of others such a skeleton structure as would at least enable us to discuss co-operation in all its phases with some degree of clearness.

The complete scheme, with some explanatory comments and illustrations, is as follows :—

A.—CO-OPERATION FOR PRODUCTION.

A. I.—FOR PRODUCTION OF GOODS.

1. *Associations of Producers to produce co-operatively---*

(a) Raw Materials.

This includes co-operative farming and any other genuine specimen of actual “co-operative production.”

(b) Finished Materials.

e.g., the self-governing workshops and industrial productive societies.

2. *Associations of Producers to sell co-operatively (the production being undertaken by individuals)—*

(a) Raw Materials—

Grain, eggs, live stock, fruit, &c.

(b) Conversion of raw materials and sale of the finished product.

e.g., by societies, such as creameries in which the co-operators carry on both manufacture and sale.

(c) Finished Materials—

Co-operative sale of articles manufactured by the members individually—*e.g.*, Home-Industry societies of the Scottish type.

3. *Associations of consumers to own the means of converting raw material into finished material---*

e.g., the productive departments of the stores and their federations.

4. *Associations of consumers to own the means of producing raw material---*

e.g., the businesses belonging to the store societies and their federations.

A. II.—FOR PRODUCTION OF SERVICES—

This includes such societies as newspaper printing societies.

B.—CO-OPERATION FOR CONSUMPTION.

B. I.—FOR CONSUMPTION OF GOODS.

1. *Domestic requirements.*

2. *Trade requirements.*

(a) Of producers of raw material.

(b) Of producers of finished material.

e.g., co-operative purchase of leather by bootmakers.

(c) Of services.

e.g., co-operative purchase of cabs by Parisian cabdrivers.

B. II.—FOR CONSUMPTION OF SERVICES—

1. *Credit.*

(a) Personal (1) Long term (Raiffeisen, &c.).

(2) Short term (Schulze, &c.).

(b) Real (or mortgage), *e.g.*, Landschaften.

(c) Building Societies (not to be confused with B. II., 3).

2. *Insurance—*

(a) Of crops.

(b) Of Live Stock.

(c) Of Person and Property.

3. *Domestic Services—*

(a) Housing, *e.g.*, Co-operative Tenants Ltd.

(b) Electric Supply.

(c) Telephone.

(d) Laundries.

It would be possible by slightly stretching the definition of a co-operative society to extend B. II. to various forms of association for mutual help such as burial clubs, medical aid societies and so forth. Also various agricultural associa-

tions such as cow-testing associations, stock-breeders' improvement societies and the like might be included under the consumption of services. We have decided, however, to confine ourselves as far as possible in this book to societies which conform to the recognised business type which we have sought to define and which is generally understood by the expression "co-operative society."

It is plain that, in this classification, federations of co-operative societies would fall under the headings appropriate to the nature of the societies which they serve ; but as a large number of such federations would have to appear under several headings we have for the sake of convenience treated them separately under the following grouping, which is necessarily of a less scientific nature :—

FEDERATIONS.

1. For Organisation, Supervision, and Propaganda (non-trading).
2. For Trade.
3. For Credit.
4. For any two, or all, of the above.

We trust that the reader who has given attention to this necessarily dull and technical chapter will be enabled to follow the plan on which our description of the types of co-operative activity, both in the next four chapters and in the second volume is based.

CHAPTER VIII.

Co-operation for Production.

IN this, and the following two chapters, we do not propose to do more than sketch briefly the leading features of some of the types of society which are included in our classification. The detailed description of these societies, as they exist in various countries, is left to another volume in which we shall deal solely with the practical aspects of co-operation.

The organisation of men in their capacity as producers makes the earliest and most stirring appeal to the imagination of the social reformer, for it seems to assert definitely the right of human beings to self-expression and self-government in industry. The form of co-operation which consists in the making of economies in expenditure has in it less of romanticism and less interest ; it is a development rather of the modern practical and thrifty spirit, of the philosophy which sees that idealism requires a material basis. Thus it is not surprising to find that while, as we have shown, modern co-operation owes its origin to consumers, the earliest developments of co-operation, arising out of primitive forms of communal association, belong chiefly to what we have called co-operation for production. We therefore deal with these first, and, for the sake of convenience, we shall arrange the various illustrations under the headings we have adopted in our former classification.

A. I.—PRODUCTION OF GOODS.**I. ASSOCIATIONS OF PRODUCERS TO PRODUCE
CO-OPERATIVELY.**

Under this heading we deal solely with production, undertaken by persons co-operating for the purpose of producing marketable articles in their own common interest. This class again falls into two divisions, (*a*) those who produce from the beginning, and (*b*) those who have to buy raw materials, and thus have some element of consumers' co-operation in their association.

(a) Producers of Raw Materials.

Since raw materials come in the first instance from the earth, directly or indirectly, only farmers or those who work in mines, quarries, or oilfields can properly be called producers of raw materials. Co-operation among such persons is practically confined to the common ownership and cultivation of land. The most successful examples of this are to be found in Italy, Roumania, and Serbia, where co-operative farming seems to have come to stay. There are, however, in these countries two forms of co-operative farming, which must be sharply distinguished. In both forms, a society is founded for the purpose of either buying or renting land. In the one case, however, this land is farmed in common by all the members of the society, acting under the direction of a committee or an elected official and sharing the produce either equally or in proportion to labour done. In the other case, the land is divided into small holdings, each of which is farmed by the holder and his family. In this latter case, certain operations may be performed collectively, and grazing land may be held in common, while all the members benefit from the services of an expert instructor paid by the society, and co-operate for the purpose of economical buying and advantageous selling.

This class of society, though thoroughly co-operative, must not be included under our present heading, as the mem-

bers are not co-operating for the actual purpose of production. Those which do come under our heading are, as a matter of fact, comparatively rare, for it seems to be a deep-rooted instinct of the agriculturist (which probably springs from practical experience) to desire to work his own land for himself. Curiously enough, one of the most successful examples of this type while it lasted was the pioneer experiment of the Ralahine Co-operative Farm in Ireland. For a few years, this community—of which a most interesting description is available to all readers—actually cultivated a large estate under the guidance of an elected committee and manager, and not only did so with technical and material success but made a tremendous change in the social and moral status of its members. The colony came to an end only through the bankruptcy of the owner of the estate, a cause which had no connection with the experiment. Various other attempts in different countries have, however, proved short-lived and often disastrous.

In Roumania, co-operative farming, which is well developed, is carried on only on the individual system; the collective system with which we are here concerned obtains in Italy, chiefly in the Province of Emilia. It sprang originally from two causes, the first and most important being the existence of a large class of landless agricultural labourers who worked for a daily wage and were frequently unemployed, the second being the extortions of intermediate agents who rent land from large proprietors and re-let it to tenants at an extravagant price.

The following brief description of a society of this kind is taken from the "*Année Sociale Internationale*" for 1910. It is translated in the *Bulletin of the Co-operative Reference Library*, Vol. I, No. 7, January, 1915, which includes a detailed description, with bye-laws, of one of the successful Italian societies:—

"The members are agricultural labourers or even farmers who have only a small amount of land of their own, and consequently have to find employment on other land besides

their own. Members must pay an entrance fee to the society, and subscribe for at least two shares of the value of 12 francs (say 10s.) each, which may be paid up by monthly instalments. These members are paid wages for their work, either by time or by the piece. Piecework for the execution of certain kinds of work is often carried out in the form of collective work, that is to say, the whole wage earned is paid to the foreman of a group who afterwards divides it among his companions. Wages, as a rule, are paid weekly; but many of the societies are not well off before the harvest comes in, and therefore they only pay part of the weekly wages in cash and ask their members to give them credit for the balance, or, more often, they give them dockets which certain tradesmen are willing to accept in payment for goods. Finally, when the business year results in a net profit, this profit is divided as follows:—30 per cent to the reserve fund, 30 per cent to the provident fund, and the remaining 40 per cent to the members in proportion to the number of shares which they own in the society, and not, as would be even more in conformity with pure co-operative principles, in proportion to the amount of work done and wages received by them during the year."

Before leaving this section we may point out that there is no hindrance to the application of co-operative methods to coal-mining, quarrying, &c., except the large amount of capital and skilled management which would probably be required.

The only other type of society which might legitimately be included under this heading is perhaps the "peatmoss" society, common in Finland, in which the members collectively own and work a bog for the purpose of providing themselves with litter.

(b) Producers of Finished Materials.

Under this heading come the bulk of the societies which have sprung up among industrial workers as a result of the enthusiasm for self-governing workshops which had its

greatest vogue in France about 1850. The "Associations Ouvrières," as they are called, owed their inspiration to Buchez, and supplied the model for the earnest group of social reformers known as the Christian Socialists, who, under the leadership of Maurice, Neale and Ludlow, became prominent in England in the hard times about 1847.

For a short time, these societies met with extraordinary success; but want of discipline and the increasing complexity of industrial conditions and, above all, of the world's market for goods, brought about a rapid and almost complete collapse. In spite of many attempts at revival, the survivors are few and we can only give as examples the Lunetiers, or spectacle makers, of Paris and the great metal foundry of Godin, at Guise, which remained the most striking instance of complete co-partnership until its destruction during the recent European war.

In England, the movement started by the enthusiasm of the Christian Socialists has had a hard struggle—to which as we have seen in a previous chapter the competition of the Co-operative Wholesale Society and other co-operatively-owned factories has contributed not a little—and has suffered many disillusionments. Yet there remains a little band of successful societies, affiliated for the most part with the Co-operative Productive Federation, which still exhibit in a greater or lesser degree the characteristics of the self-governing workshop. Even among these, the variety of type is very great and nearly all of them differ from one another in details.

Mrs. Sidney Webb, who has written most illuminatingly on this subject, has divided the societies into four types and we cannot do better than quote her classification at this point.

"Class I.—Associations of workers formed on the Christian Socialist model; selecting the committee of management from amongst their own numbers, and employing members only.

"Class II.—Associations of workers of like character; but who have bound themselves over to, or had imposed

upon them, an irremovable governor or irremovable committee-men.

“Class III.—Associations of workers governing themselves but employing outside labour—practically small masters.

“Class IV.—Societies in which outside shareholders and stores supply the bulk of the capital, but in which the workers are encouraged or obliged to take shares, although they are disqualified from acting on the committee of management.”

Consideration of this list will show at once that in the second and fourth classes co-operative production, properly speaking, does not exist, since those who produce do not govern. These come under the heading of profit-sharing or, at the best, limited co-partnership ventures: an interesting, but not very satisfactory, development upon which much has been written but with which we are not concerned in this book. The third class is an even worse case, for here the socialist-co-operative producers are in reality an association of miniature capitalists, with little excuse either in ethics or economics. We are left, therefore, with the first class, which numbers some eight or ten societies in England, a few in France, a successful glassmakers' society in Italy, and a number of “artels” in Russia. These societies cover a number of different trades, and it is apparent that the form is equally applicable to almost any industry—the limitations to its use being imposed by the conditions governing the particular industry at the moment, and not by anything in the principle itself.

On the whole, the textile, boot and shoe, metal and glass trades appear to have been the most suitable field; and we may cite as a very successful example the Kettering Clothing Manufacturing Co-operative Society. In this society, the workers are all shareholders, and other shares are held by the customers, most of whom are members. The share of profits due to each worker is placed to his (or her) credit as loan capital until the worker reaches the age of 19, after

which he must apply for membership. Thereafter he must leave half his profits with the society each year, until the total shareholding amounts to £25 in the case of a man and £10 in the case of a woman. At general meetings, all members, whether workers or otherwise, have one vote each. The committee consists of eight persons, five being employees, two ordinary shareholders and one a representative of shareholding societies. The president and manager are additional members of the committee. The results of the presence of workers in a majority on the committee appear to have been entirely satisfactory. Profits are divided between labour, capital and custom, no distinction being made between members and non-members among the customers.

The history of the Familistère at Guise may be studied in Fay's "Co-partnership in Industry" by all who are interested in the working out of this form of association.

2.—ASSOCIATIONS OF PRODUCERS WHO SELL, BUT DO NOT PRODUCE, CO-OPERATIVELY.

(a) *Producers of Raw Materials who sell co-operatively without conversion.*

The only things which the primary producer is able to sell on his own account without any process of manufacture or conversion are the crops and fruits of his land, his live stock and the eggs from his poultry yard. Perhaps we may by a slight concession add poultry, game, rabbits and fish. All of these have been sold co-operatively in various countries. Co-operation for sale has always, however, been a later development than collective purchase, as it requires far more loyalty, enterprise and knowledge, and involves much greater risk. It is not altogether surprising to find that it has achieved its greatest success in North America, where co-operation as a whole is in its infancy. The American farmer's business knowledge and enterprise are greater than those of most European farmers, and the conditions of the country with its vast areas under a uniform crop of grain or fruit are favourable to collective sale, while they make

the ordinary purchasing seem a rather small matter. Two main types of society exist : the grain exchanges, and the fruit-growers' associations.

In Canada, the prairie provinces have created three vast farmers' societies which undertake for their individual members the sale of their grain and also the purchase of their requirements. The oldest of these is the Grain-growers' Grain Company, whose turnover in 1915 amounted to \$10,000,000. This society owns a seat on the Winnipeg grain exchange and also carries on direct export trade through a separate department. There are no local societies affiliated with it ; but it has individual members, a fact which differentiates it from the more usual federal type of organisation. The Saskatchewan Elevator Company, which works through local societies owning elevators at all important railway points, is equally important and in some ways more co-operative ; and the Alberta Farmers' Union is rapidly growing to the same dimensions. These bodies have been imitated across the border ; and the American Society of Equity (a great farmers' society extending over the middle western States) has organised a grain-selling agency at St. Paul. This agency is remarkable in that it constitutes in itself the whole grain exchange of that city, co-operators having been denied access to the exchange in the sister city of Minneapolis which up till then enjoyed a monopoly of the grain market of Minnesota.

There are also in the States several thousand local co-operative elevators which sell to commission agents. Many of these are really joint-stock companies in form. Some of them are in the hands of merchants, but the greater number are co-operative in intention and are gradually becoming co-operative also in form. They have undoubtedly conferred great benefits on their members.

In Germany and Austria, the sale of corn is carried on through large societies owning warehouses at central points ; these have received encouragement and often subsidies from the State, which foresaw (and recent events have justified

the speculation) their potential usefulness to the authorities in time of war. A detailed description of the German ones is to be found in Mr. Cahill's report published in 1913.

America may again claim first place in the co-operative marketing of fruit. Citrus fruit especially lends itself to this treatment, as it is easy to establish a standard of quality, and the commodity is not particularly perishable, two very important points in grading. The Citrus Fruit Growers' Exchange, with its headquarters in California at Los Angeles, has made its oranges famous throughout the world under the "Sunkist" brand. This organisation works through a number of local societies with seventeen district exchanges and a central office acting as a clearing house for the whole of the produce. About 7,000 growers are included, disposing of about 65 per cent of the total crop of the State. The whole business is done on a cash basis. A similar, but smaller, society exists in Florida, while various other forms of fruit, vegetables, potatoes, &c., are sold collectively in a number of States where large areas are devoted to these crops. A good deal of fruit selling is undertaken by agricultural syndicates in France. Italy, also, has societies of this kind (notably among the citrus fruit growers of Sicily); while in Germany, notable progress has been made in the sale of vegetables in neighbouring towns by the East Prussian Farm Women's Union.

Egg and poultry societies—a form of organisation which is simple and self-explanatory—have been extremely successful in Denmark, where a great federation exists for the export of eggs. To a less extent, this trade is co-operatively organised in Ireland, but the number of separate societies for the purpose is small and it is usually found convenient to use the facilities of an existing creamery or agricultural society. Other types of society are those for the sale of live stock, of which examples are to be found in America and Germany, those for the sale of silk, of which examples exist in Italy, associations (which have had a rather precarious existence in various countries) of dairy farmers for

supply of milk to cities, and finally co-operative fishing societies. Of the latter type, a very interesting example was organised in Labrador by Dr. Grenfell, the well-known explorer; and a most successful society for the sale of fresh and cured mackerel exists on the barren Islands of Aran, off the west coast of Ireland, the society having done a great deal to alleviate the lot of the inhabitants in that district.

(b) Producers of Raw Material who combine co-operatively to own the means of converting their raw material into a finished product.

This section includes some of the types of agricultural co-operative societies which are most widely spread and most successful in all countries. These differ from the purely selling societies in that they require an equipment and a staff for what may be roughly called manufacturing purposes, and they are more easily made successful by the fact that temptations to disloyalty are not so many and so strong and also because the standardisation of the produce is rendered comparatively easy by the process of manufacture. The most common society of this kind is the creamery. Since modern methods of butter-making were introduced in Denmark some thirty-five years ago, it has become increasingly difficult for the farmer to obtain a good price for his butter unless it is made on the creamery system. Fortunately, at the time that this tendency began, co-operation was in full vigour and was able to outstrip the capitalist to a large extent in the race to provide the necessary facilities. Denmark led the way in this movement and is now covered by a network of modern scientifically-managed and prosperous creameries which are owned by, and return all their profits to, the small farmers who organise them. The standard of butter-making and the yield of the cows have been enormously improved.

Not far behind comes Ireland, which fell into line in 1894 under the stimulus of Sir Horace Plunkett's strenuous propaganda, and in 1917 had 350 co-operative creameries

with an output of butter valued at £4,000,000. Finland, Germany, France, Russia, Italy, Austria—practically all European countries where any dairy farming exists (and where does it not ?) have seen and seized the advantages of such societies. There are also several hundreds of them in the State of Minnesota alone. The method of organisation differs very little in the different countries, and is a close approximation to the Rochdale plan—suppliers being paid month by month at a rate proportionate to the market price of butter, and participating either through a common reserve fund or by direct dividend in any surplus at the end of the year. One of the great benefits of the co-operative creamery lies in the returning of the skim milk to the supplier. Many subsidiary enterprises ranging from the purchase of manures and seeds and the sale of eggs to the utilising of surplus power for a grinding mill, a saw mill or a laundry, are also undertaken by creameries.

The cheese factories which exist in many countries and for which Holland, particularly, is famous, are sufficiently akin to creameries to need no further description ; and even the wine-making societies of France and Italy and the distilleries of Germany, in which industrial alcohol is produced from potatoes, are similar in method though the material handled is very different.

A more ambitious enterprise is a co-operative abattoir or bacon factory. These two undertakings are found successfully working in Denmark, Ireland, and the United States and are of the greatest possible importance to live-stock farmers.

Denmark has led the way in this, as in the matter of creameries, and, at the present time, practically every Danish farmer who raises pigs has the opportunity of having them handled by his own co-operative society. These societies produce, in addition to bacon, all manner of by-products, including tinned and potted goods. They also deal with a certain quantity of cattle in addition to pigs. Societies which handle cattle on a very large scale are rapidly springing

up in the Middle Western States as a practical protest against the rings which dominate the great live-stock markets. An increasing number of farmers are freeing themselves in this way from the domination of the great "packers'" trusts of which we have heard so much of late. Nearer home a successful example of a co-operative abattoir is to be found at Wexford, in Ireland.

Milling is a further form of activity which may well be undertaken by co-operators in their capacity as producers. It affords the grower of corn crops an opportunity of obtaining a market and getting his fair share of the price without the large and risky operations—such as we have described in the previous section—incidental to the sale of grain in its unmilled condition. Co-operative mills have therefore been established in many countries—notably in Belgium and France, where the producers' interest has also been so far extended on some occasions as to provide the bakery as well as the mills. A full description of these activities will be found in a previous monograph by one of the present writers.* Under the stress of war conditions, a great deal of co-operative milling is now being carried on in Ireland; but, in the great majority of the cases, this work is subsidiary to the activities of an existing co-operative creamery.

The production of industrial alcohol and also, perhaps, of beet sugar, are industries which may well be introduced to our agriculturists in connection with co-operative methods.

(c) Producers of Finished Materials who combine to sell co-operatively.

In the case of a creamery the primary purpose for which the members co-operate is to effect economies in the process of manufacture. Though the selling of the manufactured article may have become an important part of the enterprise, the value of a creamery to its proprietors would still be very great even if there were no competition in sale.

* "Co-operative Mills and Bakeries." Cruise O'Brien. Co-operative Reference Library, Dublin. Miscellaneous Publications No. 2.

But we can imagine a combination of persons all manufacturing butter at home and combining only for the purpose of selling it collectively. Such a society would come under the present heading. In point of fact, such societies are rare, because it is usually to the interest of the members to carry on the manufacturing process in common, as in the case of butter. Even the Russian "artels" which sell the product of various cottage industries appear to carry on the manufacture of these articles more or less in common. But some of the home-industry societies in Scotland and Ireland may be mentioned in this connection, particularly those which sell homespun tweeds. In these cases, the manufacturing process is carried on entirely by the individual members, and the society is responsible merely for the organisation of the market and the giving of advice, assistance, and supervision.

Under more primitive conditions of industry there was considerable room for societies of this kind in a number of trades where the individual craftsman could work at home and then, with others, sell co-operatively, but the present era of large-scale factory production has left them little scope.

3.—ASSOCIATIONS OF CONSUMERS WHO COMBINE CO-OPERATIVELY TO OWN THE MEANS OF PRODUCING FINISHED MATERIAL FROM RAW MATERIAL.

As we have already seen, this section and the next are those around which the bitterest controversy has raged. We do not propose in this place to raise again the various points at issue. The steps by which we have arrived at our present classification of these enterprises have already been discussed in detail and we have now only to indicate, briefly, the nature of the undertakings.

In proportion as the distributive movement in all countries has gained in strength, it has become increasingly clear to its members that full efficiency demanded more and more control of the sources of supply. The matter has often been brought to a head by some form of boycott or extortion.

The Co-operative Wholesale Society, for instance, could not be expected to remain at the mercy of the Soap Trust for all its supplies of soap. As a consequence, organised consumers, when they have gained sufficient strength, have taken steps to organise productive departments for themselves. The extent to which this has been done may be taken as a good rough-and-ready test of the strength which the movement has attained; and it is consequently not surprising to find that it is far more advanced in England and Scotland than anywhere else. Most of the factories are owned either by the Co-operative Wholesale Society or the Scottish Co-operative Wholesale Society, but a number of the larger local societies have also expanded in this direction. The articles chiefly produced are flour (the Co-operative Wholesale Society is the largest flour miller in the United Kingdom), biscuits, jams, soap and various sundries such as boot polish. The manufacturing activities carried on by the Co-operative Wholesale Society in 1915 included the production of the following goods :—

“Flour, butter, margarine, biscuits, sweets, preserves, pickles, vinegar, candied peel, cocoa, chocolate, tobacco, cigars, cigarettes, snuff, soap, candles, glycerine, starch, blue, paints, varnish and colours, boots and shoes, saddlery, woollens, clothing, flannels, shirts, mantles, underclothing, overalls, umbrellas, leather bags, corsets, millinery, hosiery, silesias, shirtings, coloured cotton goods, pants, ladies' underwear, cardigans, furniture, brushes, general hardware, bedspreads, wire mattresses, mats, fats, &c.” A full description of the factories is given in the Co-operative Wholesale Societies' annual publications. The list in 1916 shows a total of 48 factories with 16,206 employees. The joint output of the productive enterprises of the two Wholesale Societies in 1915 was valued at £17,350,906. In addition, the local societies through their productive departments produced goods to the value of no less than £19,123,388, while associations of consumers for milling, baking, &c., had an output of nearly £2,000,000.

Production by, or on behalf of, co-operative consumers has not reached anything like this extent in other countries ; but it has begun to develop everywhere where the distributive movement is strong, notably in Denmark, Germany, Finland and Italy. The Danish Wholesale Society owns sugar and chocolate works, a tobacco factory, soap works and a rope factory, and also manufactures about 70,000,000 pounds of margarine which the thrifty Dane eats as a substitute for the butter which he produces so efficiently and exports. France is notable for the existence of a number of co-operative bakeries organised by consumers as separate institutions.

It is not necessary to dwell on these undertakings of the co-operative movement, vast and important though they undoubtedly are, since both in organisation and in business method they are similar to ordinary factories (though we hope and believe that the employees receive treatment in accordance with higher standards), and it is only in respect of the capital employed and of the co-operative use of their product that they are differentiated.

4.—ASSOCIATIONS OF CONSUMERS WHO COMBINE CO-OPERATIVELY TO OWN THE MEANS OF PRODUCING RAW MATERIAL.

Under this heading we have what is really another phase of the tendency referred to in the last section for consumers to seek the sources of supply. This principle is obviously applicable in the highest degree to agriculture, and it is therefore most logical that consumers' associations should seek to engage directly in farming, in order to supply their own needs. The wisdom or unwisdom of the policy is a matter for debate in another place, but its attractiveness is evident. Few societies, however, will care to embark on agriculture—notoriously an uncertain occupation—until their strength is fully established ; and it is only in England and Scotland, and there only during the last few years and among the largest societies, that we find this development

has been undertaken. In 1917, 105 distributive societies and the Co-operative Wholesale Society farmed land amounting in all to something over 25,000 acres, of which two-thirds were owned and one-third was rented. The capital invested in these undertakings exceeded half a million pounds and, while the surplus earned was small, the benefit to the members of societies in obtaining fresh produce was no doubt considerable.

The size of the estates varies from about 3,000 acres in the case of Desborough and Plymouth societies, and the Co-operative Wholesale Society, down to five acres of rented land at Walkerburn.

In this category must also be placed the tea plantations and wheat fields owned by the Wholesale Societies of England and Scotland.

A curious compromise between this form of farming by a distributive society and co-operative farming proper as described in the first section of this chapter is illustrated by the Foynes Co-operative Tillage Society which has come into being at Foynes, Co. Limerick, on the initiative of Lord Monteaigle, one of the pioneers of Irish co-operation. In this case, a number of labourers and others who own no land have combined to rent land and grow wheat, oats and potatoes, which they consume themselves. This society differs from the co-operative farming society in that the members do not necessarily work on the land themselves ; and it differs from the kind we have just enumerated because the members have joined together solely for the purpose of carrying on these operations. The experiment—which appears likely to be highly successful—will be watched with interest as providing a possible solution of the problem of doing something by co-operative means for the landless agricultural labourer.

A. II.—CO-OPERATIVE PRODUCTION OF SERVICES.

It is somewhat difficult to know whether we are justified in including this class of society among co-operative societies

at all, for the reason that in the great majority of cases the persons who are benefited by the services produced are not themselves members—or at least can be almost equally benefited whether they become members or not; and this is contrary to the spirit of co-operation.

It must be noted in this connection that a genuine co-operative society, however high its ideals, must have a basis of material advantage in which the members participate, otherwise it becomes on the one hand a philanthropic association, or, on the other hand, a joint-stock company. Thus, if a number of persons join together to improve the housing or clothing or food of the poor, they are not justified in forming themselves into a co-operative society, which should be a number of persons associated to improve their own conditions. It is unfortunate that there are a number of associations of this kind which have been formed in a mistaken enthusiasm for the co-operative form. Such services as the publishing of a paper or the doing of printing work may, however, be performed by a society which is genuinely co-operative, that is one which consists of the persons who are to benefit by the services produced. An instance of this is to be found in England in the Co-operative Newspaper Society, which is governed by representatives of those who chiefly purchase the newspaper. But even here the public is admitted to the same advantages except that it gets no dividends. On the other hand, the society which publishes the *Irish Homestead* is co-operative only in name, since it consists simply of a small number of persons who administer without profit the affairs of the paper.

A more difficult question is raised by the various co-operative printing societies, of which examples are to be found in Manchester, Edinburgh, Derby, Birmingham and Leicester. These are of much the same nature as the societies enumerated in the second section of this chapter, but it will be found that their membership necessarily embraces many more persons than can be employed in the processes of production; while, on the other hand, those

who have printing done by the societies include a large number of persons who are not members. The societies must therefore be admitted to fit with some difficulty into an ordinary interpretation of the co-operative form. Nevertheless the intention is genuinely co-operative. The rule with regard to distribution of profits in the case of the Birmingham Printers, Limited, is as follows :—

“The profits of the society, after paying for working expenses and depreciation of plant, and interest on share capital at the rate of 5 per cent per annum, shall be applied as follows :—

- | | |
|--|--------------|
| 1. To form a reserve fund | 10 per cent. |
| 2. To an educational fund for promoting instruction, culture, and recreation ... | 5 .. |
| 3. To employees and officers in proportion to their wages and salaries | 20 .. |
| 4. To the holders of share capital as a dividend upon their shares, in addition to the interest herein-before provided.... | 10 .. |
| 5. To customers who have paid their accounts, and are included under the head of co-operative societies, trade unions, and friendly societies, or who are shareholders in the society..... | 20 .. |
| 6. To be carried forward as a balance, or to be dealt with as the members in general meeting may from time to time determine | 35 .. |

All applications of profit to the workers, under clause 3, shall be made by shares or payments on account of a share, which shall be appropriated to the persons respectively entitled thereto, subject to the provisions following :—

(1) If a person, not a member, to whom a share is allotted under clause 3, applies to be admitted a member and is refused, his share shall be paid him in cash. (2) If any such person does not apply for admission within six months after

the allotment of shares to him, his share shall be forfeited and carried to reserve, subject to the power of the committee to remit such forfeiture in any case where the delay in making the application is explained to their satisfaction."

It seems possible that it is the destiny of some of these societies to be absorbed by the distributive and wholesale societies, to whose activities a printing department is a natural addition. At the present time, however, they are in a prosperous condition, and their membership, capital and trade are steadily increasing. With regard to publication of newspapers, this is usually best undertaken by advisory federations, although no doubt there may be arguments in favour of greater freedom of expression. Some form of co-operative press bureau, with financial assistance from various quarters, would seem to be indicated as necessary in such a case.

CHAPTER IX.

Co-operation for Consumption.

THE simplest form of co-operation which could commend itself to the minds of any group of people is that of joining together for the purpose of buying their requirements in bulk and sharing them among themselves. Historically, it is true, this was not the first form to appear, though it was the first to take any definite organised shape ; but we find the explanation for this apparently strange phenomenon in the fact that the need for elimination of unnecessary distributors, which is now one of the most obvious needs of the consumer, was not by any means so urgent before the present complicated system of industry and commerce developed. We may say that it is only since the Napoleonic wars brought poverty into every home, and the industrial revolution changed the life of the worker in so marked a manner, that the poorer classes have become aware of the cause of a large part of their misery, and discovered means of relieving this misery. During the period since the events mentioned, consumers' co-operation has grown with a rapidity and continuity paralleled only by the simultaneous growth of other forms of labour organisation. As we have pointed out in the introduction to the previous chapter, this form of co-operation for the distribution of goods to the consumer is a matter of practical reaction to the necessities of the times, and not a matter of romantic experiment or philanthropic zeal.

Co-operation for the consumption of services, which for technical reasons we have included in the same chapter, is more closely akin to philanthropic effort, which is always attracted by a visible lack of credit facilities and by the idea of insurance against calamity. It will be found that modern systems of co-operative credit and insurance owed a good deal of their origin to the philanthropic instinct ; but both these fields lend themselves in the highest degree to co-operative organisation, and societies of this kind are now able to stand by themselves.

As in the previous chapter, we shall follow the lines of the classification already laid down, giving a brief illustration of each type.

B. I.—CONSUMPTION OF GOODS.

I. DOMESTIC REQUIREMENTS.

Co-operative societies for the distribution of domestic requirements certainly comprise at the present time the most powerful, if not the most numerous, body in the movement. The growth of their power has been remarkable, not only for its unchecked rapidity, but for the quiet and almost obscure way in which it has proceeded. This is particularly true of England, Scotland and Germany, which are covered with a network of distributive stores, some of which, as for instance the Hamburger Konsumverein and the Leeds Co-operative Society, are of tremendous size. In Denmark and Hungary, and more recently in Ireland, stores on the same principles, and with the same objects, but in a form adapted to the requirements of the rural population, have become very numerous. The number of stores existing in England and Denmark is very nearly the same, but the membership which is (1916) 3,750,000 in the former and 244,000 in the latter case, gives an indication of the difference in size caused by the different circumstances. Holland, Finland and Russia each has its own system of stores with wholesale societies in a strong position, and in every country the store movement is on the increase.

The English distributive movement not only represents the strongest group of co-operators in the world at the present day, but it has also the honour of having supplied the plan upon which co-operative societies in every country have been modelled, and which may now be said to be the criterion of co-operation. The system is named after the Rochdale Pioneers, who first made it a practical success by putting into effect the principle of paying dividends in proportion to trade, which we discuss in detail in another chapter. The four following points may be cited here as essential :—

First, the number of members and the amount of capital of the society shall be unlimited.

Second, every member shall have one vote, and one only, irrespective of the amount of his share-holding.

Third, the interest on share capital shall be limited, and each member must possess a minimum share-holding.

Fourth, all further division of profits shall be in proportion to either trade or earnings and not in proportion to share-holdings.

What is aimed at is evidently an absolute equality in control, and a thoroughly equitable division of the savings effected, on the assumption that these savings have been made possible by trade or labour alone. On this system, practically the whole fabric of the modern movement has been built up. The principles enumerated are to be found in text-books and in practical application in Denmark, Italy, Germany, Finland, America and elsewhere.

The method of conducting business in a co-operative store as apart from these principles, is not technically different from that which prevails in a similar shop owned by a private trader or firm. The object aimed at is, in the first place, the provision of pure goods of the best quality at a price inconsistent with any dishonest or profiteering extortion. Incidentally, the stores in England have become great promoters of thrift among their members, as the withdrawable share capital, with its ample safeguards and reasonable rate of interest, provides an attractive form of savings bank, and

the dividends on trade payable at the end of each quarter are frequently allowed to accumulate until they represent an appreciable "nest-egg" for the member's family.

In pursuit of the object of maintaining the quality of goods, the co-operative stores and their federations enter into production on their own account, as described in the previous chapter.

Questions which face management committees of stores include those of dealing with non-members and the giving of credit. The advice of leaders and federations is usually given against the encouragement of the first, and invariably against the second of these practices; but in actual working both have been freely adopted, partly no doubt under pressure of necessity, partly from laxity of management or lukewarm co-operative faith, and partly from business considerations.

The distributive society, where it exists in an industrial area, usually begins as a grocery store, a curious exception being the great *Unione Co-operativa* of Milan, the largest society in Italy, which began with the selling of collars and ties, and gradually extended its operations to all the requirements of its members. Generally speaking, foodstuffs, (milk, meat, bread, greengrocery, &c.), clothing, boots, hardware and furniture constitute the staple lines of the successful store. In some European countries, where their consumption is universal, beer and wine are freely dealt in, but in England, and still more in Scotland, co-operative societies very rarely touch this trade. Luxuries are also very little in demand, as a result of the character of the membership. In this connection, it may be said that the distributive movement has a natural and marked tendency to identify itself with Labour in the political sense. In Germany, one section of the movement appears to have been captured by the Social Democratic party, thereby earning the grave displeasure of the Government, which has otherwise been most friendly to co-operation; in Belgium the stores are frankly socialistic, while the majority of the rural societies are frankly clerical, and the same tendency

is to be seen in Holland and Italy. The English movement has hitherto always rigidly refrained from interfering with party politics ; but there has been a growing demand for recognition of the community of interests between co-operators and trade-unionists, and the decision of the movement under the stress of war conditions to seek political representation may have far-reaching consequences in this direction. While good co-operators have always sought to avoid any suspicion of class distinction, it is a natural consequence of the system that the vast bulk of the membership should consist of more or less well-paid artisans ; and, up to the present, attempts to extend it to the very poor, on the one hand, or the professional classes on the other, have not met with widespread success.

The social and educational work of the stores, which in some cases has been very remarkable, will be dealt with elsewhere.

A secondary application of the principle of combination for the distribution of domestic requirements lies in the establishment of co-operative eating-houses, which are popular in Finland and Denmark, and have been tried in other countries (particularly in Paris) with varying degrees of success. Co-operative wineshops, beer-gardens and cafés organised by special societies may also be found ; but, in general, these have been more or less isolated and short-lived experiments, and it would seem more desirable to organise them as branches or departments of an established distributive society, a policy that has been proved successful by several large societies in Great Britain.

2. TRADE REQUIREMENTS.

(a) *Requisites for the Production of Raw Materials.*

Under this heading we group in the first place the very numerous and flourishing societies of farmers who combine for the purpose of securing their requirements—feeding-stuffs, fertilisers, seeds, &c.—with a guarantee of quality at the lowest possible price. It is now widely recognised that

the farmer is entitled to occupy the same position in the economic world as the manufacturer, since he himself is actually a manufacturer. He is manufacturing milk out of cotton-seed cake just as surely as other manufacturers are turning metals of various kinds into machines. Unlike other manufacturers, however, he was accustomed (or compelled) until quite recently to buy in the dearest market; and it was for the purpose of putting an end to this absurd anomaly that societies of the kind under discussion were brought into existence. Their method of working and general principles are similar in most respects to those of the distributive stores described in the previous section; but the object aimed at is rather the quality of the goods and the protection of the members against extortion than the system of rational thrift which we have seen to prevail in the other case. The margin of profit available is also much lower than that on general groceries, and in consequence of these facts, although the societies are based on the Rochdale system, the payment of a dividend on trade is comparatively unusual. Unlike the urban stores, which, as a rule, are more or less well provided with capital, because of the attraction they offer to the savings of their wage-earning members, these agricultural societies usually have to work on money borrowed either from a federation or from a bank, whether co-operative or joint-stock. Furthermore, the members, as they do not get the profit of the seeds and manures which they buy until the harvest comes in eight or nine months later, expect and usually receive extended credit. The building up of a reserve fund is therefore of the greatest importance, and any accumulated surplus at the end of the year is usually allocated to such a fund.

These societies are to be found in one or another stage of development in every civilised country, even in those which have been most backward in adopting co-operative principles.

In their rudimentary form, the societies are temporary associations, without a constitution or officials, and have no existence except at certain periods of the year, when

the members come together and appoint one of their number as agent for the purchase of consignments. Such an association will do a certain amount of effective work, but it leaves no scope for the development of true co-operative characteristics, and the risks inherent in it are obvious. A further step is represented by the employment of a permanent secretary who is paid either a small fixed salary or a commission on sales, or both. But continuity of working and lively interest in the society are not assured until permanent premises, however humble, are acquired. When this step has been taken, it is generally found necessary to add some further function to the seasonal purchase of agricultural requisites in order to keep the organisation working all the year round, and in order to provide a sufficient margin of profits to pay the employees and meet the other expenses involved.

In a number of countries, which are largely agricultural in character, this problem is conveniently solved by combining the supply of agricultural requirements with that of household necessities in a similar way to the urban stores. Where farmers are situated a long distance from big centres, and are consequently at the mercy of small, inefficient and often rapacious shopkeepers, this system is most valuable; and it has the added advantage of giving the landless labourer an opportunity of sharing in the benefits of co-operation. The greater margin available on this additional trade, and the fact that it continues all the year round, gives greater stability to the society. The development of such a trade is often brought about by the hostility of the traders themselves. This was notably the case in Ireland, where most country traders deal both in agricultural and domestic requirements. When they found co-operators going to their society for their manures they boycotted them in respect of other goods, and thereby, to their own undoing, drove the society into general trade. Denmark and Hungary have this system of rural stores thoroughly well developed.

In Germany—unlike the United Kingdom—credit societies have trading powers ; and a very considerable quantity of agricultural goods is supplied by them to their members, usually against definite orders, and without the necessity for providing any warehouse accommodation. These societies do not, as a rule, undertake a general trade, which would be, for them, a somewhat risky undertaking. There are, however, a very large number of “ supply societies ” (*Bezugsvereine*) which in some cases merely deal in the raw materials of agriculture, but in others undertake collective sale of their members’ produce. The very well organised system of centralisation in Germany, with which we shall deal later, makes the work of these societies comparatively easy, particularly in respect of obtaining the necessary capital.

France, Belgium and Italy provide a type of organisation which may be called the Latin system. It is based upon “ professional unions ” of agriculturists for the purpose of improving the conditions of their industry. The type of these associations is the agricultural syndicate (*Syndicat Agricole*) of France, which is more or less paralleled by the Italian *Consortio Agrario*. The objects of such a society, as taken from the model rules of the French federation (*vide* Fay, “ Co-operation at Home and Abroad,” p. 120) are as follows :—

1. To attach the rural populations to their homes and to the soil by using every means in its power to restore the dignity of agriculture, and to make it more remunerative.

2. To act as intermediary for its members in their transactions, and to encourage the improvement of tillage and cattle raising.

3. To proceed with the collective purchase of all agricultural products, such as seeds, manures, machinery, &c., under favourable conditions of price and quality.

4. To fill among its members the rôle of an aid society, to establish among them all kinds of co-operative societies, mutual assurance or provident societies, to establish among them mutual societies which contribute to their moral, intel-

lectual and professional development, and to the improvement of their material condition.

Some syndicates are content to carry on their trading operations on a purely mutual basis, merely acting as commission agents for their members and putting any surplus to reserve fund. Others, which desire to trade on a large scale, have organised co-operative societies with independent legal existence but dealing only with members of the syndicate. The purpose of this device is to get over legal disabilities of the syndicate and the disadvantages of its loose form of organisation. The Belgian system is on much the same lines, but owes more to federations whose trading operations cover a large area.

We have not mentioned, as yet, one important requisite of the farmer's industry, namely, machinery, the use of which on a large scale is every year becoming more and more essential to success. Where the cost of machinery required is small enough to be within the reach of the average small farmer's own purse, or where, on the other hand, the farmers concerned are sufficiently prosperous to be able to purchase all the machinery they require, such machinery may very properly be sold through the agricultural society along with the seeds and fertilisers, and this is largely done in all countries. But modern legislation tends to create numbers of small landowning farmers ; and this result and the development of agriculture in the direction of mechanical cultivation wherever it is possible, have combined to produce a situation in which co-operation for the use of expensive machinery becomes most desirable.

A number of co-operative implement societies have been established in Ireland, and may serve as a type, which doubtless has many variations in other countries. The method of working in these societies consists simply of buying machines with an overdraft obtained (by means of a collective guarantee) from the local bank, and hiring them out to the members. The rates charged—which are usually lower than the cost of doing the work without the machines—must be sufficient

to cover the out-of-pocket expenses and leave a surplus, which at the end of the year can be applied in reducing the overdraft. Thus, at the end of two or three years, the society will own expensive machines, paid for out of reasonable charges for hire. The system has been found effective in increasing to a surprising extent the area under tillage in some of the more backward districts. On the whole, however, it is thought a better plan (as affording more guarantee for safe keeping and good treatment of the machines) to work the system as a department of an agricultural supply society than to organise small and often inefficient societies for the special purpose. This view seems to have prevailed in other countries as well ; but there are occasionally special reasons why the plan cannot be put into operation.

A further variety of the agricultural supply society is illustrated by a certain number of societies to be found in Germany. These are societies whose members co-operate for the purpose of producing and using electrical power for driving machinery, lighting buildings and so on. These are ambitious and uncommon undertakings which must not be confused with the simpler form of society for merely taking advantage of electrical power already in existence ; these will be mentioned later.

(b) Purchase of Raw Material by Producers of Finished Material.

Co-operation for this purpose has been employed from time to time by classes not usually attracted to the movement. In Germany, small shopkeepers have formed quasi-co-operative organisations, which among other things have provided them with the materials for their small manufacturing operations. In the early days, many of the pioneers saw in this form of co-operation a possibility of helping the small craftsman to obtain a better living by getting his raw materials by combination ; but with the gradual disappearance of small craftsmen from most departments of modern industry the scope for such combinations has largely disappeared. Even where there was occasion for it, the mutual

suspicion of the competing persons whom it was desired to organise, the smallness of their numbers within a reasonable area of distribution, and their frequent inability to pay within a proper period, owing to the amount of credit they themselves were compelled to give, must always have proved formidable obstacles. No doubt organisations of this kind are to be found in all countries but not as a rule in the form of actual co-operative societies. One well-known and authentic example, however, is that of the Zapateros of Spain, who combine to buy leather from the tanners for the purpose of bootmaking—a particular industry which rather lends itself to this method of organisation.

Wygodzinski also gives a considerable amount of detailed information as to societies of this kind which still exist among the small shopkeepers and artisans of Germany. They are looked upon with favour by the State, and most of them are affiliated to the rather decadent Hauptverband, which derives its credit from the State bank.

(c) Purchase of Materials for the Production of Services.

Societies organised for this purpose are difficult to define and exemplify; and some examples may remain unknown. The only actual case which seems sufficiently definite to be worth quoting here as an example is that of the hackney cab drivers in Paris, who have, or had, an association (L'Union des Cochers) for the purpose of buying collectively their cabs, harness, and other requirements. It seems, however, to be the ultimate fate of the individual cab driver, as of some other providers of direct services, be he a co-operator or not, to become in time the servant of a syndicate, in which case he will cease to be interested in the purchase of his trade requirements.

The provision of services is a matter seldom left to individuals; there is, however, a small railway in the north of Italy which is said to have been built, owned and run by and for co-operators, and if this report is authentic it may perhaps stand as a monument of this class.

B.—II. CONSUMPTION OF SERVICES.

I. CREDIT.

Types of credit societies are many and various. The early rudimentary forms of loan association owed their origin and usually their capital to philanthropy, which was distinguished from pure charity by the provision of a term for repayment. In other cases, as for instance the grain banks of Spain, which represent one of the oldest examples of co-operative effort in Europe, a system of mutual pledges, involving security in kind, was evolved by agriculturists without any particular guidance. These particular banks—some of which were practically government or even royal store-houses, while others were of a more co-operative character—have been in existence in one form or another in Spain since the days of the Emperor Justinian, and together with the similar institutions in Italy (*Monti Frumentari*) are said by some authorities to have served as the basis for the whole system of agricultural credit in Europe. It is easier to believe, however, that the tendency to form mutual credit associations has always been latent in every country, and merely awaited an energetic leader before taking definite shape.

In any case, no one will care to dispute that the modern co-operative credit society as we know it had its origin in Germany, where the names of three men—Raiffeisen, Schulze, and Büding—deserve, and will probably obtain, immortality.

The existing systems are of a somewhat complicated nature, for a credit society readily lends itself to adaptation to suit local needs, but for the sake of convenience we may divide them into two main classes—personal and real. Personal credit may be again sub-divided according as the terms for which the loans are given are either long or short. This division is roughly equivalent to a division between rural and urban societies.

(a) Personal Credit—(1) Long Term.

The demand for personal credit—that is credit in comparatively small sums against security other than mortgage—

extending over periods of more than two or three months, comes almost exclusively from the rural population, particularly in countries where that population is largely made up of small farmers. The creation of a class of small land-owners is almost inevitably followed by a demand for co-operative societies to supply this type of credit. The only marked exception to this rule is found in Denmark, where the close organisation of trading societies and the efficiency of the savings banks seem to have supplied an alternative. The greatest advances have been made by agricultural credit societies in Germany, Austria, Italy, France, Belgium, Ireland, and, more recently, Holland. A tremendous development of similar societies has also taken place in Russia and in India since the passing of enabling Acts.

The whole of this system is based, with some local variations, on the work of Raiffeisen, who founded the first rural credit societies in the Rhine provinces of Germany a little over fifty years ago. His name is now honoured as the pioneer of agricultural co-operation. The typical Raiffeisen credit society—reproduced by Wollemborg in Italy, by Sir Horace Plunkett in Ireland, and by Durand in France—is based upon limited liability, minute shares (or none at all where the law does not require them), small entrance fees and loans for reproductive purposes only. The loans are usually of small amount, ranging from £1 to £50, and are granted for any period up to a year, or longer in exceptional cases. An essential feature of these societies is the limitation of their area to a parish or other small district, a precaution which renders it possible for the committee to have exact first-hand knowledge of the credit-worthiness of the applicants for loans, and also of the purpose for which their loans are employed. It is thus possible to grant a loan on the security merely of a bond signed by the applicant and two of his neighbours, and this is the actual practice throughout the Irish societies and in the majority of European ones. In some cases, current accounts are also opened and, more rarely, collateral securities or pledges of a material kind are forthcoming.

In addition to the granting of loans, an important part of the work of these societies is the taking of deposits from members, and in some cases from non-members also. In this way, the banks act as clearing houses for the small savings of rural districts, ensuring that they shall be used again to advantage in those districts, instead of being thrown into the coffers of the joint-stock banks for the financing of distant industries. In order to extend the clearing-house system further, and to make it really effective, a system of central credit societies has been built up, and has reached great perfection in Germany and Austria. These societies receive the surplus capital of any local bank where the depositors exceed the borrowers, and re-loan it to other federated banks which find themselves in the opposite position. The central societies, and in some cases the local ones, are also able to assist the trading societies of the movement with loan capital ; and in Germany most of the Raiffeisen banks have trading departments of their own, through which they supply their members with agricultural requirements. In Ireland, centralisation has not been carried out, and deposits have been hard to get, partly through rooted distrust in the people, and partly through the competition of the Post Office Savings Banks with their Government guarantee. The capital of the banks has been obtained by Government loans and overdrafts from the joint-stock banks, both of which methods (particularly the former) are open to objection.

The chief variations from the Raiffeisen type have been in the direction of limitation of liability, which is more in accordance with modern ideas, but directly contrary to the spirit of the founder. The arguments in favour of the unlimited liability are that it makes all the members really interested in the affairs and careful as to the management of the bank, and that it provides the widest possible basis of credit. The argument against it is that in any place where the inhabitants differ in prosperity rich men are deterred from joining the society, which otherwise might benefit greatly from their membership.

Raiffeisen banks have suffered to some extent from paternalistic tendencies on the part of the State, and this tendency has been particularly marked in France.

(a) Personal Credit—(2) Short Term.

A credit system somewhat different from that required by farmers and a rural population is required by a population of artisans, industrialists and salaried workers. The amount of the loan may be considerably higher, but the period as a rule will be much shorter, as it does not depend—as in the case of the farmer—on seasonal operations. The basis of security is less obvious with a fluctuating population without land, and sometimes without settled occupation; and the limitation of membership to persons within the cognisance of the committee is obviously more difficult. Thus a more business-like form of organisation has gradually evolved to deal with these circumstances. The pioneer of this type was Schulze of Delitzsch, who began his work a year or two before Raiffeisen. Banks of the Schulze-Delitzsch class have flourished in the industrial centres of Germany; and they are most successful under the name of “peoples’ banks” in Italy, where Signor Luzzatti stands in the same relation to Schulze as Wollemborg does to Raiffeisen. They have also served as the model for the various forms of industrial credit in North America, of which the most successful, M. Alphonse Desjardin’s system of credit unions in Quebec, extends also to the rural population.

These banks are more akin to commercial banking institutions than are the Raiffeisen societies. They have limited liability and comparatively large shares and entrance fees; they also invariably employ paid officials (which is contrary to the spirit of Raiffeisenism) and in some cases the members of committees are also paid. Their loans may be of considerable size, and the practice of allowing credit on current accounts is common, such credit being allowed both to individuals and societies. Material security is frequently given in the form of collateral or various forms of pledge

and mortgage, and promissory notes are freely discounted. The Schulze societies are not of necessity confined to towns, although their membership is predominantly urban ; in Italy, the peoples' banks are usually situated in the market towns of rural districts, and work in close touch with the agricultural supply societies, thus having a marked influence on the rural population. In fact, the two societies are often housed in the same building. Like the Raiffeisen societies they encourage deposits and rely largely upon them and on commercial loans for their capital. Centralisation is not adopted ; and it is not required in the same way by these societies as by the rural ones, for, by reason of their situation, they can attract borrowers and lenders in about equal numbers, and thus need no clearing house. These societies, like the trading societies which in Germany are attached to the same Union, have kept rigidly clear of all State aid and interference. Their spirit is somewhat similar to that of the distributive stores in England ; they are independent and business-like while not oblivious to ideals.

(b) Real Credit.

The personal credit societies which we have described aim almost entirely at providing the working capital for operations completed within, at the most, a year. But in addition to this the farmer, particularly when he becomes the owner of his land, requires capital for equipment and for buildings and improvements, which he can only pay back in small instalments distributed over a number of years. The same need is, of course, felt every day in industry ; but the vast and complicated financial operations which are made to meet it are usually felt to be too hazardous and too individualistic in their nature to be undertaken by co-operative methods. The Schulze and some other credit societies have, occasionally, made experiments in this direction, but usually with disastrous results. In the case of agricultural land, however, the co-operative principle has been successfully applied ; the basis of security and the continuity of owner-

ship and occupation render this comparatively safe. The model for co-operative land mortgage credit is again found in Germany, where the *Landschaften*, first devised by Büding, and put into effect by Frederick the Great in 1767, have proved thoroughly successful.

Under this system, the landowners of a neighbourhood make themselves jointly responsible with all their land for the liabilities of the association, which thereupon issues bonds based on the value of the property thus pledged. An individual landowner may then obtain a loan up to two-thirds of the value of his property, paid in the form of bonds. These bonds he sells on the market, and he then repays the loans by means of equal annual instalments covering both interest, management charges and a part of the principal. The instalments extend over a period of 25 or more years, and when they are completed, a corresponding value of bonds is redeemed, so that the institution is self-perpetuating. This is the simplest possible general statement of a system about which lengthy books have been and still can be written.

The German system has been copied to some extent in Scandinavia, and a somewhat modified form of mortgage credit exists in Denmark. In France, the celebrated *Credit Foncier* does a vast business of this kind under State supervision, but it is not co-operative in form. Hungary also has its mortgage credit societies.

The system is far too complicated for discussion in a brief space, but it may be pointed out that some degree of State supervision and assistance is almost indispensable and in many countries the problem of mortgage credit is closely associated with Governmental measures of land purchase.

(c) Building and Loan Associations.

This type of society represents an attempt on a very small scale on the part of industrial workers to provide some substitute for the real credit of agriculturists. Their purpose is to pool savings in such a way as to create a fund out

of which the members in turn may be provided with houses. The society is thus a mixture of thrift and credit limited to one particular purpose. Societies of the kind flourish in England, Germany and America. They have perhaps reached the greatest development of which they are capable in the last-named country, where they have accumulated capital, running in some cases into millions of dollars, and are making loans to farmers as well as to town workers.

Each borrower from one of these societies, on getting a loan proportioned to his shareholding, gives a mortgage to the value of, say, four-fifths of his property. These mortgages are discounted by the society, and are paid off by the borrower on the amortisation principle which we have already described in the case of the *Landschaften*. English co-operators may look forward in the near future to seeing this service undertaken by special housing societies or by the more prosperous stores, which find in the provision of houses for their members an excellent use for their surplus capital.

2. Co-operative Insurance.

Insurance has always suggested itself as an obvious field for joint action. In fact, the whole principle may be said to be more or less co-operative, since it consists in taking small sums from each of a number of people in order to give a large sum to any one of them who meets with misfortune. Thus we find collective insurance of various types flourishing in all countries and practised by many to whom co-operation in general has not appealed. Benefit societies, sick and provident clubs, and so on, all come under this heading. But the associations can hardly be classed as true co-operative societies since they do not, as a rule, conform to the law or the rules, which we take as defining such societies. They may rather come under the head of "mutual action," for which the French have a convenient word, *mutualité*, used in a different technical sense from *co-opération*. We may indicate one or two of the types which approach most nearly to co-operative societies.

(a) Of Crops.

Crops may be insured against fire where they are grown and stored in bulk ; but this is a dangerous form of insurance for a small association ; and it is not much sought for by the farmer, who prefers to take precautions for himself. In countries where hailstorms are frequent and cause extensive damage, co-operative insurance against hail is, however, freely practised ; and there are many societies for this purpose in Italy and France. This is a matter in which the State has found it well to intervene, either by direct insurance or by giving subsidies or loans to co-operative societies.

(b) Of Livestock.

Insurance of pigs, cattle and horses against death is a most important protection for the stock breeder especially for the small man and one which private companies, owing to the great difficulties of supervision, are reluctant to undertake, except at excessive rates of premium. As a consequence, this form of insurance has been largely undertaken on a co-operative basis. France and Italy are particularly strong in this direction, and England, which is somewhat backward in most forms of agricultural co-operation, possesses a very large number of what are called pig-and-cattle clubs, which work with marked success, charging much lower rates than private companies and amassing quite satisfactory reserves. After ascertaining the average death rate it is a simple matter to fix a satisfactory rate of premium, and usually a small separate fee is charged to cover management expenses. Societies of this kind have no share capital, and a great number of them are not registered. Payments are made quarterly, and the surplus accumulated is put to reserve ; and as this reserve rises the premium may be lowered. Losses are recouped by a general levy on all the members, but no person can be called upon to pay more than five times the amount of his insurance contributions for the preceding five months.

The chief difficulty to be faced by these societies is that

of an epidemic, which, by causing heavy losses at one time, may sweep away all the available funds. This must be met either by exempting the society from payment in the case of certain diseases or by arranging for reinsurance with a federation. The latter system has been very thoroughly worked out in France, where local societies are grouped into provincial societies, and these again into a national federation with large capital at its disposal.

In Ireland, livestock insurance has made much less progress than might be expected ; but an interesting scheme of insurance for milk suppliers has been introduced by the manager of the progressive Whitecross creamery, and may gradually spread to other districts. The chief difficulty is to find men who have both the capacity and the leisure to look after the society, which requires for its success very careful valuation and inspection of the stock to be insured.

(c) Of Person and Property.

Insurance of person and property against sickness, death and losses from fire is now thoroughly established, and most countries are well covered by huge private companies which leave but little trade for co-operation. No doubt premiums could be much reduced by co-operative organisation, and the sums amassed by insurance companies would be very useful to co-operators ; but this business requires to be operated on so large a scale if it is to be free from risk that it is beyond the reach of the ordinary type of association. Moreover, under English law, the sum of money which has to be deposited before a society can undertake insurance is almost prohibitive. We find, however, that well-established federations may profitably enter the field ; and the Co-operative Wholesale Society and the Scottish Co-operative Wholesale Society do a very large business through a joint undertaking known as the Co-operative Insurance Society, formerly an independent society. This society bears the same relation to co-operative insurance as the productive factories of the Co-operative Wholesale Society bear to co-operative pro-

duction. Probably the most successful instances of actual mutual life and sickness insurance are to be found in the Middle Western States of America, where Farmers' Mutual Insurance Companies flourish and are exceedingly beneficial to their members. On the whole, this form of insurance may be said to be like banking in its wider aspects—a field in which co-operation is not likely to spring up under modern conditions so long as private firms are prepared to give efficient service at reasonable rates. This statement is, of course, subject to the exception that large and well-established co-operative trading federations and societies may be prepared to add these forms of insurance to their other functions, just as they add manufacturing.

3. Miscellaneous Forms of Association.

There are a number of other forms of public, or semi-public, services in which collective action is possible as a substitute for, or a complement to, municipal, State, or private activity. Thus, in the United States, rural telephone lines are frequently erected and operated by farmers' societies for their mutual convenience, and connected with a central system. In Germany, societies exist for the use of an existing supply of electric current either for lighting or power, making their own arrangements as to distribution and payment. Finally, the English co-partnership housing and tenancy societies, which carry their co-operation considerably further than the Building and Loan Associations, may be mentioned. All these are named merely as instances of the various directions in which the co-operative principle is applicable; their detailed description is deferred to another volume.

CHAPTER X.

Federations of Co-operative Societies.

THE organisation of individuals into societies is only the first—though no doubt the most difficult—step in co-operative development. Just as the function of the society is to give strength to individuals through union, so the federation is necessary to give strength to societies. Without such federation, the business side of a co-operative society, and probably the social side also, will be weakened if not destroyed. In practice this has been widely—one may say instinctively—recognised, and in every country where co-operation is known, federations of one kind or another are to be found. In some cases, indeed, the attempt has been made, as it were, to make the federation the unit, and to dispense with, or at any rate make little of, the independent local society. This tendency is noticeable in the New World, where farms are large and distances great. It is illustrated by the Grain Growers' Grain Company previously referred to; here the business success is undisputed, but nevertheless many of the leaders feel that a far better and more stable co-operative movement could be built up on the basis of local societies; and in the neighbouring province of Saskatchewan this has been the plan adopted.

The broad division of federations is between those which are themselves trading bodies and those which are purely advisory; others combine both functions. Another dis-

inction may be drawn between central bodies which have come into being as a result of the federation of existing societies and those which have themselves been created for the purpose of bringing such societies into existence. In this chapter we shall divide federations into four main classes according to the purpose they serve.

I. ORGANISATION AND PROPAGANDA.

Federations for the organisation, supervision and general assistance of co-operative societies, without trading functions, are to be found in various countries, either acting in conjunction with the State, or as purely independent co-operative bodies. Several of this type have actually come into existence before there were many, or indeed any, co-operative societies in the country, for the purpose of organising them, and have later become federations. Such bodies are probably peculiar to the agricultural side of co-operation, which has received more assistance than the urban movement from altruistic outsiders. The best known and perhaps the most successful example of the type is the Irish Agricultural Organisation Society; and a brief description of the work of this body will give a fair idea of what the duties of such a society are.

The Irish Agricultural Organisation Society, or I.A.O.S. as it is usually called, came into being in 1894, after five years of pioneer work in Ireland by Sir Horace Plunkett and a few faithful followers. There were then in existence, owing to their efforts, some co-operative creameries, obviously insufficient because of their fewness and embryonic condition to sustain a federation. The Irish Agricultural Organisation Society was therefore organised as a philanthropic body, depending upon subscriptions and contributions; but provision was made for the co-operative societies as soon as they became sufficiently numerous, and strong to take it over and make it their own federation. In 1904, this step was accomplished, and the Irish Agricultural Organisation Society became a co-operative federation with a committee, president and vice-president, all elected annually by the

affiliated societies, with the exception of a small number of the committee who represent those philanthropic persons who continue to be individual subscribers.

The Irish Agricultural Organisation Society has no trading functions whatever ; it seeks merely to organise, educate, and help co-operators—the business dealings being left to the separate trade federation known as the Irish Agricultural Wholesale Society Limited.

The work of education, however, is sufficient to keep a staff of some forty persons busily employed, at an annual expenditure of from twelve to fourteen thousand pounds, and far more work could be done if funds for the purpose were forthcoming. Two distinct divisions of the work may be made ; on the one hand, the organisation of new societies, on the other, the giving of advice and support to those which are already established. When the farmers of a district feel the need of a society the Irish Agricultural Organisation Society sends an organiser to investigate the local conditions, and to find how much support will be forthcoming. If he is satisfied with the project he helps the promoters to form a provisional committee, distributes share forms, and sees that all necessary formalities of registration and so forth are duly carried out—a task of considerable difficulty in a backward country district. The Irish Agricultural Organisation Society supplies model rules, and a society which affiliates and uses these rules is admitted to registration by the Registrar of Friendly Societies at a reduced fee. Once registered and affiliated, the society carries on its business affairs for itself without interference from the central body, but the organiser will visit it from time to time, report upon its progress, and give advice—which as a rule is thoroughly appreciated—upon all matters affecting its welfare.

A separate auditing department employs a staff of chartered accountants, who carry out at reasonable fees and with great thoroughness the annual audits of all societies which apply for this service. The work of this department is of the utmost importance. Every society is bound by law

to have its accounts audited at least once a year ; and it is obviously advantageous that this work should be done by persons who, in addition to being skilled accountants, possess a thorough and sympathetic knowledge of the peculiarities of co-operative organisation. The auditors of the Irish Agricultural Organisation Society are far more than mere auditors—they give useful and sympathetic advice and assistance, and without them many a country society would have come to an end for sheer despair at the technicalities of book-keeping and the making of returns.

The management of the federation is centralised in Dublin, but an organiser is assigned to each province and is assisted by a provincial committee with advisory powers. The country is also divided into conference districts for the purpose of calling meetings of delegates at convenient centres to discuss questions of general importance. In addition to the provincial organisers, who have a general knowledge of all forms of co-operation, special experts are employed to advise creameries on all technical forms of co-operation, both as regards butter-making and machinery matters, as well as others who are qualified to overhaul agricultural machinery and to discuss technical aspects of farming.

Furthermore, the Irish Agricultural Organisation Society acts for the organised farmers in the same way as a trade union acts for its members, voicing their views on all questions of policy which may arise, whether in Parliament, in the Press, or elsewhere. One of the most important parts of this work consists in protecting the interests of the societies in all legal matters. Various lawsuits have been undertaken by the Irish Agricultural Organisation Society on behalf of the societies, particularly with regard to disposal of creamery sewage, the imposition of the excess-profits tax, and the validity of the " binding rule " in creameries.

In return for these services the societies are bound to pay an affiliation fee each year, calculated at the rate of 10s. for each £1,000 of turnover. They are further asked to make a special subscription, collected from individual members, at

the rate of $\frac{1}{2}$ d. in the £ on their dealings with the society, in order to qualify for full service. The Irish Agricultural Organisation Society receives an annual grant from the Development Commissioners based on the amount of these payments, and is thereby rendered liable to a certain amount of Government control, the chief restriction on its activities being that it is prohibited from organising societies for other than purely agricultural purposes.

The Co-operative Union stands in practically the same relation to the English industrial societies as the Irish Agricultural Organisation Society to the Irish agricultural ones, but by reason of the tremendous development of the English movement and its uniform and thoroughly business-like basis the work required of the central body is somewhat different in character, and is, generally speaking, much less a matter of local detail. The chief field for the Union at the present time would appear to lie in educational progress of the most liberal kind. The appointment by the Union of an Adviser of Studies, and the holding each year of an increasing number of classes, summer schools, and so forth, point the way to a speedy realisation of this ideal.

The administration of the Co-operative Union is largely decentralised through Sectional Boards, whose members are elected from their own area, the whole being combined in the Central Board which meets at the Union headquarters in Manchester. A part of the financial support comes from the Co-operative Wholesale Society and the Scottish Co-operative Wholesale Society. Unlike the Irish Agricultural Organisation Society, and many other federations, the Union has no direct relations with the State. It maintains, however, a Parliamentary Committee jointly with the English and Scottish Co-operative Wholesale Societies for the purpose of watching co-operative interests at Westminster, and in view of the recent decision of co-operators to seek direct political representation the activities of the Co-operative Union in this sphere will doubtless be greatly increased.

Most countries possess one or more co-operative federa-

tions—of varying importance according to local conditions—similar to those described. The Irish Agricultural Organisation Society has been directly imitated in England and Scotland, each of which has its own Agricultural Organisation Society, and in Finland by the “Pellervo” Society, which has made remarkable progress since its foundation in 1900 on exactly similar principles. The Co-operative Union (Andelsudvalget) in Denmark has somewhat similar functions, but, owing to the capacity of the local societies and their various trading federations for self-government, it is not called upon for more than general direction in matters of national policy.

In Germany, there is a large number of provincial unions whose chief duty, as their usual name (Revisionsverbände) implies, is the carrying out of audits ; they also do a great deal of organising and supervising work. But the whole structure of German centralisation is so complicated and the various bodies are so intimately bound up that it seems better to deal with it under a separate heading.

A good deal of work, such as that done by the Irish Agricultural Organisation Society, is carried out in Russia, Austria, France, Norway and other countries by societies formed for the purpose of promoting the agricultural or general economic interests of the people, either by private philanthropists or by semi-official or official action.

2. TRADE.

The methods of co-operative trade federations, which are, of course, the logical outcome of the progress of local societies, need little detailed description. They are much the same in all countries. The federations differ very little in nature of trade from ordinary commercial wholesale houses. There is, however, this difference, that a wholesale firm as a rule confines itself to a certain line of goods, whereas most of the co-operative wholesale societies are gradually brought into different lines of trade by the societies which constitute their membership. As a logical development, they gradually

go into manufacture on their own account, which is not usual in the case of private wholesalers.

The most striking example of a successful trade federation of co-operative societies is undoubtedly offered by the Co-operative Wholesale Society of England. Founded in 1863 by Abraham Greenwood and a few other pioneers, at the instance of the famous Rochdale Society, it started as an agency doing only a modest trade of a few hundred pounds a week, and, in spite of early struggles, it has never looked back.

Its present operations cover practically all the classes of goods of which the members of the retail societies have need, and involve ownership of property in many parts of the world, *e.g.*, in Canada for wheat-growing, and in Ceylon for tea-growing. In 1915, it had 27,500 employees, 48 productive factories, and three steamships, besides its various purchasing agencies. Its net sales, which amount to approximately a million pounds a week, entitle it to rank as one of the largest wholesale businesses in Europe. More than two-thirds of the distributive societies enjoy the advantages of membership of the Wholesale: One or two of the largest ones have not become members, but purchase from it as non-members. It should be noted, too, that there is no rule binding federated societies to deal with their federation; and one of the greatest problems is to maintain loyalty in the face of temptations freely offered by competitors.

The Scottish Co-operative Wholesale Society is a good second to the great institution of England, with which it works in friendly conjunction. The two federations have a joint-purchasing department for procuring and handling certain commodities, notably tea.

Denmark has a co-operative wholesale society which is closely modelled on the English pattern and supplies all requirements, both agricultural and domestic, to over 1,200 federated societies, the membership of which is chiefly rural. Unlike the local Danish societies, this federation has share capital—which is subscribed by the federated societies

on the basis of £5 for every twenty members. With its share capital and reserve funds and the deposits of its savings-bank department it is now able to finance its own business without borrowing money from outside sources. The productive works of this society include sugar and chocolate works, a tobacco factory, soap works, a rope factory, also works for margarine production and coffee roasting. The support accorded to it by the societies is very much larger than in most countries; not only do almost all of them federate, but they buy very little from outside.

It is not necessary to enumerate further the various wholesale societies and joint-purchasing agencies which flourish in Finland, Hungary, Russia, Belgium, France and other countries—as they are all based on more or less the same principle. It should be noted, however, that whilst some are mere agencies, others are big commercialised businesses.

But in addition to these general wholesale societies, we may note the existence of specialised federations for dealing with particular branches of trade. The outstanding examples of this are agricultural federations of distributive societies. In Denmark, Hungary, Switzerland and Ireland, it has been found possible to deal with both classes of societies through a common wholesale, thereby doing something towards reconciling the interests of producer and consumer; but in most countries a separate form of organisation exists.

More definite specialisation is seen in federations of dairy societies either for the purpose of buying their requirements or selling their produce, or both. A notable example of this type is the Union of Siberian Creamery Associations, founded in 1908 by twelve co-operative creameries (“artels” as they are called in Russia) with a capital of £2,000. The societies affiliated to this Union bind themselves to sell all their butter through it and also to buy from it all their requirements, under penalty of a fine. Their liability is at the rate of 1s. for every 40lbs. of butter produced during the previous year. In 1916, the number of creameries affiliated to the Union

was 1,000, with 800 distributive stores attached to them and a turnover of nearly $7\frac{1}{2}$ million pounds. The Union holds shares in the Union of Siberian Co-operative Associations Limited, which has its headquarters in London for the purpose of disposing of butter and other produce.

Another typical example of special federation is the Co-operative Egg Exporting Society of Denmark (*Danske Andelsægexport*) which collects and sells the eggs of the co-operative egg circles throughout the country. All eggs are numbered, so that the sender of defective ones can be traced at once. They are candled, graded and carefully packed for export, some being pickled. The turnover of this society is over a quarter of a million a year, and it collects the eggs from about 40,000 farmers in all. Curiously enough, Denmark has a large number of trade federations for various purposes and often more than one for the same purpose. The reason for this is not, however, jealousy or dissension, but the geographical nature of the country with its scattered islands and a long coast line. All these federations work amicably together and exchange information with one another. In ordinary circumstances, co-operators are agreed that overlapping is most undesirable and every effort is made to combine all societies in one federation.

As a final instance, out of the many which exist, of such federations we may notice the Finnish Society "*Valio*." This society was founded, in 1905, by the co-operative creameries of Finland, primarily for the purpose of exporting their butter. In 1909, it also established four retail shops and it has a branch office in Petrograd. In 1909, the sale of eggs and cheese was added to that of butter and in all these lines great success has been achieved. Only creameries (whether co-operative or proprietary) are eligible for membership. Shares are of the value of £4 each with a liability of £20 per share. Interest is paid at 6 per cent, the remainder of the profits being distributed in proportion to trade. A certain amount of produce is sold on behalf of non-members.

In addition to its trading functions, the society undertakes a considerable amount of educational work in connection with the production of butter, eggs and cheese.

3. CREDIT.

Central credit societies have, as a rule, been kept separate from trading operations for safety, although, as we shall see in the next section, there are striking exceptions to this rule. Their chief function is the equalisation of the supply of and demand for money as between borrower and lender. In districts where the population is exclusively a borrowing one, some credit societies find themselves constantly in need of capital to lend to their members; others, in other districts, find, on the contrary, that they are offered more deposit money than they can use or can afford to pay interest upon. The central credit society, by taking over the surplus deposits in the one case and lending them where they are needed, performs a most important function, and one which can safely be carried out on quite a small margin. It further plays an important part by tapping the world market for capital if required, through its relations with large banks, and by helping trading societies of the movement, whether central or local, to obtain loans of capital on easy terms. The system recommends itself to co-operators, particularly in so far as it ensures that their savings shall be made useful and reproductive within their own movement, instead of being diverted to purposes in which they are concerned only remotely, if at all. As a natural consequence of the different circumstances, credit societies in which borrowers and lenders are much more evenly balanced, do not feel the need of a central institution in anything like the same way; and we find that the Schulze-Delitzsch societies of Germany, while they belong to the general advisory union, have no central bank. In England, the powerful banking department of the Co-operative Wholesale Society takes the place of such a society to a very large extent, receiving deposits from, and granting loans to, trading societies.

It is in Germany and Austria that centralisation of this type has been most thoroughly carried out. Russia and Finland have to some extent followed the same lines, and in France every district has its regional bank which has great influence in the development and control of the local associations. But both in France and in Italy the central source of credit is the State, which grants subsidies in return for a measure of control. The same is true also of the Raiffeisen system in Austria, and, to a less extent, the same tendency, in recent years, is to be seen in Germany. Combination of trading with credit by a central society is considered by the leading authorities to be undesirable, owing to the risks involved ; but whilst it is unusual it has in some cases worked very well. These cases will be discussed in the next section.

The German central credit system is as complicated as it is efficient. The basis of it is the organisation of provincial banks, to serve as clearing houses for the local societies. In 1912, there were, in all, thirty-three of these banks affiliated with the Imperial Union, in addition to independent (but State-subsidised) central societies in the kingdoms of Saxony, Bavaria and Württemberg. These provincial banks in their turn are grouped in affiliation with one or other of the great national societies, the German Agricultural Central Loan Bank and the Imperial Co-operative Bank. The former of these was founded by Raiffeisen and has headquarters in Berlin with twelve branches throughout the country. The latter is the central bank of the Imperial (Haas) Union and has its headquarters at Darmstadt. A further central institution is provided by the Prussian Central Co-operative Bank, which was set up by the Government of Prussia in 1894 to form, as it were, the financial apex of the whole movement, and does business with all co-operative societies inside the kingdom of Prussia. This somewhat bold attempt to capture the most important strategic point of the movement has not met with all the success that was expected of it. The Raiffeisen Union was, from the first, suspicious of the interference of the State

and jealous of the independence of its own central institution. However, in 1895, that institution, after some bargaining as to terms of supervision, accepted a large open credit from the Prussian Bank. The relations, however, were never cordial, especially after the State Bank demanded a guarantee of exclusive dealings from its clients, and a long dispute as to rates ended in 1911 by the withdrawal of the Raiffeisen societies, which afterwards entered into an arrangement with the joint-stock Dresdner Bank.

Meanwhile, the Imperial Federation, which had welcomed the Prussian Bank at its creation, rapidly grew discontented with its methods. At a congress at Carlsruhe, it was decided in view of the patronising attitude of the State Bank to create an independent institution. An existing central supply society was transformed into the Imperial Co-operative Bank, which combined credit with trading functions. The Prussian Bank then ordered the central societies in Prussia to choose between doing all or none of their business with it. Practically all of them, of necessity, chose the former course and the Imperial Co-operative Bank gave up all claims to do business inside the kingdom of Prussia. The Schulze-Delitzsch Union and the Federation of Distributive Societies, being formally opposed to State interference, held aloof from the Prussian Bank, which therefore only does business with the Haas societies inside Prussia and the Federation of Co-operative Industrial Societies—most of whose members are restricted to the followers of some particular profession.

Before closing this section, it may be desirable to give a brief description of the Agricultural Loan Bank of Germany which may serve as an example of central credit institutions.

This bank was founded in 1876 by Raiffeisen as a joint-stock company (in the absence of a law permitting limited liability to co-operative societies) after several unsuccessful efforts at centralisation. Its headquarters were originally at Neuwied but were moved in 1910 to Berlin. It has

branches in eleven important centres. During the years 1899-1909, the bank carried on the purchase and sale of agricultural requirements for trading and credit societies; but, in the latter year, this business was abandoned altogether. The shares are of £50 each and can be held only by credit societies organised on the strict Raiffeisen principles. The dividends are limited to the same percentage as is charged on loans. Other sources of capital are deposits, reserves, loans and bonds, and the financial position of the society is very strong. In 1911, the turnover amounted to £59,000,000, the deposits at the end of the year being £4,220,000 and the outstanding loans £3,400,000. The business is managed by a committee of one—a General Director—who is assisted by an Advisory Council, consisting of one director from each of the branches and meeting twice a year.

There is also a supervisory Board, composed of two delegates from each district covered by a branch. This Board meets at least once a year, and delegates' expenses are paid. Finally, to quote Mr. Cahill (*Agricultural Credit and Co-operation in Germany*, p. 146) "each union (*i.e.*, branch) area has its own Advisory Committee, which is comprised of the members elected to the Supervisory Board from the particular area, other representatives of the societies situate in the district, the Director of the Branch, and his colleagues on the Committee of Management of the branch."

This machinery provides adequate means for the central bank and the branches to keep in close touch both with one another and with the sub-districts.

4. GENERAL PURPOSES.

In each of the preceding sections, we have been discussing federations which exist almost entirely for one particular purpose; it is, however, possible to combine all these functions in one body. As a rule, it has been found that the disadvantages of such a proceeding outweigh the advantages; but this is not always the case. The com-

plicated German system of centralisation does, as a rule, provide for specialisation by means of the provincial federations; but these, in their turn, are federated with general bodies covering the whole country. Thus the ordinary German province boasts three separate types of central body—a wholesale society for purchase and sale, a credit society to act as a clearing house, and an auditing and supervising union. These three will work closely in touch with one another and all of them will be federated with the Imperial Federation or with the Raiffeisen Federation. The central trading and credit institutions contribute just as the local societies do to their provincial union, and submit to control by it. The unions, in their turn, contribute to the support of the Federation. In the case of the Imperial Federation this contribution is based on (1) a fixed sum of £10, (2) 2s. per affiliated society, (3) 1s. per £1,000 of the turnover of Union Banks, (4) £1 per £1,000 of the sales of central trading societies—with a maximum of £200. The Raiffeisen Federation depends on grants from its Central Bank and the profits of its insurance business. The federations do not directly engage in trade, but the Imperial Federation has established, under its own direct control, institutions for purchase of machinery, of potash salts and of basic slag, for the whole empire.

In some cases, as we have seen, central credit societies also undertake trade functions. There are now two of these in Germany, the Imperial Co-operative Bank and the Bavarian Central Co-operative Bank; and there are a large number of them in the Austrian Empire. The most remarkable case is perhaps that of the Central Credit Bank of the Province of Lower Austria, which suffers from such a surplus of capital that it has been obliged to take part, at the instigation of the State, in the foundation and maintenance of co-operative warehouses for the disposal of the grain crop—an ambitious undertaking which has proved somewhat precarious in its financial aspects.

In addition to the combination of credit and various

forms of trading functions in the same society, we have to consider the possibility of advisory duties, such as are proper to a Co-operative Union, being undertaken by trading bodies such as a Co-operative Wholesale Society. In most countries, as we have seen, the needs which give rise to federation are met by different organisations, even where they work closely in touch with one another, as of course they must, if the movement is to be a success. But it is not uncommon for the trading society to undertake a certain amount of educational work for itself in addition to what is done by the propagandist body. This work naturally is concerned chiefly with technical and business matters likely to improve the trade of the Federation. In Finland, however, we find that although there is an Organisation Society (Pellervo) of a purely educational character, all the other federations undertake a considerable amount of this sort of work. Thus the Finnish Co-operative Wholesale Society, founded in 1904, spent the whole of the first year of its existence "solely in instructing and supervising the affiliated societies, thus strengthening them; a number of booklets as well as a set of account books were published, and a periodical . . . was started."

In ten years, this society has allocated £18,000 of its profits to educational purposes. The butter export society (Valio) "arranges what are called butter-testing courses, at which persons representing affiliated dairies are instructed as to the defects to be found in butter, their causes, and the means of obviating them. The courses further include lectures by the leading specialists in Finland on dairying, co-operation, and trading, as well as debates on all these matters. For the promotion of the professional skill of the persons employed by the different dairies, stipends are given to dairymen and dairy managers for studies abroad and in the home country; and suitable literature on these subjects is distributed. Finally, we ought not to overlook the educational work of the managers and travellers of Valio when visiting dairies or acting as judges and lecturers of

local butter exhibitions arranged by dairy unions or as instructors of the Finnish co-operative educational institute."

The Central Credit Society of Finland employs five persons permanently in inspecting and advising the affiliated banks ; and some work of this kind is also done in connection with the Pellervo Society.

The German Central Association of Co-operative Agricultural Societies in Bohemia affords an example of a federation which undertakes all the functions of the different central bodies, and as such may be briefly described. The quotations are from the report of the American Commission on Agricultural Co-operation in Europe (1913).

The Association was founded in 1896 by one Stephen Richter, on German lines, with 50 local Raiffeisen societies as members. This number had grown by 1913 to 650. The activities are threefold : " First, the handling of the money of local Raiffeisen banks. This is perhaps the chief function ; the central is a sort of clearing house for the loans and deposits of these banks. Second, the central acts as a wholesale buying and selling agency for the locals, whether these are distinctively productive and distributive societies or are organised chiefly for credit. Third, the central supervises, inspects and to some extent controls the activities of the locals."

Membership is limited to approved Raiffeisen societies, which subscribe for one share of £5 for every fifty members, and in addition have to pay annual dues amounting to 10s. per share, to subscribe for three papers published by the Central and to hand over to the Central one-tenth of 1 per cent of their yearly net balances. Loans are given on certain fixed terms to shareholding societies only (whether credit or trading) and not to individuals.

The powers of the central association, which are derived from the Government, are very considerable, and the courts may be called in to compel any local society to obey an order given by the central body. There is no compulsion on local societies to federate ; but once they have done so, they must

deposit their surplus balances with the central body and also submit to surprise inspections of their books, including a thorough audit.

It is noteworthy that in both its credit and trading operations, the central body is only a clearing house and does not actually handle either money or goods. Everything is done by book-keeping and transmission of orders, on which work forty-four officials are employed. As lately as 1912, however, a central agricultural bank was organised to receive the surplus deposits of the association and to do its general banking business. Naturally no details are available as to its development.

CHAPTER XI.

The Structural Organisation of Co-operative Societies.

IT is necessary to emphasise at every possible opportunity the fact that "co-operation" is to a large extent a thing of the spirit. It is more than a form of organisation suitable to certain kinds of business carried on by certain people; it is the practical expression of an ideal. The world is always looking for a mean between the disturbing enthusiasms of the pure idealist, who will not heed facts, and the crushing materialism of the "practical man" who is indifferent to ideals. The co-operative movement is perhaps the most successful expression of this compromise.

Obviously, however, such a form of organisation cannot be either established or safeguarded by laws or rules. It has been frequently pointed out that a company may be established under any conceivable law governing co-operative societies and may proceed to work in a thoroughly unco-operative manner without coming into conflict with that law. On the other hand, a society may be organised as a joint-stock company and may yet be thoroughly co-operative in spirit and method of working.

We lay stress on these facts at the beginning of this chapter because in what we have to say now, we shall be dealing largely with the technical form of an ordinary co-operative society; and we are anxious that the reader, while realising the importance of this discussion, shall not

be led away from our statement that correctness of form, if the spirit be wanting, will not in itself ensure real co-operation.

Nevertheless, while co-operation is more than a form of organisation, a definite and more or less strictly defined form is at the same time practically essential for the success of a co-operative society as a business concern. Such a form has been adopted in all countries ; and while variations in detail are, of course, essential to meet local conditions, special requirements and varying laws, the co-operative society may be said to be almost stereotyped as far as its structure is concerned. That structure we shall now proceed to discuss.

The first and most essential matter is the position of the individual member in relation to the management of the society. In urban stores of the Rochdale type and in all societies which are similar to these, the problem of the non-member is likely, sooner or later, to become acute. At the beginning of its career, the society is confronted by the necessity for obtaining sufficient trade to meet its standing expenses. Those responsible for its management will have to be almost more than human if they resist the temptation to take all the trade that is offered them—and this means that the shop will be “open to the public.” A further argument in favour of this course will be that a large number of people will not join until they have had an opportunity of testing the quality of the goods and service offered ; and this section of the public may be lost as potential members if they are not allowed to trade first as non-members. So far so good ; but after a time it will be found that this practice places a severe strain on the financial resources of the society. Capital is required to finance the trade with the non-members ; but they do not provide any capital. Strenuous efforts must then be made to induce them to become members. We shall at once be met with the question—“What advantages do I get by becoming a member ?—do I get things any cheaper ?” There is a double answer to

this question. In the first place, the member shares, through the dividend on trade, in the savings created by co-operation ; and, in the second place, he has the privilege and duty of taking his part in the management of the society. No doubt the former answer is the one more generally made and the one which makes the readiest appeal to the person addressed. But this is not as it should be in a true co-operative community, for the question of the division of savings should not be an end in itself but merely a detail in the scheme of organisation.

We call attention in other parts of this book to the danger which besets the co-operative society from "dividend mania." A committee which assumes that its whole task is to produce a given rate of dividend year by year or quarter by quarter is mistaking its functions. Circumstances may easily arise—and the conditions brought about by the war afford an example of them on a large scale—in which a different policy would be preferable. The committee must realise, and must bring the members to see, that the object of the society is to serve the interests of the community and to afford all those who wish to become members an opportunity of improving the conditions of their lives ; in some cases, no doubt, the dividend serves this object, but not in all. When the point is fully realised, it will be seen how essential it is that all members should understand the responsibility which they have for the conduct of the society ; and it is this argument which should be emphasised in bringing in new members. The propagandist should not say to them, "if you become a member you will get dividends," but "if you become a member you will be able to decide whether dividends shall be paid or not." If the former phrase is used, the new member decides that "they" will give him dividends, and as soon as a society is divided into "we"—the recipients, the customers, the grumblers—and "they," the committee to be criticised or abused if success is not forthcoming, it loses its underlying principle and half its efficiency. It must be all "we," or it is nothing.

This fact has too often been forgotten by would-be co-operators ; but it has been borne in mind by those who have framed the rules which govern most societies. The stereotyped form provides the maximum of responsibility for the individual member ; and it is important that this form should be preserved. Thus we find that each member has one vote and only one, whatever the amount of his shareholding. This, in itself, removes any plea that certain people are unable to take a share in the management because they are always outvoted. A shareholder in the Canadian Pacific Railway with £100 invested may be pardoned if he takes little interest in the affairs of the railway, seeing that he has no chance of making himself heard. But a shareholder with £1 in a co-operative society has as much power as anyone else.

It may be said that even where the voting power is limited, if a few people have contributed the bulk of the capital they may force the others to give way to them by threatening to withdraw this capital. This danger has also been carefully guarded against. The holdings of any individual person are limited, and no voting by proxy is allowed. When it is further realised that the total amount of share capital of the society is unlimited (so that shares cannot rise above their normal value), it will be seen that there is no inducement to the capitalist to seek a control which, in any case, he cannot obtain.

Thus the structure is truly democratic, and so well is this understood that the form described above is almost universally observed in all countries where co-operation flourishes. Departure from this type must be regarded with grave suspicion—for while, as we have said, the type does not necessarily produce the right spirit, variations from it are usually either caused by, or leave opportunities for, persons who desire to act otherwise than in accordance with this spirit.

An example may be seen in the Army and Navy Stores, which was started with co-operative intentions but so

organised that neither the shareholdings nor the interest payable on them were limited ; it is now in the hands of the large shareholders and though an excellent business is far from fulfilling the purpose of its founders.

We have now to consider how much value attaches to this provision of democratic control ; in other words, of how much use the vote is to the member. The affairs of a co-operative society are managed by an executive committee which has complete control over the conduct of the business, with the appointment, removal and remuneration of the paid staff, if any. Obviously, the success or failure of the society must rest almost entirely in the hands of such a committee, and it is plain that its functions could not, for practical purposes, be carried out by more than a small number of persons. The usual number of such a committee will be about eight, in addition to the officers in the case of an industrial society ; and a somewhat larger number—rising to as many as twenty—in agricultural societies. The choice of the members of the committee is therefore of supreme importance. If they are not attentive to their business, intelligent, and above all, trustworthy, success is practically impossible, unless indeed it be achieved by the paid manager (and his spirit will probably be largely that of his committee). Their choice lies entirely with the general meetings of the members ; and it is in exercising it that those members enjoy the full advantage of the democratic constitution. One of the greatest dangers which threatens successful co-operative enterprise is the tendency to hold general meetings as infrequently as possible and for them to be very badly attended. The experience of English co-operation has made it plain on many occasions, that so long as a society is prosperous and brings reasonable material advantages to its members, these members are apathetic about exercising the rights which the co-operative form is specially designed to give them. The reverse side of the picture is that should such a prosperous society meet with unexpected disaster, the members will freely blame the committee, without

pausing to reflect on their own failure to give the committee either warning of its danger or support in its efforts.

This is plainly not a defect of the co-operative method, but a result of the failings of human nature, which can be overcome only by education over a prolonged period. As a precaution against it, it is desirable that general meetings should be held frequently—say once a quarter, as the model rules of the Co-operative Union direct—rather than once a year as is the practice under the special rules of some societies. Further, at each such meeting, the fullest information consistent with safety should be given to the members with regard to the affairs of the society and the fullest opportunity should be provided for criticism and discussion. In passing, it may be noticed that great care is rightly taken that only members or their families be admitted to such meetings, as the presence of ill-disposed outsiders at such a discussion constitutes a serious danger. If it is possible to arrange that each meeting be preceded by a stocktaking and audit of the accounts which can be laid before the members this will be found to be not only useful to the committee and management but stimulating to the interest of members as well. In any case, such an audit must be carried out once a year ; but this period is in most classes of business too long for safety.

The functions of ordinary business meetings, according to the model rules of the Co-operative Union, should be as follows :—

(1) To receive from the committee, auditors, or any other officers of the society, reports upon the business of the society during the period embraced therein and the state of its affairs at the date thereof, which, except any such meeting directs otherwise, shall be made to every such meeting.

(2) To elect the committee, auditors, and other officers of the society, excepting those whose appointment is given by the rules to the committee.

(3) To transact any other business of the society.

Substantially the same provisions are made by the model rules for agricultural societies issued by the Irish Agricultural Organisation Society, though in the rules of these societies it is contemplated that there shall be only one such meeting in each year. The German rules are practically the same ; but they further secure to the general meeting the power to fix the borrowing and lending capacity of the society, the conduct of proceedings against officers and committee-men and the power of liquidation, as well as the duty of deciding on the division of any surplus. The following observations of Wygodzinski (*Des Genossenschaftswesen in Deutschland*, p. 76) are very much to the point :—

“ The highest authority of the society lies in the full assembly of the members—the general meeting. It is essential to the co-operative society, as a union of persons residing in a given district, that this authority of the general meeting shall be as far as possible unimpaired ; the delegation of the carrying on of the daily business and the responsibility therefor to various committees or officers is the result of pressure of circumstances and is not a necessary part of the constitution of the society. The joint-stock company, with its purely capitalistic form of organisation, is compelled by the wide area over which its shareholders are scattered to vest the supreme control of the business management and policy in the directors and secretariat, but this is not so with the co-operative society.”

In the United Kingdom, in addition to the ordinary general meetings, special general meetings may be called for any purpose specified in the agenda, and must be called for the passing of special resolutions concerning amendment of rules and other structural alterations, for which, as a rule, a two-thirds or a three-fourths majority of those present and voting is required. Here, again, the right of the members to make themselves effective is specially safeguarded. Thus “ special general meetings shall be convened by the secretary, either on an order of the committee, or upon a

requisition signed by twenty members . . .” “ notices . . . shall state the time and place . . . and the purpose . . . and shall be posted to the registered address of all members not less than six days before the day of meeting,” and, again, if the secretary fails to convene the required meeting one of the members may do so at the expense of the society. In case of amendment of rules, amalgamation, or conversion to a company, two special meetings are required at an interval of a fortnight, so that it would be impossible for such a change to be made by rushing it through against the wishes of a large number of members.

This account of the powers of the general meeting, taken together with the provisions as to the method of voting, makes it abundantly clear that the duties and the privileges which go with a share in a co-operative society are by no means slight or unreal. Every effort should be made to ensure that, in this respect, practice is made to correspond with theory.

We come now to the duties of the committee. The committee is elected in the first place by the first meeting of the members after registration, vacancies being afterwards filled by the general meeting at, or before, which they occur. The powers given to the committee include, in practically all cases :—

1. The general conduct of the business of the society, including the complete control of all employees.
2. The legal representation of the society in respect of its relations both with its members and with outside parties.
3. The receiving and paying out of money, making of contracts, renting and purchase of land, &c.
4. Any power which could be exercised by a general meeting, provided that it is not specifically reserved to such meeting either by law or by direction of the society.

Sub-committees and assistants to the secretary may be appointed by the committee, but local committees, for the

conduct of branch businesses, and the education committee, to which we shall refer later, usually derive their powers from the general meeting.

As against these wide powers the duties laid upon the committee are :—

1. To convene all meetings in accordance with the rules.
2. To provide and see to the writing up of proper books of account and minutes.
3. To provide and keep in proper manner all forms, &c., provided for by the law or the rules of the society.
4. To supply (*a*) to every member or person interested in the funds of the society on his application, gratuitously, a copy of the last annual return for the time being of the society; and (*b*) to every person on demand a copy of the rules at such price, not exceeding one shilling, as the committee fix from time to time.
5. To prepare a statement of the accounts of the society, in such form as the ordinary business meetings direct from time to time, and lay them, duly audited by the persons appointed to audit the same, before each ordinary business meeting, unless such meetings direct otherwise, and in that case before such meeting as they may direct, accompanied by a report on the position of the affairs of the society, signed by the chairman of the meeting at which such report is adopted.

The committee is therefore practically in the position of the general manager, managing director, or general secretary of the business, being responsible to the shareholders. It is not, or should not be, as is generally supposed, in the position of the board of directors of an ordinary company, because, as has been pointed out, such directors usually control the general body, whereas in this case the position is reversed. The importance of this is so clearly realised in Germany that a special supervisory board (*Aufsichtsrat*) is appointed for the purpose of watching and controlling the

work of the committee in the interests of the members. This board acts in much the same way towards the general committee as the secretary of a board of directors acts towards the business manager. It supervises all the proceedings of the committee, with special reference to the keeping and auditing of the accounts, upon which it must report.

The members of the board (of whom there must be not less than three) are elected and may be removed from office by direct vote of the general meeting and are responsible to this body alone. Their term of office is usually longer than that of the ordinary committee-men ; but, unlike them, they can be removed before the term expires if they forfeit the confidence of the members. The law provides that they may not have any share in the profits of the business, a precaution which shows how different, in essence, is the control of a co-operative society from that of an ordinary joint-stock company. On the other hand, they may be paid to compensate them for the time and trouble involved in their work ; and such payment is more frequently made than in the case of committee-men of English societies. They have the right to call a general meeting if they deem it necessary ; and they may also suspend a committee-man from his duties. They must also decide on all questions where committee-men desire to obtain credit from the society, to act as security for others obtaining such credit, or to enter into any contracts with the society. Their most important function is to present to the general meeting the audited accounts, with a report and a ratification thereof. In order to keep continually in touch with the affairs of the society, members of the board may either attend meetings of the committee or require it to supply general or detailed reports.

The theory of the *Aufsichtsrat* is in every way admirable and expresses the true spirit of co-operation ; but there are many difficulties in the way of its practical working. The chief of these is to find the right people ; the combination of business intelligence, absolute trustworthiness and self-

sacrifice needed is necessarily rare. Wygodzinski admits that, in practice, these bodies have scarcely lived up to the spirit of the law and that most of their work has been done by the unions and the auditors, with whom they are naturally in close touch,

The position of the auditors in the co-operative movement is a very important one. In practically all countries, an audit must by law be conducted at least once a year by qualified independent persons, whose report must be submitted to the members at a general meeting. These auditors may be provided either by government, by commercial firms who do this business, or by unions of co-operative societies. Governmental audit is optional in Germany, and in all cases where co-operation is aided by the State the question of compulsory State audit has often been discussed. It is generally felt, however, that such a system is unsatisfactory because the officials employed have no real interest in the prosperity of the societies and are apt to do their work in a cursory manner. In the same way, private firms, while doing their work admirably from the point of view of accountancy, may have an insufficient knowledge of the peculiar points which distinguish a co-operative society from an ordinary company.

Most societies therefore prefer to have their audit conducted by men who are sent out by their own federation; men who have a thorough knowledge of, and sympathy with, the movement. This is particularly true of agricultural societies, where the keeping of accounts often presents considerable difficulties to untrained managers and secretaries who have little clerical help. Thus the Irish Agricultural Organisation Society, to take one notable instance, employs in its audit department a large staff of trained accountants; and the greater number of the affiliated societies avail themselves of their services. These men are far more than auditors; not only do they frequently do a great part of the book-keeping and accountancy work for backward societies, but they are able through their experience and detailed

knowledge to give valuable advice on many points connected with the business. Their visits are a real safeguard to the members and an effective check on the more obvious forms of fraud. A similar system is adopted by practically all co-operative federations and is usually encouraged by law. Its importance cannot be too strongly emphasised; the dangers of careless auditing have recently been seen in serious disasters in Germany; and the absence of any legal or other provision for professional auditing has been a great handicap to the growth of co-operation in America.

The auditors rank as officers of the society and, as such, are elected by the members at each general meeting. Their remuneration may be decided either by the meeting or the committee; in the case of federations there is, usually, a fixed scale of charges calculated in proportion to turnover. The balance sheets and reports form the basis of the annual return which, in the United Kingdom, must be signed by the auditor and secretary and lodged with the Registrar of Friendly Societies at the close of each business year.

The other officers are the president, treasurer and secretary. They are additional to the committee and are elected by the general meeting, except in cases, such as the medium-sized and large-sized societies of the United Kingdom, where the secretary is a whole-time official appointed by the committee and frequently performs the treasurer's duties as well. Their functions are those common to such officials in all companies. Payment is optional and the amount may be decided by the committee; it is gradually being extended to all members in addition to the secretary. A frequent practice is for the duties of secretary to be undertaken by the manager. This is specially convenient for small societies which cannot afford to pay two salaries and cannot get a responsible person to give gratuitously the time required for secretarial work. The practice has obvious disadvantages—the secretary must be a member and must be present at committee meetings; consequently criticism becomes difficult, and the committee tend to rely to an undue extent on

the manager. This whole question of control of business management by a committee usually made up of unpaid amateurs is one of the most difficult problems of the movement; it has been accentuated by the material success of co-operation, which has made essential the employment of large trained staffs, a development hardly contemplated by the pioneers. The question of the relations between the co-operators and their employees is discussed in another place; it will suffice to say here that the reliance of most committees on their managers may become a great danger to the movement and that the appointment of a paid secretary directly responsible to, and if possible drawn from the ranks of, the committee will frequently repay the expenditure involved. In a fair-sized society there should be plenty of work for such an official to do, and it is often a cause of complaint against co-operative societies that such matters as correspondence, rectification of complaints, &c., are carelessly handled.

The spiritual and propagandist aspects of co-operation are specially provided for in the British movement by the establishment in most societies of a special education committee, elected and provided with funds by the general meeting. The committee is directly responsible to the members and is not usually under the control of the management committee, though the educational committee is sometimes a sub-committee of the management committee. With a capable and energetic secretary, it may be a valuable medium for recruiting new members, promoting social intercourse among the members, publishing a paper or magazine (the Plymouth Society recently established a new record by issuing a weekly paper as well as a monthly magazine) and generally promoting the interests of the society as apart from its actual business management. A considerable amount of actual educational work in the strict sense of the word is also carried on in conjunction with the special educational committee of the Co-operative Union. The funds for societies' educational work are usually derived

from an allocation from profits. This is usually a percentage of profits, but a Survey Committee appointed by the Co-operative Congress in 1914 to review the organisation and administration of the movement pointed out certain defects in this method and recommended an annual allocation based upon membership, and several societies have already acted upon this recommendation. Education is a side of the movement which is capable of, and deserves vigorous development.

CHAPTER XII.

Co-operative Finance.

HAVING discussed in some detail the general structure of a co-operative society we must now turn to the financial arrangements which go with that structure. It is important, first of all, to notice that certain details in the financial provisions do more to differentiate technically between a co-operative society and a joint-stock company than anything else in its form, unless it be the "one man, one vote" principle.

In the first place, the capital of a co-operative society is unlimited, whereas that of a company is limited to an amount fixed at the outset and alterable only by the consent of the shareholders. This may seem in itself a small point ; but it has far-reaching results. The effect of it is this : a person desiring to become a member in a co-operative society can go to the office, fill in a form, and obtain his share at the nominal value, which is usually £1. Unless the committee has any valid reason against his admission he then becomes a member. Consequently, no sensible person would buy a share in a co-operative society from an outside agent at, say, 25s., knowing that the society itself was bound to supply him with one at £1. When, on the other hand, we turn to the ordinary company we find that all its shares are issued as soon as possible, and as the law places a limit on the number the only way in which other persons can

obtain them is by buying them from the existing holders. If these holders consider them worth more than their face value they will not sell except at this enhanced price. On this basis is built up the whole structure of the Stock Exchange and of speculation in shares. The co-operative society is freed from participation in this system by the fact that its shares are unlimited in number and therefore cannot rise in value.* Consequently, co-operative shares are not found in the "open market," and this, in itself, is a great safeguard for the movement.

The second marked difference lies in the method of appropriating the "profits" or, more properly, the surplus arising from the business of the society. The limitation of interest on share capital which forms a part either of the law or of co-operative precept in practically all countries, and the usually limited extent of the share capital itself, makes the amount allocated to the reward of capital an extremely small item in the case of societies doing a large business. It is not an uncommon thing for a society to do a trade of as much as £20,000 a year with a paid-up share capital of, say, £1,000, which, with the rate of interest limited to 5 per cent would absorb only £50—obviously an almost negligible payment out of surplus. No doubt, as we shall see later, such a society may have to borrow money at the current rate of interest, but the payments on this would be a charge against the business before the surplus is calculated.

An important question then arises: how shall the remaining surplus be disposed of? There are three main possibilities—(a) to allocate it to one or more reserve funds, (b) to avoid as far as possible the creation of any surplus, (c) to distribute it in dividends on trade, in accordance with what is widely known as the "Rochdale" plan. The first two methods are quite usual either separately or together in the case of agricultural societies. A certain amount of the

* In Italy the nominal value of shares is increased year by year by adding a proportion of the reserve fund. This, however, does not affect the principle.

surplus should always be put into reserve fund before anything is allocated to other purposes. There is, however, a considerable difference in the possible interpretation of the expression, reserve fund. In Germany, a fairly strict definition is made and separate funds are created for various purposes, such as replacement of buildings, the meeting of losses, and so forth.

Under the Raiffeisen system, there is also an indivisible reserve fund which cannot be used for any purpose except meeting any loss which may not be dischargable in any other way. On the dissolution of the society, this fund must be reserved either for the starting of a new society or for some purpose for the general good of the community, and must not in any circumstances be divided among the members. In Great Britain and Ireland no definite provision for reserves is made by law ; and the reserve fund is any portion of the surplus which is so allocated instead of being distributed. This reserve is, as a rule, represented by buildings, machinery, or other investments in the business. The system is open to serious criticism, as the appearance of a considerable sum on the balance sheet under the heading "reserves" or "balance disposable" tends to create an impression among the members that such a sum is actually available in cash, and they may begin to agitate for its division and distribution. There have actually been cases where a small number of people have formed a society and done a large and profitable trade with non-members whom they have not encouraged to join ; then, after accumulating a considerable reserve fund, they have gone into liquidation, divided the profits and started a new society. This is a case of flagrant violation of the co-operative principle with which it is almost impossible for the law to deal. The auditors of the Irish Agricultural Organisation Society and other federations urge that as much as possible of the reserve should be used in writing off the value of buildings, &c., thus decreasing the total of both sides of the balance sheet.

The second principle, that of not making any surplus,

was applied in its purest form by the disciples of Owen and other early pioneers of the co-operative movement. The advantage offered by this method is that it gives immediate and visible effect to the benefits which the co-operator is offered. It allows the member to participate in the economies made by the society from the moment he joins it, instead of waiting patiently until a reserve fund has been built up or, at least, until the balancing of accounts at the end of a quarterly, half-yearly, or even yearly period reveals the existence, or otherwise, of a surplus. The avowed object of a distributive society is to supply its members with goods as cheaply as possible; and, by this method, that object is immediately achieved. Goods are sold at wholesale rates with an addition sufficient merely to cover the out-of-pocket expenses of the freight and distribution.

Unfortunately, the practical drawbacks are many and obvious. While such a system can be applied well enough on a small scale when dealing with articles which are bought and sold in large quantities and are of a more or less standard quality, it becomes infinitely more complicated and dangerous when applied to the wide range of a modern co-operative business. Thus, an agricultural society, like many of those in Ireland, can buy a ton of basic slag, divide it into forty half-hundredweight lots at the railway station, get each member to carry away his own lot and after paying, say, $2\frac{1}{2}$ per cent to the secretary for his trouble, allocate proportionately the total cost which is made up of the first cost, the commission, and the freight charges. The transaction will then be complete and the members will have had the advantage of wholesale rates with only a minute addition of handling expenses. But imagine the results of an attempt to impose the same system in the case of one of the big English stores. A package of groceries representing a value of, say, 2s. 9½d., wholesale, is delivered to the house of a member by a motor van. To arrive at the proper cost of this would require an analysis of ten or fifteen different processes, including a proper proportion of rent, light, heat,

book-keeping, salesmanship, management, delivery expenses, insurance, interest on capital, and the like. It will be suggested that this difficulty may be overcome by ascertaining the percentage of expenses necessary to the business and adding this percentage to the wholesale cost of each article ; but, in practice, this does not work out as well as one might think. In the first place, our monetary system does not admit of the ready calculation of percentages. The addition of 15 per cent to 4½d. is an almost impossible task. Secondly, it is absolutely necessary, at any rate under existing conditions, that the percentages added to various articles should be widely different, although the average may be kept fairly constant. There are some articles which are habitually sold even by the most extortionate of traders at a very small profit ; and the addition to the prices of these goods of the average profit would drive the members away at once unless their co-operative loyalty and intelligence were exceedingly highly developed. On the other hand, there are articles which habitually bear a rate of profit which, stated by itself, would scandalise the public, but which is cheerfully accepted as part of the average. Unfortunately, the former class are as a rule necessities and the latter class luxuries, so that the adoption of a uniform percentage by a co-operative society would have the undesirable effect of penalising the poorer members while offering an advantage to the well-to-do. Moreover, the question is further complicated by the sale of proprietary articles, the purchase and sale prices of which are both fixed.

Even supposing, however, that these difficulties can be surmounted—as no doubt they might be in a highly co-operative community—a further and more vital objection exists. The risk inherent in this system of working is far greater than any committee of management would be justified in undertaking. On the one hand, a very small error in the calculation of the necessary percentage would at once produce a considerable loss, which there would be no means of meeting and which would probably prove fatal to the society. On

the other hand, if the estimate is quite accurately made it does away with all possibility of building up any reserve fund against unforeseen contingencies, thus placing the business in a quite unsound position. Even in the simple case which we have already supposed, viz., the distribution of a bulk consignment of fertilisers at the railway station, it is quite possible that the lack of any reserve may lead to disaster. Thus, for instance, the goods may be lost or damaged in transit, in which case the members will have to indulge in a long correspondence with carriers and suppliers; and, probably, in the long run, their association may fall to pieces and either the wholesaler or the secretary will be out of pocket. Dangers of this kind are obviously very much increased as the business grows more complicated. It was on this rock that the greater number of societies founded by Robert Owen and his friends eventually split. As their scope increased, the difficulties and dangers, instead of diminishing, increased disproportionately, and sooner or later brought about sudden and disastrous collapse. The consequences of such a collapse were aggravated by the fact that the societies had no legal standing and could not sue debtors; while, on the other hand, each member was liable to be held responsible for all the obligations of the society.

The Rochdale Pioneers who are hailed throughout the world as the founders of the modern co-operative movement—so far, at any rate, as distribution is concerned—owe their success chiefly to their application of a method of getting over this difficulty. That method was division of surplus in proportion to trade, or as it is now called—the dividend system. At the end of the quarter or other accounting period the available surplus is divided as follows by those societies which adopt the Model Rules of the Co-operative Union:—

The profits of all business carried on by, or on account of, the society shall be applied as follows:—

(1) *Reduction of Fixed Stock, &c.*—In reduction of the value of the fixed stock and plant of the society, at the annual rate of 10 per cent on fixtures, and of $2\frac{1}{2}$ per cent on shops, warehouses and other buildings.

(2) *Reduction of Preliminary Expenses.*—In the reduction of the preliminary expenses (if any) incurred in forming the society, and remaining unwritten off in its books, at such rate, being not less than 5 per cent per annum, as the ordinary business meetings on the recommendation of the committee from time to time direct.

(3) *Interest on Share Capital.*—In payment of interest upon the share capital of the society at such rate, not exceeding 5 per cent per annum as the ordinary business meetings may from time to time direct.

(4) *Reserve Fund.*—In forming, by applying such percentage of the net profits as the committee determine, a reserve fund, to which all fines shall be carried, applicable, by a resolution of the ordinary business meetings, on the proposal either of the committee or an individual member, and in regard to which notice has been given on the balance sheet—

(a) To the equalisation of dividends ;

(b) To meet any other contingency affecting the business of the society ;

(c) To any other purpose which the general meetings may from time to time direct, whether such purpose be charitable, philanthropic, of public utility, or any other purpose whether within the objects for which the society is formed or not.

(5) *Educational Fund.*—In promoting instruction, culture, or recreation, by forming an educational fund, to which $2\frac{1}{2}$ per cent of the net profits, or such other sum or percentage as any ordinary business meeting may resolve, shall be carried.

(6) *Congress Fund.*—In paying, while the society continues a member of the Co-operative Union Limited, such subscription to its funds as the Rules and Orders of the Union fix.

(7) *Social Fund.*—In promoting any other social or provident purpose authorised by any special general meeting, or any two successive ordinary business meetings, by applying thereto such sums as the ordinary business meetings may vote.

(8) *Division of Remaining Profits.*—The remainder of the net profits left after providing for the proceeding charges, shall be divided between—

(a) *The members who have made purchases of the society during the period to which the division relates, according to the amount of their purchases ;*

(b) *The non-members who have made purchases of the society during such period, according to the amount of their purchases, provided that the sum so divided shall not exceed one-half of the sum to which they would be entitled as members ;*

(c) *The employees of the society at such rate, not less than $\frac{1}{4}$ d. in the £ on the gross sales, and $\frac{1}{2}$ d. in the £ on net profits,*

as the ordinary business meetings fix, to be divided among them as such meetings direct.

(9) All dividends not withdrawn within one calendar month after they become receivable shall be applied in or towards the payment of shares, which shall be subject to the same conditions as to withdrawal as are in force in respect to all other shares, and shall be credited to the members respectively in the books of the society until the number of shares held by any member reaches the limit allowed by the Act, or such inferior limit as the general meetings may fix, after which they shall be credited to such members as loans, withdrawable on such notice, not less than one calendar month, as the committee may determine from time to time. No fine shall be charged in respect of any share so placed to the credit of any member.

It will be observed that the allocation here provided for is of a varied and complicated kind, and most of the clauses are of a permissive nature. In practice, whilst ample provision for establishing and maintaining a reserve fund is usually made by every society which has any claims to good management, the remainder of the objects are very apt to be largely neglected in favour of the clause which we have italicised. It is to this clause that the co-operative movement owes much of its success and the Pioneers most of their celebrity. We must now briefly explain its operation.

In a store worked on Rochdale lines, goods are, generally speaking, sold at the same prices as obtain in the locality; and the same efforts to secure efficiency in distribution and to realise any surplus thus obtainable (so long as these efforts are consistent with fair dealing) are made in a co-operative society as in any well-managed business. These surpluses or "profits," however, are returned to the purchasers, in the form of a rebate, or bonus, which is directly proportionate to the amount of their trade, and thus the amount by which they have increased the surplus. Thus the quarter's trade of the Blanktown Co-operative Store having been £5,000 on which a net surplus or profit of £500 has been realised, the committee decide to recommend payment of a dividend at the rate of 1s. 6d. in the £. On £5,000 total trade, this works out (assuming for simplicity's sake that all the trade

was done with members and ranked for dividend) at £375—leaving a margin for reserve. Then John Jones, who has bought goods to the value of £20 from the society during the period, is entitled to a dividend of 30s. Thus the cost of his purchases is reduced to £18. 10s. In other words, the effect is the same as if the society had been selling at prices $7\frac{1}{2}$ per cent below the prevailing market price ; but this effect is not felt till the end of the quarter.

Thus the Rochdale system is a method of working backwards to the method discussed above of adding a certain fixed percentage to the cost of each article. By adopting this method, that is the rebate method of deducting the surplus at the end of the trading period, the risk is eliminated and the inequality caused by the fact we have mentioned—that all goods do not bear the same rate of profit—is made to tell in favour of the poorer members. Unquestionably, the author of this solution is entitled to rank as one of those rare geniuses who have given the world ideas of absolute simplicity but revolutionary effectiveness. Nevertheless, the system has its bad side and it may be well to enumerate the points for and against it.

For.

1. It secures goods at cost price (including actual expenses of distribution), without unjustifiable risk.
2. It brings the methods of the society into line with ordinary business practice, and incidentally avoids disastrous "price-cutting" wars.
3. It promotes thrift.
4. It gives the members an opportunity, if they so desire, of devoting their surplus to educational or social aims or the development of their business.
5. It offers an inducement to non-members to join the society.

Against.

1. The maintenance of high prices is not compensated for by the distribution of a refund if it makes it impossible for the poorest class to buy from the society.

2. The effort to keep up the "divi." tends to cause the management to adopt ordinary "profiteering" methods.
3. Competition between societies tends to be fostered by societies raising dividends in order to induce members of neighbouring societies to join them.
4. The dividend-hunting mania turns members into miniature capitalists and destroys the co-operative spirit.
5. The existence of considerable surpluses, usually called "profits," gives point to the agitation for the taxation of co-operative societies.

The points in favour of the system have already been discussed; those against it are self-explanatory. The first of them is a very real danger in towns and districts where the members of a society range from the miserably poor and unskilled labourer to the comparatively prosperous artisan, and it must be frankly admitted that in such a case the Rochdale system is able to do little or nothing for the poorest class. Cases have even been known where goods are deliberately sold above market prices in order that monster dividends (sometimes ranging to 3s. and 4s. in the £) may be paid. However, every system is subject to abuse; and there are signs that this particular form of abuse may be checked by a revival of the co-operative conscience. If we cast up the balance of the arguments, we are driven to the conclusion that, speaking generally, the Rochdale plan comes nearer than any other to reconciling the ethics of co-operation with the requirements of business efficiency. But the prosperous "Progress" Society in Glasgow has already demonstrated the fact that the other system—that of selling at low prices without dividend—may be worked with advantage in certain circumstances and it is greatly to be desired that some other large and well-managed societies should make the experiment while war-time conditions prevail, of reverting to the method of selling at cost plus working expenses; it may well prove that after a society

has reached a certain degree of experience and success it could afford to do this (at the same time, of course, ceasing to trade with non-members) with the greatest benefit to the community it served.

Agricultural societies are somewhat differently situated in these respects from urban societies. In general, they have conformed to the Rochdale model in their rules, but, in practice, the surplus they accumulate is small and is usually added to reserve—the reason being that their business is principally in bulky stuffs, which carry, comparatively speaking, but a low rate of profit. In the case of creameries, the usual practice is to pay each month for the milk on the basis of the price obtainable for butter, with a reservation to meet working expenses. A great deal thus depends on the manager's capacity for making an accurate estimate month by month, and his skill in persuading the suppliers that they are receiving a sufficiently high price for their milk, while at the same time an adequate reserve is kept to guard against any disastrous contingencies. If, at the end of the year, a surplus remains, it is dealt with in the usual Rochdale manner—a portion of it being placed to reserve fund and the remainder divided among members in proportion to the milk supplied. In practice, the latter division seldom takes place, as the surplus is easily absorbed into the reserve fund, which is needed to provide improvements in buildings, equipment, &c.

In the case of credit societies based on the unlimited-liability principle, no dividends are paid. Any surplus there may be is placed to the reserve fund, which is indivisible and can only be applied on liquidation to some social purpose.

The appropriation of some part of the surplus made by a co-operative society to educational and social objects has been one of the ideals of the movement, distinguishing it from private trade, since the earliest days. In practice, the extent to which it is adopted varies very greatly, as is only natural, with the success of the society, the character

and outlook of the members, and the nature of the federation to which the society may be federated. As we shall see in the next chapter, it is an almost universal rule for co-operative societies in all countries to be affiliated with some advisory and propagandist union, and naturally such unions require of their constituent societies some definite financial support. The contributions thus received are largely spent in spreading co-operative ideas, and therefore may be said to constitute a contribution of the society to educational purposes.

Educational activities by isolated societies have probably reached the highest pitch among the flourishing distributive stores in Britain. In these societies, considerable grants are made year by year to an Education Committee, which holds classes in co-operation and citizenship, gives lantern and other lectures, arranges social gatherings, picnics, and week-end schools, and, in every way, endeavours to strengthen the spirit of communal life. Further developments in which the great trading federations have been the pioneers are the building of houses, the acquisition of sanatoria, country estates, and the like. Many papers dealing with co-operative interests are also published. The payment of bonus to employees has been a frequent bone of contention; it is provided for in the rules of many societies but not always put into practice. This matter will be discussed in dealing with the whole question of the relation of societies to their employees.

Before leaving the somewhat dull and complicated subject of finance, it is incumbent on us to discuss in greater detail the question of the capitalisation of co-operative societies. As compared with large trading firms the capital of these bodies is remarkably small. In the United Kingdom, as already noted, no member may hold shares to the amount of more than £200; but more than 90 per cent of the members are never in a position to rise to anything like this figure. The initial capital of some of the huge societies now in existence was infinitesimal—that of the famous Rochdale Pioneers was £28. As a general rule, the value of the shares

is fixed at about £1, and the amount may be paid in instalments. A convenient system is to allow the dividends declared from time to time to be applied to paying up the members' shares until the requisite number is fully paid up. Thus members of distributive societies may pay only one or a few shillings in cash when they join ; and at the end of a year or two may find themselves in possession of four or five fully-paid-up-shares. The English distributive movement has made the greatest progress in this way ; at the present time the average shareholding per member throughout Great Britain is as much as £13, which must be considered a very high figure considering the income of the people who constitute the bulk of the membership. This result has been achieved by reason of the fact that the members regard the society as an excellent form of savings bank. The shares are, as a rule, withdrawable on short notice ; and they usually bear a steady 5 per cent interest, so that they offer to the artisan an excellent method of depositing his surplus funds whilst at the same time assisting his own co-operative business. So great has been the amount of capital attracted in this way that many societies have found it necessary to limit the shareholdings of their members to less than the £200 prescribed by law. This must be allowed to be a mistaken policy, for the movement should be able to use all the capital that is forthcoming. The banking department of the Co-operative Wholesale Society is, however, rapidly expanding and will accept societies' surplus capital and also individual members' investments where they exceed £200.

Not by any means all co-operative societies, however, are in this happy position as regards capital, and the agricultural movement in particular is apt to be hampered by the lack of funds. Farmers, although in some ways better provided with capital than their neighbours in the towns, have need for all they can use on the land and are notoriously unwilling to invest. In these circumstances, recourse has to be had to outside capital for the conduct of societies—in other words the money must be borrowed. The two

sources from which borrowed capital can be obtained are co-operative federations and joint-stock banks. In many European countries, the combination of a system of co-operative credit societies with the trading societies has gone a long way towards solving the problem of capital. Thus, in Italy, the Peoples' Banks, situated in country towns, collect the savings of a whole district, and it is common for them to work in the same building as a trading society, to which they extend the benefits of a current credit. At the same time, they make loans to the customers of the society, who are thereby enabled to pay cash. In Austria and Germany, the same results are arrived at, as a rule, by the intervention of central societies. The local credit society collects deposits and re-deposits all its surplus funds with the central credit society, which, in its turn, is able to finance both central and local trading societies.

These methods depend, however, on the one hand, on the power of the credit societies to attract deposits and, on the other, on closely-organised and efficient centralisation. Neither of these factors can be said to be present in Ireland; and in this country we therefore find the societies relying largely on bank overdrafts for their working capital. These overdrafts, by an arrangement between the banks and the movement, are almost always obtainable at a flat rate of 4 per cent, which must be considered extremely favourable. The security given is in practically every case a collective note of the committee by which the members make themselves jointly and severally liable to an unlimited extent for the debt. The committee in their turn may be indemnified by the other members of the society, either by a letter of indemnity signed by all the members or by the issue of Loan Guarantee Shares. These shares are of the nominal value of £1, of which only 1s. is payable on allotment, the remainder being payable only in case the society goes into liquidation. One such share for each ordinary share must be taken up by each member; and the uncalled balance of 19s. per share is the security on which the committee relies

in taking responsibility for the overdraft. Under the system which is common in Germany and some other countries, each share carries with it a supplementary liability, which in some cases is ten times its face value, and this effects the same purpose of giving security to creditors.

It will be seen that the system by which committees give a collective note for an overdraft introduces in an indirect manner the principle of unlimited liability, since any one member may be made responsible for the full amount of the debt.

The principle has been widely applied in the agricultural co-operative movement since its beginning ; but the advocates of limited liability are gradually gaining the upper hand. The Raiffeisen credit societies in all countries still have the unlimited form—in Germany, a certain number of the trading societies are the same and in Denmark all societies, including creameries, are financed by loans for which all the members assume joint and several responsibility. The advantages of unlimited liability lie in the fact that it creates security in the poorest districts, where material pledges are scarce, and that it tends to create in every member a lively interest in the good management of his society. At the same time, it renders share capital, with its corollary of interest to shareholders, unnecessary. In these ways it has proved an excellent system for small credit societies in poor neighbourhoods. As against this, however, it has the effect of discouraging men who are comparatively well off from joining with their poorer neighbours, as in case of a disaster they are certain to become a mark for the creditors ; and it is therefore unsuitable to districts where the people are of varying degrees of prosperity. Thus, in Pomerania and Saxony, where large landowners and smallholders live side by side, the Raiffeisen system has been modified to permit of limited liability graduated according to the acreage farmed by each member.

As regards trading societies, the adoption of unlimited liability with its attendant risks is repugnant to modern

ideas, and in the case of an urban population of a fluctuating character and very limited capital resources it is unthinkable.

The Danish system is unique in this respect. It is the product of special circumstances—a highly co-operative and educated people with no very marked gradation of wealth; but even in Denmark the system has the disadvantage that the members who sign the original guarantee have to bear the whole initial liability. There is naturally an objection to allowing new members to come in free, but it would be quite contrary to co-operative principles to exclude them. It is obvious, therefore, that terms of admission are hard to arrange. The system prevailing in countries where the societies are organised on German lines represents a useful compromise. The liability is not unlimited but it is considerably greater than the amount of the shares; it is directly proportionate thereto, and provision is made that no individual shall be called upon to pay more than his actual share of the debt, irrespective of his liability, until all members have been assessed. If some fail to pay, the deficiency is made up by the others until the limit of each man's liability is reached. This is an equitable and co-operative system; and it provides ample security.

In general, however, there is no doubt that the tendency of co-operation is towards ordinary limited liability; and where capital cannot be provided by shares and deposits and out of the annual surplus, it must be sought by means of loans obtained either from a federation or on an ordinary commercial basis.

In view of the difficulties of obtaining capital, it is most desirable that the dealings of co-operative societies should be entirely on a cash basis. Not only is this a cardinal point of co-operative ethics but it is also to be desired from a business point of view. It strikes at the root of the credit-trading system, which has created some of the worst evils which co-operation seeks to remedy. If a society compels its members to pay cash, it is teaching them punctuality, discipline and self-respect; and it is relieving them of one

of the worst forms both of temptation and of misery. All co-operative leaders have realised this fact and have sought to impress it upon their followers ; and all federations have advocated cash trading. The temptation, however, to allow some latitude is very strong. The farmer who buys manures which will give him no direct return is loth to pay his society for them till the crops come in ; and the weekly wage-earner often wants a week's credit from his society. The co-operative principle has given way in too many cases before such pleas ; and the compromises which have been affected—the allowing of a credit limited either in time or in amount—have frequently degenerated into the ordinary slipshod credit-giving methods. A marked improvement is, however, noticeable of late years and we may hope that it will be permanent and increasing.

Other sources of income for societies are entrance fees, fines, sale of rules, and similar sundries. These need not detain us ; but it may be said that the entrance fee, while it may be reasonably used as a method of discriminating against those who have hung back from joining and borne no burden, while others took the first risks, must be used with caution, lest it become an oppressive tax on genuine new members and thus do away with the cardinal principle that a co-operative society is open to all who wish to join.

CHAPTER XIII.

Structure of Co-operative Federations.

IN general theory, the relation of a federation to its constituent societies is exactly similar to that of the societies to their members. Just as the local society represents a combination of individuals to obtain better results than these individuals can achieve singly, so the federation represents a combination of local societies for the same purpose. The similarity goes further, in that the basis of democratic self-help and the principles of fair dealing and equitable distribution are common to the federation as to the local society. It is reasonable, therefore, to expect that the structure and constitution of federations are practically identical with those of other co-operative societies, the members being societies instead of individuals but treated in the same way. This is, in fact, the theoretical basis of all co-operative federations, and so far as possible the rules of such federations are made similar to those of the constituent societies. In practice, however, it has been found that the nature of the business undertaken by a federation makes some modifications necessary.

In discussing this matter, we may confine our attention almost entirely to the trading federations of the movement. The advisory and propagandist bodies—which for the sake of clearness we may call unions—are of a different nature. Requiring as they do a regular, or, more probably, a con-

stantly increasing annual income, the unions have to obtain this from their affiliated societies by means of some form of yearly levy rather than by the issue of share capital, and in return for this annual contribution they usually allow to the societies the election of the officers and at least a majority of the committee. This form of organisation is, of course, perfectly simple and by no means peculiar to the co-operative movement. As the form of organisation is universal, with unimportant differences of detail, in all countries, except where unions are entirely dominated by the State, we need not spend any further time in discussing it.

It may, however, be well to point out the absolute necessity, and at the same time the great difficulty, of convincing the members of affiliated societies of the privileges and the equivalent responsibilities which they have in regard to their central federation. Just as the members of any society are apt, as we have already pointed out, to speak of the management as "they" and to regard the society as an outside body doing business with them, so in a much greater degree do these societies and their members tend to look upon the federations and unions as something quite apart from and beyond themselves. However democratic the constitution of a co-operative union may be made—and many unions have gone so far in this direction as it is possible to go—the average member cannot accustom himself to the idea that the officials of that union are his own servants, appointed to serve his interests; that they are under his own control and are appointed, if not actually by him, at least by his chosen representatives. As a result of his failure to recognise this relation to himself, he is very ready to blame these officials for any mistakes or shortcomings on their part, but he does not realise that such defect—if any—is due, in nine cases out of ten, to his own apathy in lending support to his own movement. Such an attitude is not without parallel in a wider sphere, for it is the usual way in which the public at large treat the officials of a government chosen by their own elected representatives. Where-

ever this attitude is adopted, it must eventually lead to the evolution of a self-satisfied and incompetent bureaucracy ; it is therefore intensely to be desired that the attention of co-operators should be constantly and earnestly directed to their duties in the matter.

Returning to trade federations, we find that they are beset by the same difficulties. The local co-operative society's strength is largely based on local knowledge and confidence ; and the area of organisation is usually decided with a view to preserving this feature. In the case of a federation, such a method of organisation is obviously impossible. By its nature, a federation to be successful must cover, if not a whole country, at least a very large area containing a considerable population. It is impossible, therefore, that all the persons who, through their societies, become members of the federation should be in touch with one another, or even that they should all keep closely in touch with the central body. Consequently, there must be a number of modifications in the co-operative structure. In the first place, there must be some definite basis laid down, both for the contributions expected from the societies to the share capital of the federation, and also for the voting power allowed to these societies in the election of the directorate. The simple principles observed in many local co-operative societies of allowing a man to contribute whatever he can afford—sometimes with a fixed minimum, it is true, but frequently without it—to the capital, and of giving every man one vote and no more, will not apply in the more complex form of organisation.

For a trading federation, capital is of vital importance and some basis must be fixed by which every new society coming in and expecting to share in the general benefits of the trade will bring with it capital roughly proportionate to the demands it makes. There are three generally adopted methods of arriving at this basis, viz., by making the capital demanded from federating societies proportionate either to their membership, their own share capital, or their dealings

with the wholesale body. The first of these is the most usual ; it has the advantage of being exceedingly easy to calculate and it should provide a fairly good rough test of the amount the society is able to pay. Thus the Co-operative Wholesale Society demands from every member the taking up of three £5 shares for every ten members of the constituent societies—an average of 30s. per member. The Scottish Co-operative Wholesale Society and the Danish Wholesale Society are also capitalised in much the same way. It may be observed that while this method of assessment is equitable enough where all the societies in the federation are of the same general character, as is roughly the case in England and Scotland, it is not so equitable in a country like Ireland. Here there may be societies—creameries for instance—with a very large number of members but, nevertheless, not in a position to do a great deal of trade with the Wholesale Society ; yet they have to contribute more largely to its capital than societies with fewer members doing all their trade through it. This has the same effect as if a co-operative store with some members with small families and large incomes and other members with large families and small incomes were to ask for a number of shares proportionate to the number of persons in each member's household.

On the other hand, contribution to the capital of the Wholesale Society in proportion to the share capital of the local society can only be considered equitable where there is a fixed standard of capitalisation for these local societies, otherwise they could very easily avoid their responsibilities by raising their own capital by some means other than shares. This method of assessment, which if it were practicable would have much to recommend it, can therefore only be put into effect in countries such as Hungary and Bohemia, where local initiative in the movement is subordinated to the strictest form of discipline.

The third system, that of capital contributions based on turnover done with the Wholesale Society during the

previous year, is largely adopted among the agricultural societies of Germany, which, as we have seen, are federated in a number of powerful provincial organisations. It has the merit of being perfectly just, because it causes each society to finance its own trade, but it has certain difficulties, of which the most apparent is that the payment must, of necessity, be made the year after the amount of trade is ascertained, whilst the capital of the federation is a constantly fluctuating and uncertain amount. A considerable amount of book-keeping is also required, and it is possible that the knowledge that to buy certain goods from the co-operative federation will make it necessary in the following year to increase the capital holding in that body may lead the society to purchase supplies from some non-co-operative source when prices are about the same. It might be possible to turn this drawback into an inducement to trade, if the rule were so modified as to cause federated societies to take shares proportionate to *all* their turnover (or at any rate all turnover in goods which were available at the Wholesale Society) for the previous year. If this were combined with the usual payment of interest on capital and also the payment of a bonus on trade it would probably be both just and effective ; but it would not be accepted by societies unless the standard of co-operative faith or discipline was very high ; and, as far as we are aware, this method is not adopted in any country at present.

In most cases, certainly in those where the nominal share capital is proportioned to membership of the constituent societies, the amount required to be paid up on the shares is often less than their nominal value. In the Irish Agricultural Wholesale Society it is only 1s. in the £, and the remainder cannot be called except in case of liquidation. Many societies, however, have paid considerably more than the necessary 1s. and some have paid their share in full. With the exceptions of the Co-operative Wholesale Society and the Scottish Co-operative Wholesale Society, whose membership covers an exceedingly powerful and well-

capitalised body of societies composed of artisans of the most thrifty type, it may be said that the capital provided by local societies is seldom, if ever, anything like adequate to the needs of their trading federations. These federations have to resort to the same methods of raising money by means of guaranteed overdrafts as have other societies, and their resources in this direction are frequently limited. In many cases, notably in Denmark and Ireland, there is a savings or banking department attached to the Wholesale Society in which the deposits of co-operators are accumulated and form a welcome addition to the available capital. Shares are usually transferable only ; and, while this is sound from the point of view of conserving the capital, it has the demerit of giving members of local societies the feeling that the investment, being practically irrevocable, is really a donation rather than an investment, and thus making them more chary of the amount they pay up.

In a number of federations, of which we may cite the "Labor" Society of Finland, the "Hangya" of Hungary, and the Irish Agricultural Wholesale Society as examples, a certain number of individuals have been admitted to membership either as "foundation members" or "special members" or, as in the Irish case, as preference shareholders. The practice is universally deprecated as both unbusinesslike and un-co-operative. The reasons which originally gave rise to it were undoubtedly (1) the necessity for obtaining capital which societies were either too timid or too ungenerous to supply and which philanthropists were quite willing to offer, (2) the desire of certain persons for official or personal reasons to keep the control in their own hands, or (3) indifference or ignorance of true methods of co-operative capitalisation on the part of the promoters. In Ireland the first cause operated, in Hungary the first and second combined, and in Finland probably the third.

There are three matters, closely connected with the question of capital, which are constantly disputed by members of co-operative federations. They are, the policy with regard

to "dividends" or bonuses on trade, the policy with regard to credit, and the question of dealing with non-members. Theoretically, most federations are supposed to be similar in these respects to ordinary co-operative societies, paying a bonus on trade out of their surplus, giving as little credit as possible, and confining their dealings to their own members. But the reasons which cause local societies frequently to abandon one or more of these principles press even more strongly upon their federations.

There is a great deal to be said in favour of federations retaining all surpluses they may make and using them for the development of their own businesses; and it may well be argued that in so doing they are serving the best interests of the constituent societies. The competition is keen, and the margin available in wholesale trading is not large. The societies are not under any obligation to deal with the federation (except in one or two isolated cases where a "binding rule" is enforced) other than that of loyalty; and it is quite certain that unless the federation compares favourably with its competitors in regard to price, quality and service, they will not do so. It may be assumed, therefore, that the ordinary laws of competition will keep the federation up to the giving of satisfaction; and, if it does this, the societies should not require the added inducement of a dividend, but should prefer to vote to a fund for the purpose of enlarging the scope and efficiency of the central body any surplus which may be realised. As a matter of fact, this procedure is followed in almost all cases, although bodies such as the Co-operative Wholesale Society and the Scottish Co-operative Wholesale Society have reached such a position of strength that they are able to combine the payment of a dividend with the development of their business.

The extent to which federations give credit naturally depends upon the attitude of the local societies to the question; and this, in its turn, is influenced by the attitude of the individual co-operator. In general, it may be said that where the individual demands one month's credit from

the society of which he is a member, that society is apt to demand two months' credit from its federation. Such a proceeding of course has a very bad effect upon the business of bodies whose chief weakness is lack of capital. But just as the committees of societies are often deplorably weak on this matter, so—with more excuse, it must be said—are the directors of federations apt to be over-lenient. Cases are even known in which societies trade only with their federation when they require extended credit, while they give their more profitable cash trade to its competitors.

Properly speaking, a co-operative federation should confine its dealings to its members. Even more than in the case of a local society, it has been set up by those members for the sole purpose of doing their business, and to use the money and machinery they have provided to help others seems distinctly unfair. Nevertheless, the directors are always confronted by the same dilemma which arises in the case of local societies. They admit that they exist for the benefit of their members; but they claim that their turnover can be increased and their profits correspondingly raised by taking advantage of the willingness of others to do business with them. The failure of the constituent societies to furnish sufficient capital or to admit the necessity of dealing exclusively with their federation are used as arguments in favour of this point of view; but as against this it may be said that if non-federated societies find that they can get just as good terms as federated ones they will not see much advantage in joining the federation. The only way to meet this is by payment of a considerable bonus on trade, but only to members—a policy which would counterbalance the increased capital necessitated by the dealings with non-members. On the whole, it may be said that the greater number of federations do not deal with non-members to any appreciable extent and probably all of them admit, in principle, the desirability of not doing so. It is particularly necessary that federations should not deal direct with individuals or institutions (other than those who may be

preference shareholders) unless it is quite clearly proved to them that these have no possible access to a local co-operative society; otherwise the position of co-operative societies would always be threatened.

We have now to consider the question of voting power in the case of federations. It is plain that the principle of one man one vote will not work fairly in this case. If it were interpreted to mean the giving of one vote to each society it is obvious that this would be unfair to large and loyal societies that might easily be outvoted by what were practically bogus societies manufactured for the purpose. On the other hand, if one vote were given to each member of each federated society, not only would the resulting machinery be very cumbersome, but it would be practically impossible to check the *bona-fides* of the votes registered. The only effective way to check the creation of new members for voting purposes would be to make the society take a share for each of them; this would amount to voting by shares, as in a joint-stock company. This procedure is followed in a good number of cases; in fact for various reasons one or two large federations in Germany are actually registered as joint-stock companies and have worked satisfactorily as such; but the basis of voting usually adopted is to give to each society a number of votes proportionate to its membership (one vote to fifty members is a usual figure), and this, on the whole, is the fairest and the most satisfactory basis. As an addition, it is reasonable to limit the voting power of any society to a certain maximum, say ten votes, whatever the number of its members. In this way, there is a happy compromise effected with the reasonable claim of every society, however small, to have some chance of making itself felt in the voting, and the equally reasonable claim of the large societies that due weight should be given to the number of persons they represent. This policy has been adopted by the British Co-operative Union for, in the matter of voting, unions are faced by exactly the same problems as trade federations.

The method of management of a federation is, from a structural point of view, the same as that of a local society ; but the managing committee is more apt to be small and technically efficient, as in the case of directors of a private enterprise. This is rendered necessary by the size of the business which has to be handled. As a natural consequence, payment of at least some of the committee-men is more usual in the case of a federation than in that of a local society. It is common to have, in addition to the usual chairman, a permanent paid secretary, who acts as a managing director in addition to the general manager.

An interesting development in connection with the management of both unions and federations has taken place in Germany. As we have already seen, the local society in Germany is richly endowed with committee-men as, in addition to the usual committee of management, there is also a supervisory committee, and occasionally others. But the principle of management by committees when applied on a large scale did not apparently commend itself to German co-operators, for we find that whereas committees are preserved for advisory purposes, and representation thus given to the various districts covered, the executive or management committee of a number of federations has been whittled down till it simply consists of one person, the secretary. This secretary then combines in his own person the directive functions of a committee of management and the executive and administrative functions of the paid official, and he is, of course, paid a fairly high salary. This arrangement, which at first sight appears somewhat startling, seems in practice to have worked very well.

We have not in this brief and summary chapter attempted to give a detailed idea of the working of any particular federation nor to call attention to any of the peculiarities of method in one body or another. These matters will be dealt with in the second volume. Nor have we discriminated between the various types of federation, such as dairying federations, central banks, and so forth. All these institu-

tions naturally exhibit little differences of detail in their constitution and method of working, caused by local conditions and the nature of their business. But the general principles of their structure will be found to be the same throughout; and, in the main, they are similar to those governing local societies. The object of this chapter has merely been to point out the directions in which the theory of the local society cannot be made absolutely applicable to the practice of the federation; and a little consideration will show that the reasons spring from the natural differences between businesses operating on a large scale over a wide area and businesses operating only locally.

It is often said that federations tend to become more soulless and less co-operative as they grow bigger and more businesslike. There may be some truth in the accusation; but there is absolutely no reason for it in the constitution of existing federations. There is no reason why a federation should not be a union of individuals as much as a society is—the only difference is that it is more difficult for the individuals to realise their duty when they are scattered over a wide area. For this reason, it is most desirable that every effort should be made to popularise the work of federations by the arrangement of frequent meetings on their premises and by inviting committee-men and managers to them, as well as by organising lectures and every other possible form of propaganda. Above all, directors of federations should not hesitate to take all their constituents fully into their confidence as to what their federation is doing. A mistaken idea that concealment of facts constitutes good business has often resulted in awakening that form of suspicion which the co-operative movement is intended to abolish, and it is a policy which cannot fail to have disastrous results.

CHAPTER XIV.

The Policy of Co-operators : (1) Economic.

THE purpose of this book has been largely missed if we have not succeeded throughout in fixing in the mind of the reader the perception that the value of co-operation lies in something far broader and more substantial than the efficient conduct of a certain kind of business within a certain neighbourhood. A study of the practice of co-operative method and success in its details, such as will be attempted in the second volume, is of value simply because the lesson of practical application to immediate needs must be thoroughly learned before we can hope to realise greater ideals. The enthusiastic reformer, who said, after encountering in disagreeable form the sordid details of store management, that he was done with "applied co-operation"—the inference being that he would live in future for the pure milk of the gospel—was like a child who passionately desired to read fairy-tales, but refused to undertake the task of mastering the alphabet. It is the presence of such silly *fainçants* among the aspirants to idealism that casts so much ridicule upon many a faith. The co-operative movement has been able to overcome this obstacle because its alphabet makes its own appeal to many an industrious upright man with an endowment of commonsense. Once these men have taken their task of learning the alphabet well in hand, great books are opened to them.

One of the most brilliant, if least advertised, of modern philosophical writers has said, in the course of an illuminating analysis of collective action, the following words :—

“The effect of combining human qualities, or human individuals, is never to produce a mere sum total of the force those qualities or individuals represent. It is always to produce a force of a *different* kind acting in a *different* direction from that indicated by the separate units. The new force thus created may be higher and more effective ; or it may be lower and less effective. A community consisting of a hundred wise men may display in their joint action a degree of intelligence vastly less than that possessed by any one of the individual members. A community of plain men, on the other hand, may hit out a line of action which only the highest genius could conceive.”*

All of this, and particularly the last sentence, is strikingly apposite to the movement we are studying. It has revealed in plain men, many of whom were actuated by quite humble ideas in entering it, a power of business acumen and of constructive idealism which without the stimulus of collective action would assuredly have remained undiscovered.

We have, therefore, to consider something far wider than the theory of the individual co-operator, of the local group, or even of the federation. We have to take account of co-operative theory as expressed by the sum total of these forces. Now, this theory has two main divisions, plainly perceptible throughout the movement—the economic theory, by which co-operators strive towards industrial control on the one hand, and the social, or, if you will, political, theory, by which they seek to create a new order of society on the other hand ; in other words, the “ Better Business ” and “ Better Living ” respectively of Sir Horace Plunkett’s well-known formula. In this chapter, we shall confine ourselves as far as possible—for some overlapping is perhaps inevitable—to the economic side of the question.

* L. P. Jacks. “ From the Human End.”—Williams and Norgate, 1916.

The existing monuments to the practical efficacy of the co-operative method are in themselves impressive enough. On the industrial side the Co-operative Wholesale Society and Scottish Co-operative Wholesale Society have established themselves among the "big businesses" of Europe; the agriculturists of Denmark may claim that their industry, on which the prosperity of their country depends, has been revolutionised, and is practically controlled, by co-operation.

But when this well-justified tribute has been paid, the question still remains—has this co-operative method achieved any permanent revolution in the business world, or in the conditions of the people where it has most flourished? If we answer the question with our eyes on some one locality—on Templecrone in County Donegal, or Svea in Minnesota—we can return a confident affirmative. But if we take a far wider view and answer the question in the spirit in which it is put, we must admit the negative.

Granted that co-operative creameries enable their members to get a fair price for their milk—to get, perhaps, almost more than it is worth—and that co-operative stores are providing their members with sound goods at prices which, after the return of the dividend, represent a considerable saving. Granted that large salaries, great display, wasteful advertising, above all, inflated dividends to idle stockholders, have been eliminated, and that, on the other hand, equality, fair treatment of customers and employees, and a proper sharing of surplus have been introduced. Nevertheless, all this still depends on local or central good management and good faith—depends in many cases on the business efficiency of the men employed rather than on any co-operative effort. It is all liable to abuse and all strictly limited. In fine, it is not very serious exaggeration to say that the most successful part of the co-operative achievement has been in those directions in which it most approximates to an ordinary business.

This will seem to many co-operators a hard saying; but let us consider for a moment, not in any hostile or even

pessimistic sense, but merely for our own information, the things which co-operation has not done.

It is true that creameries give their suppliers the full value of milk; but it is equally true that their suppliers demand this, and enforce their demand by being ready to turn to a competitor who offers a higher price. Practical demonstration of this is found in the fact that there still are competitors, and that co-operative creameries in most countries have to enforce by rule the loyalty of their members. Furthermore, in order to sustain this competition the creamery manager relies on his skill in salesmanship, from which follow two things—his attitude to his federation is the same as the members' attitude to him, and he is put in constant temptation of adopting any "trade practices" which will help him to give the members the price they demand. The upshot is that, in nine cases out of ten, the manager of a co-operative creamery does his business in the same way as the manager of a proprietary concern, granted a similarity of character and ability.

Turn to the distributive society and we find corresponding evidence. The wholesale society may manufacture cocoa, yet the retail society must keep ten other brands—on which the conditions of sale are rigidly fixed by the proprietors—to satisfy the demands of its members. This means that the old competitive system of travellers must still be maintained. In other cases, the federation may be starved for capital, yet the society must put off paying its bills because its members demand credit. A trade union within the movement; frequent disagreements between employer and employee; an occasional strike—all these things are straws which show the wind blowing from no new quarter.

It is easy, of course, to reply to this apparent indictment that no system in the world is perfect, and that holes which may be picked in co-operative practice do not show the movement defective, any more than a bad sermon disproves the religion of the preacher. That is true enough and would

be an effective answer if we were enumerating these things as arguments against co-operation. But that is not our purpose ; all we desire to show is that the successes of the movement are successes of business soundly done ; on the other hand, its failures are the failures stamped upon business by modern competitive methods. In other words, co-operation is so far from revolutionising the methods of competition, that it has in some respects adopted them.

The moral is that, whereas the individual co-operator has benefited, is benefiting and will, no doubt, continue to benefit by his association with the movement, the movement itself has a long furrow to plough before it can claim its due share in the control of industry.

The questions arise - Have co-operators such ambitions in mind, and, if so, can they hope to achieve them, and by what means ?

The frankness and lucidity of Naumann's "Central Europe," the position of the writer and the fact that he wrote for Germans and not as an apologist, make it one of the most convincing analyses of the causes of the war which have been written. One chapter in it bears directly on our questions—for here Naumann, undertaking to face the question "Why we Germans are so unpopular," finds the answer in the antagonism created in the capitalist world typified by England, by the new German organisation of industry. He sees in this organisation the form of industrial control which will reap the harvest of the world when the competitive large scale master-and-man capitalism of England over-reaches itself. It is beyond our scope to analyse this new capitalism of democracy—it suffices to say that Naumann expressly mentions co-operation as playing an important part therein. He regards it as one of the methods of democratic combination which will enable the control of industry to be transferred from the few capitalists to the educated body of the people.

Now this transference represents the ideal which appeals to all co-operators who take a far-seeing view of the con-

ditions under which they live and of the movement which they have joined. It is often expressed in the phrase "The Co-operative Commonwealth," popularised by many co-operative writers. But the possibility of attaining this ideal has been little written about and apparently never thought out. In this connection it must always be borne in mind that every thinking group of workers has its own aspirations towards the control of industry, and many of these workers have little or no faith in the co-operative movement, except possibly as a mere means of effecting occasional economies. Syndicalism, State socialism, co-partnership, trade-unionism and the Guild movement are all, to some extent, alternative theories of reconstruction, and it is necessary for co-operators to consider very closely how far, in advancing towards their own co-operative commonwealth, they will be either in harmony or in conflict with the upholders of these theories. The consideration of this question has already been forced upon them so far as their relations with trade unions and co-partnership are concerned; but we doubt whether it has yet been answered in a conclusive and satisfactory manner.

Among the many writers on the subject of co-operation, Mr. and Mrs. Sidney Webb alone have analysed the possibilities of the movement as a method of industrial control. In spite of their great sympathy with, and admiration for, the movement their conclusions are, on the whole, disappointing. They believe that co-operation is debarred from playing this part by the limitations of its sphere—that is to say, that it is not applicable to large undertakings such as shipping, railways, &c.—and by the fact that even in England it has so far affected the daily life of only a small proportion of the people. Neither of these arguments, however, seems to be conclusive. The first is, of course, true, when we take co-operation as we find it at present; but it ignores the possibilities of a combination of co-operation and State socialism—a combination which seems to be rapidly taking its place among the possibilities of English

political development. Nationalisation of the land, combined with co-operative organisation, is already a possibility, which the experience of Ireland will enable us to forecast with some exactness.

The impetus which originally led to land reform in Ireland was that of the advocates of land nationalisation, and although in the end a policy less drastic and more in conformity with the character of the people prevailed, it is still fair to say that industrial control in Ireland has been appreciably altered by the transference of the land through a policy which must be called an advance in the direction of State socialism. This policy has been completed by the organisation of the tenant-purchasers into co-operative societies; it would be hard to say how much the success of either experiment would have been curtailed by the absence of the other. It is true that the land is not here nationalised; the effect indeed is quite the opposite at first sight; but the State and the co-operator are obviously working simultaneously—though not necessarily together—to bring about the elimination of the capitalist and the middleman in all matters pertaining to the land—its ownership and tenure, the purchase of the materials required for its profitable employment, and the sale of its produce. The illustration suggests that with all public services nationalised, and the remainder of our affairs controlled by co-operative societies, whose representatives would, of course, compose the Government which had charge of the public services, we should have arrived within measurable distance of a co-operative commonwealth.

This solution would no doubt—if they saw their way to it—be satisfactory to the Fabian Socialists. But we must not overlook the fact that the upholders of the Guild solution of the labour difficulty represent an entirely opposite theory. Mr. George Russell (A.E.) in his "National Being" has outlined from the co-operative point of view the theory of the Guild, and it is one which must be reckoned with. Under this system, the workers in every industry will organise

themselves for the purpose of carrying on that industry without the present wage relationship of master and man. Questions which concern the members of more than one guild will be dealt with by representative councils. Such a solution is not incompatible with the ideals of the co-operative movement—it is in fact in line with them—but it is quite at variance with recent practical developments. The whole tendency of the English movement—which must be regarded as having the most far-reaching policy—has been domination by the consumer and also domination by the co-operative employer of labour. The present position of the Co-operative Wholesale Society is sufficient testimony to this position. Even in the agricultural movement the same tendencies are making themselves felt.*

The fact is that before any solution can be adopted it is necessary for co-operators to make up their minds what is the unit upon which their organisation is to be built. Even a commonwealth must decide on its definition of “weal,” and the question for co-operators is whether they seek the well-being of the consumer, the producer, the craftsman, the labourer, or the capitalist. The day for answering this question has been put off from time to time, partly because of the natural disinclination to face difficult questions and partly because it seemed that, until the movement was far more widely spread, there was plenty of room for those who answered it in different ways. As a result, two different schools of co-operators have developed, and the day of reckoning is steadily drawing near.

We are justified in assuming that to answer this question is the first step which the pioneers of co-operative thought must take in the immediate future if they are going to move on towards the control of industry. We would venture further, and say that in spite of the theoretical superiority of the other side, which we have discussed previously, they are more or less certain ultimately to answer it by the affirmation that the consumer is the unit of organisation.

* See Chapters II. and III. for a full analysis.

Our reason for this piece of prophetic dogmatism is no more profound than the simple perception that all human beings are consumers, and that they possess no other common attribute relevant to our purpose. They will, therefore, enforce their will as consumers. It is true that, under the Guild system, it will be sought to make every man a producer, but even so the extent and merit of his production will be so fluctuating and governed by so many external circumstances as to form no basis for co-operative organisation. Moreover, the theory of distribution has yet to be worked out by the Guild socialists, and it will be no easy task, whereas the theory of production presents less difficulty to their opponents.

If we are right in this assumption, industrial control will be completely attained and friction between the two forms of co-operation done away with, only when the number of men who are co-operatively organised as consumers is so great that those among them who are producers of a marketable commodity suffer no hardship in that capacity. Until that time, we must seek to avoid friction and safeguard the interests and ideals of the minority by compromise.

We come back, then, to the numerical test suggested by Mr. and Mrs. Webb; for an improvement in this respect we must look forward to a steady increase year by year of the spread of co-operative principles; what may be achieved in the near future is indicated by an example such as that of the Plymouth Society, which has a membership of 65,000 adult persons in a town of some 250,000 inhabitants, and supplies practically all their requirements.

What is needed, in the meantime, is progressive organisation on lines which will provide, on the one hand, for an automatic and gradual accession of a great number of new members, and the supplying of their needs on a more comprehensive scale than is attempted at present (including, that is to say, many of the so-called "luxury trades") and, on the other hand, for the harmonising of producers' and

consumers' interests, which is a necessary preliminary to the subordination of one or the other in the complete scheme.

Some realisation of the necessities of the situation seems to be already in the air, and the period of reconstruction after the war which is expected by the whole civilised world will provide a good opportunity for the co-operative movement to put its house in order. The great business step which lies before co-operators is in the direction of the control of raw materials. This necessity has been fully realised only in Great Britain, where, after all the efforts at federation and manufacture, it has been found that the ultimate economics are still unattainable because the necessary materials are still in the grip of a system to which capitalists alone have the key. The "Shillito League" promoted within the last two or three years by "John Smith of Oldham" through the columns of the *Co-operative News* pledges its members to press forward in this direction. Much, indeed, has already been done—tea plantations, wheat fields, and the like have been added to the far-flung enterprises of the two great Wholesale Societies and their joint committee—yet the opportunity which presented itself at the beginning of the war for entering the field of coal-mining was apparently too adventurous for the movement, though the Co-operative Wholesale Society has since acquired a colliery. Outside Great Britain, practically nothing has been done beyond collective purchase and sale on a gradually increasing scale. Even manufacture by co-operators for their own use is in its infancy and the great purchasing syndicate of the German farmers, which makes its contracts for basic fertilizers on an unprecedented scale, is still far removed from having any sort of control over the sources of supply.

Turning for a moment to the less ambitious question of obtaining for co-operative consumers the produce of other co-operators—or would-be co-operators—we find that no efficient machinery of exchange has been set up. Several million pounds' worth of agricultural produce is actually sold through co-operative channels in Ireland every year,

and the value of the goods produced by men who are members of societies but do not sell through them because of lack of facilities runs into more millions, while more and better societies could doubtless be organised if they could provide an outlet to a remunerative and steady market (an instance is the live-stock trade, at present entirely in the hands of middlemen). At the same time, the consumers organised in both English and Irish distributive societies are clamouring for these very articles and often get them by roundabout methods.

It should be noted in this connection that the organised producer feels just the same inadequacy and helplessness in his organisation so long as he has no influence on the ultimate market, as the organised consumer feels when he has no direct access to raw materials. The first great step towards industrial control will have been made when producer and consumer are sufficiently convinced of their common interest as co-operators to meet together and arrange for the joint control of plant which is necessary to them both. A concrete instance will serve to illustrate the point. Irish farmers ship cattle to England through the hands of middlemen, English consumers buy cattle or meat also through middlemen, but a joint council of Irish co-operative shippers and English co-operative consumers could own and operate one or more abattoirs and, if necessary, the ships as well. The advantages in economy, saving of profits, recovery of by-products, &c., need no emphasis. We are well aware that co-operative abattoirs are to be found in many countries, and are usually operated by producers, but occasionally by consumers. The point we wish to make is that in these cases, although the particular section concerned is realising the advantages of co-operation to a comparatively full degree, the general progress of the movement towards a revolution in the system of business will not be accelerated until the ownership is of the joint nature suggested above. Something has already been done in this direction in those countries (prominent among which are

Denmark, Ireland, Hungary and Switzerland) in which joint wholesale societies exist to supply the needs of both agricultural and industrial co-operators ; but a great deal remains to be done to make these institutions strong enough to withstand outside competition on both sides of their business.

Closely bound up with this problem of exchange of goods and services are the possibilities of internationalism. It is a curious fact that the great war, which has severed for a time at least so many international bonds, has rather served to bring into prominence the underlying basis of unity between co-operators and other organised workers in different countries, even when they are members of opposing armies. It is said that when the first German troops entered the occupied area of Northern France they chalked up on the doors of a co-operative society : " This place belongs to good people "—and the premises, unlike many others, remained undamaged. Whether this story is to be taken as literally true or not, it illustrates the spirit which should, and, to a great extent does, prevail among co-operators. In spite of some natural disputes, which could not be entirely avoided, the International Co-operative Alliance, in whose hands lies in a great measure the future of co-operation as a world force, has nobly maintained its position, and even continued to keep in touch with, and to obtain news from, those countries which were severed from its headquarters by the barriers of war. But all this belongs more properly to the political, or social, side of the movement, and here we are discussing the business aspect.

There has been from time to time a great deal of discussion as to the feasibility of international trading among co-operators, and, recently, a project for the establishment of an international wholesale society has been put forward from more than one quarter. While it may be held that this seems very much like trying to run before we can walk, there is a great deal to be said in favour of building up such a system gradually, before the policy of every country has become set and the leaders confined to grooves of their own

making. It was the failure to grasp this in the case of the relations between agricultural and industrial co-operation which led us into the troubles we have already discussed.

At the present moment, Canadian co-operators may be credited with pioneer work in connection with the Co-operative Wholesale Society, from which they draw supplies for distribution. The Co-operative Wholesale Society and the Scottish Co-operative Wholesale Society also purchase a considerable amount of goods (as for instance, Californian dried fruit and Danish butter) from co-operators in other countries ; but it is doubtful whether this is done in any way as a matter of policy, or whether it is merely that co-operators, selling in competition in an open market, happen to be able to offer the kind and quality of goods required, and at an advantageous price.

The most determined efforts to establish international business relationships are being made at present by the representatives of the Russian co-operative movement in London. The enterprise of these comparatively youthful co-operators should give some of the older co-operators food for thought. The Moscow Narodny Bank, the Moscow Union of Consumers' Societies, and the Siberian Creameries' Association have already established permanent offices in London, and in addition to issuing a monthly paper dealing with Russian co-operation (surely one of the most optimistic of literary ventures) their representatives are understood to be maturing plans for collective purchase and sale to be undertaken on an unprecedented scale.

In this connection, it is more than probable that Australia and New Zealand, where co-operation on new-world lines claims a remarkable turnover, will be heard of in the near future. The possibilities which suggest themselves are a collective purchasing and distributing agency for various kinds of raw materials, such as binder twine, fertilizers, feeding-stuffs, certain machinery, the requisites of certain manufactures, &c., on the one hand, and a selling agency for vast amounts of co-operatively-produced butter, meat,

flax, &c., on the other hand. With a judicious representation of consumers' and producers' societies we can imagine the whole of this business being done without passing outside co-operative channels at all.

Just as a representative council of agricultural and industrial co-operators within the United Kingdom is urgently needed, so one of the first after-war developments* of the movement might well be an international council for co-operative trade, which could work in conjunction with the International Co-operative Alliance, though not necessarily under its control. It is more than probable that some such development will follow naturally from the reconstruction work, which will certainly have to be undertaken by co-operators of all countries, in restoring to activity the co-operative institutions of Belgium, Serbia and other devastated areas.

Before any of these ambitious schemes, which are necessary to the attainment of a full development towards industrial control, can be undertaken, there are matters of detail coming more nearly home to the individual which will have to be taken drastically in hand. The policy in respect to capital,† employment of surpluses, rates of dividend, credit-trading, dealings with non-members, and treatment of employees, remains to be thought out and standardised throughout every country where co-operation flourishes; and it is to be hoped that the first step taken when peace is restored will be to have these matters discussed at a series

* Written in 1918.

† It must be realised that the co-operative movement, in common with all other forms of business, has yet to feel the full pinch of the wastage of capital caused by war. Co-operative banks in Germany have greater surplus capital than ever before, but this money represents the liquidated assets of thousands of farms stripped of livestock and equipment, which will have to be speedily replaced. It is reasonable to believe that the inflated prices and reduced margins of distributive trade will have a serious effect on the capital of co-operative stores, which is made up to a great extent of accumulating trade dividends and the floating savings of artisans—both of which factors must, as a result of war conditions, steadily decrease in fact, if not apparently.

of national congresses, and the conclusions carried to and ratified by an international conference. The report of the Survey Committee appointed by the Co-operative Union of Great Britain and Ireland should furnish an excellent starting point.

We may now summarise, briefly, the conclusions of this chapter in a dogmatic manner.

The ultimate aim of co-operation is the control of industry by the transference of business from a large-scale capitalistic wage-paying basis to a democratic union of persons employing one another's labour in the interests of the community. Such a consummation can be reached in practice only when all co-operative organisation starts from the assumption that the consumer is the unit for whose benefit the commonwealth is being organised. As a necessary corollary, all services which are undertaken to supply the needs of others and do not admit of control by local co-operative bodies must be nationalised. The requisite steps to be taken in the co-operative movement are an immediate extension of membership, a raising of the standard of education, a determined attempt to control the sources of raw material, a settlement of the differences existing between organised producers and organised consumers by means of free exchange of goods, joint control of manufacturing and distributing plant, and a common council for inter-trading, with a similar treatment of international interests. In general, we must look forward to a tremendous educational campaign, combined with a great increase in business efficiency and solidarity. Leadership is perhaps the thing most greatly needed. Of the outstanding political and educational problems which have to be faced, some mention will be made in the following chapters.

CHAPTER XV.

The Policy of Co-operators : (2) Political.

THE leaders of co-operative policy in most countries have always striven to keep their followers—in their capacity of co-operators—from taking an active part in party politics. The purpose of this attitude is sufficiently obvious ; nowhere, perhaps, has it been so well justified as in the case of Ireland, where co-operation has always had to fight against the disruptive forces of bitter religious and political animosity. The Irish Agricultural Organisation Society has succeeded in enforcing neutrality even in the most disturbed districts, by putting a practical business-like scheme of organisation before the people ; and, as a consequence, it has been and continues to be one of the greatest harmonising agencies in the country, and this in spite of the fact that its opponents have not scrupled to use all available political and religious weapons in their attacks upon it. In the few cases—not more than two or three in twenty-five years—in which the natural instincts of the disputants have been too strong for co-operative restraint, societies have perished ignominiously. The recent period of unrest in Ireland has been a time of grave and unceasing anxiety for the leaders, lest any seemingly biased action should give colour to a charge of political partisanship and so let loose all the disintegrating forces which lie so close to the surface.

In the same way, but perhaps with less difficulty (for until the rise of a definite Labour Party, politics offered little inducement to real enthusiasm on the part of English artisans) the Co-operative Union has held the scales evenly between all parties and religions. Apart from the question of relations with trade unions, to which we shall return, the only cloud which threatened in recent years was unexpectedly raised by the efforts of the English Women's Guild to secure a reform of the Divorce Laws, a matter which naturally aroused some feeling on the part of their Roman Catholic fellow co-operators.

But although this has been the general--and evidently the wisest--policy of co-operators, there have naturally been efforts from time to time on the part of politicians both within and without the movement to capture it for their own ends. The vexed question of the attitude of the Government to co-operation also has a bearing on this matter; and, finally, the situation has been very much complicated by the rapid development of strong political organisations on the part of the working men from whom the ranks of co-operators are, for the most part, recruited. This last consideration is sufficiently urgent to make it incumbent on us to devote a chapter to the future possibilities of political action by co-operators.

In England and Ireland, as we have already hinted, no attempt with any prospect of success has been made to capture the movement or any section of it for one political or religious party. Of other countries the same cannot be said, Italy and Belgium being the most striking illustrations of the contrary. In Italy, where the agricultural movement predominates, there are three distinct sections--the Catholic, the Socialist, and the Neutral or Liberal. It is no uncommon thing to find in one small country town (Bergamo is a salient instance) three credit societies, one representing each of these types; and it is only natural that where such rival institutions exist side by side there should be more than a suspicion of jealousy between them.

To comment on the undesirability of such overlapping would be somewhat of an impertinence. The leaders of Italian co-operation include, in such persons as Signor Luzzatti and Signor Wollemborg, able, disinterested men and enthusiastic co-operators. No doubt they have done the best that was possible under the circumstances and with the material available ; no doubt, also, they are always working towards harmony and to minimise the risks of a harmful sectionalism. But it must be conceded that any division in the ranks which is due to causes not inherent in the nature of co-operation cannot fail to have a weakening effect.

Union is in all things and more particularly in the co-operative conduct of business, a pre-requisite of strength ; and the existence of three societies where the business could be done by one is always to be deplored, whatever the cause may be.

Belgium presents an even more remarkable example of political influence. Here we find that practically the whole country is divided into two parties, the Catholics and the Socialists. It is not unnatural that where such a curious politico-religious division exists, the Catholic influence should be predominant among the rural population and the Socialist influence among the urban artisans. Both parties have seen the value to their cause of co-operation as a method of organising their forces and improving the lot of their followers. As a consequence, we find that the town societies have been practically monopolised by the Socialist party and have, as a rule, a definitely political or at least anti-clerical tendency. As a counterblast, the clergy, seeing the value of using for their own defence the same weapons with which they are threatened, have thrown all their energy into the extension of the co-operative movement under their own supervision in the rural districts. The Belgian League of Peasants, a co-operative federation of great strength and achievement in the Flemish-speaking provinces (with headquarters in Louvain and a pre-war membership of about

25,000) is frankly clerical, as the following quotation from a pamphlet translated for the American Commission will show :—

“The statutes of the League include the following rules :—

1. A monthly religious meeting at the Parish church.
(This meeting is not compulsory but in nearly all of our associations it is held regularly.)
2. The religious authority of the parish has a right to be a member of the committee of management of the society, with the care of its spiritual direction.
3. There is an annual celebration of the feast of St. Isidore, the farmer, patron of the League and of all the parochial syndicates.
4. The League is represented bodily in the procession of the blessed sacrament.”

How far the devastation wrought in Belgium by the war will have proved a solvent of old animosities it is as yet too early to say. If it has not proved to be such a solvent, those who desire to aid in the reconstruction of Belgian co-operation and who have to administer the relief funds designed for that purpose, will find their work complicated and a great amount of tact required to deal with the situation.

In Germany, the accusation has been made from time to time by official persons that the consumers' societies bound together in the Hamburg Union have thrown in their lot with the Social Democratic political party. The accusation has been repudiated by the Union ; and it is hard to say to what extent it is justified as regards the members of individual societies. It has not been sufficient to undermine the co-operative basis of the societies ; but it has undoubtedly caused an antagonistic attitude on the part of the Government towards this section of the movement, which appears to have been only modified by war conditions. Politics, or perhaps it would be more exact to say political theory founded on

class solidarity, has undoubtedly played some part in the past history of German co-operation, and has perhaps been responsible for the existence of a greater number of federations than was strictly necessary or desirable for efficiency.

When we turn to the agricultural movement in Germany we are at once brought up against the second problem of the relations between co-operators and politicians, viz., the attitude of the State to the movement. In every country, this has been a matter of far more importance to agricultural co-operators than to their industrial brethren. The nature of agriculture and its importance to the nation have made it necessary for even the most backward governments to have some definite policy with regard to it ; consequently, whenever agriculturists have been well organised the State has had to take notice—either favourable or otherwise—of their organisations. In other countries, the State has gone further and, seeing the value of such associations in helping to carry out its policy, has sought to create organisation where none previously existed. From this has arisen a tendency to paternalism which most thorough-going co-operators frankly deplore. In Austria-Hungary and in France particularly, this has been pushed to such lengths as to have almost destroyed the possibilities of free co-operation in many directions. There is hardly a society in Hungary which does not owe its origin in some measure to governmental assistance, with its corresponding obligation to accept governmental control. In France, the whole “Credit Agricole” system has been built up by State loans and is officially supervised, the “free” Raiffeisen banks whose existence is due to the energy of M. Durand being in a very small minority.

Of recent years, an attempt has been made to bring about a somewhat similar state of things in regard to the agricultural movement in Germany. The Government at first looked askance upon co-operators, but gradually perceived how useful such a body of trained agriculturists might be to the State—especially in an emergency such as the present

one. No sooner was this realisation arrived at than, with characteristic German thoroughness, energetic efforts were made to give practical effect to it. The outstanding features of the attempt are to be seen in the foundation of the Prussian Central Co-operative Bank, a State-subsidised and State-controlled institution which seeks to act as the apex of the whole co-operative system and by controlling the purse-strings to control also the policy. The encouragement which was given to the late Herr Haas (himself *persona grata* in official circles and at court) to form the great Imperial Federation, which tries to embrace all German agricultural societies, has a distinctly official tinge. The history of this attempt at peaceful penetration has been an interesting but chequered one. The old-established Schulze Delitzsch Federation has always maintained its independence; and its example has been followed by the Consumers' Federation—to which the attitude of the State has not been friendly. The Raiffeisen Federation has wavered from one side to the other, but had reasserted its independence before the war. There have been doughty leaders on both sides; and the writings of Mr. Henry Wolff, perhaps the greatest of international authorities, with a special knowledge of German conditions, have always been directed with much force against Government control.

Paternalism of all kinds should be repugnant to all co-operators, since it strikes at the root of the principles of freedom and independence on which the movement is based; but the attraction of easy loans, subsidies and free assistance has been a great temptation to struggling movements; and agriculturists are particularly prone, by habit and by temperament, to rely on this form of external assistance. The most weighty arguments against interference by Government are that it is apt to be dominated by changes in the political situation on the one hand and by pressure of vested interests on the other; whilst bureaucratic supervision lacks both the sympathy and enthusiasm and also the freedom from fear of consequences

which are necessary to those who would direct the affairs of co-operators. A policy which may commend itself to one party may easily become anathema when, with a change of government, an entirely different set of interests takes the predominating place. An auditor or supervisor appointed by the State has no personal enthusiasm for the movement and seeks only to discharge his formal duties in a way which will be sufficiently correct or sufficiently pleasing to his supervisors to enable him to maintain his position and salary.

Nowhere has a more practical illustration of these dangers been forthcoming than in Ireland during the last ten years. Here the State agency—the Department of Agriculture and Technical Instruction—owes its origin, no less than does the co-operative movement, to the energy and foresight of Sir Horace Plunkett. The Recess Committee over which he presided in 1895 brought about the formation of the Department in 1900, and laid down a clear policy by which it and the voluntary Organisation Society should work in harmony for the benefit of Irish agriculturists. So long as Sir Horace Plunkett retained the control of the Department, this policy was carried out. But considerations of a purely political nature led to a change in the personnel of the Department; and with this change, the pressure of vested interests working through political channels was allowed to prevail. From that day to this, the harmony has been converted into discord; and the efforts of the State have been inimical to those of the co-operators, to the great detriment of all concerned. The history of this controversy may be read in many contemporary documents; it furnishes a standing warning to those optimists who, particularly in the New World, believe that there is no objection to the work of organisation being undertaken by Government departments. Co-operation is, above all things, the expression either of a voluntary enthusiasm for self-help by association or of an instinctive revolt against the oppression of circumstances or of vested interests. If, in response to one or other of these stimuli, it does not spring into life and maintain itself

on a voluntary basis, it cannot be created or maintained by spoon-feeding.

We have been dealing, so far, with efforts to inject political or Governmental control into the movement from outside in the interests of some body of persons other than the co-operators themselves. We have now, however, to consider a more vital and significant matter—the development of a political activity on the part of co-operators themselves—as co-operators and not as partisans of any existing party. As we have stated, this question has only arisen with any urgency during the last few years ; so long as the old oligarchical parties—Whigs and Tories, or whatever parties correspond to these—disputed supremacy and alternated in the enjoyment of office, it was a matter of comparative indifference to the great mass of co-operators which of the two parties triumphed for the moment in the political arena. Even if they had any desire to favour one party beyond the other, they had little chance of making their influence felt. It was only when the extension of the franchise and the improvement of education after the dark days of the Industrial Revolution had begun to produce a new spirit of thought and self-confidence among the labouring people that the rank and file co-operators became conscious of the possibilities which lay before them. Robert Owen, hailed as a pioneer of co-operation in England, was something more than that ; he was the first man to give an impetus and a sane direction to organised labour. From his day dated the trade unions as well as the co-operative societies ; and, at this time, in soil well prepared by the privations of the Napoleonic wars and the principles of the Reform Bill, the seeds of modern Socialism in all its forms were sown.

For many years, both co-operators and trade-unionists held aloof from any definite political action. Co-operators, after the disappearance of the early communal experiments, reorganised their system after the pattern of the Rochdale Pioneers on a purely business basis, and for fifty years were

content in building up a powerful economic structure without concerning themselves overmuch about other matters. Trade-unionists were sufficiently occupied during the same period in developing machinery by which they could command the loyalty and improve the conditions of their members—in respect entirely of wages and terms of employment. Their political action was confined to the exertion of such pressure as could be brought to bear upon Parliament for the purpose of securing legislation. In doing this, they worked mainly through sympathisers in the Radical wing of the House of Commons, such as Sir Charles Dilke, whose biography gives a good idea of the development of modern reform in these directions.

By the beginning of the twentieth century, the spread of education among the masses and of liberal ideas among many of those in authority, had made wider spheres of action seem both attainable and desirable. The Labour party was already becoming a power in British politics and had made itself practically predominant in Australia. Every country had its well-organised socialist group, its syndicalists, its State socialists and many other exponents of advanced views. Trade unions, in England at any rate, were definitely committed to political direct action and to the employment of their funds for that purpose. Politicians of all parties courted the support and favour of Labour leaders, to whom positions of power were open.

Such developments could not fail to react on the co-operative movement. With newspapers available to all, information (of a highly-coloured and often inaccurate nature) as to what was going forward in the political world was discussed by every man. Every co-operator began to feel that he was now able by embracing one or other of the progressive doctrines so freely put forward, to do his share either in advancing the interests of himself and his friends, or—if he were more ideally minded—in improving the affairs and conduct of the world. A large number of co-operators were already trade-unionists ; and the fact that co-operative

societies were themselves rapidly becoming large employers of labour made the position of their members who occupied this dual status somewhat difficult. The relations between societies and their employees threatened to become a vexed question, and to embroil the trade unions with the co-operative movement. At the same time, impatience was felt in many quarters that co-operator, who had built up, solely by self-help, business capacity and patient industry, so large and well managed a business, were entirely ignored by the authorities.

It was felt that they were in as good a position as other sections of organised labour to make their voice heard and to claim consideration for their special interests, and that they ought to take every means to do so. It is true that they had long had a Parliamentary Committee, which was able to speak through one or two members of Parliament; but it was obvious that, unless the mass of co-operators showed their intention to vote together when the opportunity offered, the Parliamentary Committee would carry very little weight. Thus there arose a strong demand for what was known as "Fusion of Forces"—a policy by which co-operators were to join with trade-unionists in a determined effort to return and support Labour members of Parliament. The demand for this policy was voiced loudly and insistently at several Congresses in the years immediately preceding the war; but those who put it forward, although determined and vociferous, were in reality a small minority. The greater number of the old leaders opposed the step on the grounds already discussed in this chapter, viz., that it would mean imposing upon all co-operators the necessity of contributing to support the political views of one particular party. The fact that that body might be supposed to represent the greater number of co-operators did not seem to them a convincing reason for abandoning the strictly neutral attitude which had been so successful in the past. They foresaw endless intrigue, with consequent secessions leading to economic weakness and disaster. So it was that at the

beginning of the war the proposal had suffered a number of severe defeats at successive Congresses ; and its chances of ultimate victory seemed to be receding further into the background.

Two years of war conditions brought about one of the most startling changes in the political outlook of English co-operators that has ever been witnessed in the case of a very large body of honest and reasonable men. Any person who takes the trouble to read the reports of the proceedings of the Congresses at Lancaster (1916) and Swansea (1917) side by side will at once be struck by this fact. There was probably at the beginning of the war no class of men so heartily anxious to do everything possible to assist their Government and country as co-operators were. In return, they were neglected, insulted and passed over in favour of every variety of middle interest. The imposition of the Excess Profits Duty, where admittedly no profits were made, the treatment by local tribunals and by military representatives of applicants for exemption, the perpetual ignoring of co-operative interests in drafting control orders, the absence of any representative of Co-operation in the Ministry of Food—all these things brought co-operators to a state of mind which, at one time, threatened to endanger their goodwill to the State. The Congress at Swansea was all but revolutionary in its attitude, and undoubtedly caused a serious shock to the self-complacency of the Government.

The direct practical result of this changed attitude was that the question of political representation came up again in a new form. Instead of "fusion of forces" we heard now, almost for the first time, of direct representation of co-operators as co-operators, pledged to secure the redress of co-operative grievances. Put in this way, the proposal suited admirably the temper of the Congress ; and some of the older leaders, whose conservatism was still unshaken, were heard with ill-concealed impatience. The motion was passed enthusiastically ; and immediate steps taken to give

it practical effect. For this purpose a National Co-operative Representation Committee* was created by the Liverpool Congress, with the express object of securing direct representation in Parliament and on other administrative bodies for co-operators, and of undertaking propagandist and other work to this end. This committee consists of nine members of the Central Board of the Union and an equal number elected by societies contributing to the political fund. There are also ten persons elected by various other central bodies of the movement. The committee is appointed annually, but may eventually give place to a permanent executive committee of the Union. Its functions are as follows :—

(1) To prepare and issue a statement of policy and a national programme on matters political in harmony with the decisions of the annual Co-operative Congress ; to prepare for the approval of Congress such amendments of the statement of policy and programme as may be deemed desirable ; and to work in co-operation with the local councils, hereinafter provided for, in carrying out the policy and programme as approved by Congress.

(2) To advise and help co-operative societies and co-operative political councils in their political work.

(3) To initiate and undertake, or co-operate with other committees of the Co-operative Union in initiating or undertaking, schemes of propaganda and education for the furtherance of the objects for the attainment of which the committee is established.

(4) To administer the Co-operative Political Fund on lines hereinafter provided under the heading " Finance."

(5) To prepare a list of suitable candidates for Parliamentary elections and to receive nominations from local councils for addition to the list.

(6) To approve or disapprove the Parliamentary candidatures proposed by the local councils, and to make

* Now (1919) the Co-operative Party.

such grants in support of the approved candidatures as may be deemed desirable.

(7) To prepare, for issue through the Publications Department of the Co-operative Union, such literature as may be deemed necessary for the success of the work of the committee.

(8) To secure the adhesion of such societies as have not yet given their support to the scheme for securing direct co-operative representation.

(9) To receive reports from local councils of the work done by the councils, and take such action thereon as may be deemed necessary.

(10) To submit, with its minutes, a report of its work to each quarterly meeting of the Central Board.

(11) To submit each year to the Central Board for inclusion in the report of the Central Board to Congress a report of the work done by the committee during the Congress year.

(12) To undertake such other work as may be remitted to it by the Central Board or Congress.

The necessary funds are provided by participating societies, at the rate of $\frac{1}{2}$ d. per member per year; federations and individuals may make special contributions; and the Co-operative Union provides the necessary office and clerical assistance and propagandist literature, within a limit of £3,000 per annum. The Central Board has full responsibility to Congress for the use of the funds, and reports thereon annually.

Under the auspices of this committee, acting in conjunction with local councils, which in many cases represented the co-operative and trade union movements jointly, ten candidates went to the polls at the General Election of 1918. Of these one was successful and several others obtained a considerable number of votes, fully justifying their candidature.

There is no doubt that the decision of the movement to take direct political action, coming as it did simultaneously with the widening of the franchise and with great developments in the labour world, has produced a very marked effect on the attitude of the Government towards co-operation.

The purpose of this book is to describe the theory underlying the international co-operative movement; and it would be beyond our scope to go into a detailed examination of the advantages or prospects of this new development in Great Britain. We have dwelt on it at length, because it appears to represent the first definite effort of its kind. On the general question, it may be freely admitted that the co-operative movement—especially, perhaps, in its agricultural aspect—would be greatly benefited by having representatives on legislative and administrative bodies who would be both qualified and bound to express its views. It has suffered much in the past, particularly in the immediate past, by the lack of such representation. In some countries, the result has been to expose the movement to neglect or oppression; in others, the assistance of Government has been purchased by submission to paternalism—the birthright of independence has been sold for a mess of patronage. Both results are deplorable; and it is no wonder that co-operators should seek redress by the obvious channel, following the modern example of other organised bodies. On the other side of the argument, however, must be set the ever-present danger of the degeneration of political action into party strife, with the inevitable consequences of dissension and oppression of minorities. The tendency to partisanship is, as yet, deeply rooted in human nature, and it remains to be seen whether co-operative idealism can triumph over it.*

In two other countries, there have been distinct political developments on the part of men who are also co-operators; but it is hard to say how far they have sprung from the

* *E.g.*, Circular of Liberal Party to Co-operators.

co-operative movement. When the history of the recent upheavals in Russia comes to be written it will undoubtedly be found that co-operators were intimately connected with the programme and principles of the revolution. The *Zemstvos*, or local government bodies, were undoubtedly in the first place the mainstays of the progressive party and they have played a great part in the building up of the modern co-operative movement, which has made such marvellous progress in that country. Many of the leading representatives of Russian co-operation in England were exiles under the old form of government and were only enabled to return to their own country by the success of the revolution, with which they naturally sympathised. The "Russian Co-operator" hailed this success as the dawn of freedom. We may therefore safely assume that co-operators have been identified with democratic aspirations. This is only what we should naturally expect; and it justifies us only in saying that the same spirit which has led men to revolt against oppression has also led them to combine for self-help in the economic sphere. To say that co-operators in Russia have had a definite political programme as co-operators and that this programme has ended in the overthrow of the government, would be to assume an analogy between methods of thought and action in Russia and in England which, probably, would not be justified by circumstances.

In America, farmers have taken a more active part in politics than in any other country. For many years past, the National Grange—a vast farmers' organisation on trade union rather than on co-operative lines, with some of the relics of the secret society of earlier days still clinging to it—has had, at Washington, agents who have spent time and money in the lobbies securing attention to bills which promoted the farmers' interests. Senators and Congressmen in Middle-Western States particularly, have learned to pay careful attention to the views of the farmers who form an important part of their constituents, and have just sufficient

organisation to make them articulate. Among the important pieces of legislation which owe their existence to this form of agitation, may be quoted the introduction into America, at a surprisingly late date, of the parcel-post system—which was carried into effect in the teeth of a determined and powerful opposition on the part of the Express Companies. Recently, a more definite line has been taken by farmers in the Middle West by the formation of a Farmers' Non-partisan Political League, pledged to return farmers' candidates to local legislatures and to press for laws favourable to the farming community without giving adherence to any of the existing political parties. This League had its origin, and still has its greatest strength, in the State of North Dakota, where the farmers were thoroughly disgusted by the corruption of the legislature and its complete domination by profiteering interests. Its success may be gauged by the fact that at the election held only two or three years after its foundation, not only was a large majority of farmers returned to the legislature, but all the most important offices from Governor downwards were filled by the candidates of the League, running on a non-partisan ticket. The precedent so strikingly set, will no doubt be extended to other States where farmers constitute a majority of the population.

It would be too much to claim that this work arose out of co-operation; but it may be truthfully said that whenever this spirit is abroad among farmers, co-operation is also in the air, and the two policies will undoubtedly go hand in hand. Thus, the headquarters of the League at Fargo, North Dakota, are also the headquarters of the *Co-operators' Herald*, which is the official mouthpiece of the organised farmers who have created the Farmers' Co-operative Exchange for the collective sale of the grain crop in St. Paul, Minnesota.

As political action comes more and more within the practical range of co-operators, they will be forced to think out more clearly their relationship to the various theories

of the reorganisation of society which form the political material of the advanced thinkers of the labour world to-day. Conversely, as the labour world becomes more and more organised for the adoption and practical execution of one or other of these theories, it will become increasingly incumbent on co-operators to interest themselves in this organisation, and so to take a definite part in politics. From every point of view, therefore, it is incumbent on the leaders of co-operation to state clearly their relationship to State Socialism, Trade-unionism, Syndicalism, the Guild movement, and similar movements.

The theory of co-operation has always been to attain a maximum of strength by collective action while leaving the individual freedom of the member unrestricted ; and to give to all men equality of opportunity within the movement. The recent programme which has been put forward in England shows a decided tendency to embrace the doctrine of State Socialism of the Fabian Society and advocated by Mr. and Mrs. Sidney Webb, whose influence on the theoretical side of English co-operation has been very great. As a practical solution of the difficulties, the adoption of this attitude by co-operators would probably, as was hinted in the last chapter, be the easiest form of compromise. A compromise, however, it would undoubtedly be, and no more, for while it may fulfil in the widest sense the promise of equality of opportunity, it threatens with extinction the equally vital doctrine of freedom for the individual, and invites a bureaucratic system of control which must be entirely abhorrent to many of the leaders of co-operation. To those who have identified co-operation with socialism and spoken reproachfully of its attempt to extinguish individualism and competition, co-operators have always returned a direct contradiction: They have claimed that so far from attempting to extinguish individualism they aim above all things to give it an intelligent and satisfactory channel for self-development through voluntary association—self-help through mutual help. There is a very real difference between this

attitude and the policy of the Fabian Society, and though the practical advantages of a reconciliation are evident, the theoretical and actual difficulties are great. Furthermore, the vital question at the present moment is whether the dogma of Fabian socialism, or the orthodoxy of the old Trade-unionism, will withstand the rush of advanced thought which now seeks a radical reconstruction of society. Pioneers of co-operation must always be men of enthusiasm ; freedom and progress must be in their blood ; and they must possess a real love of their fellow men. Can they be fettered to any scheme which implies a restriction of initiative, a submission to the bureaucratic machinery of government, if they are offered a more stirring alternative ?

The alternative is adhesion to the advanced wing of the Socialist party, which undoubtedly tends at present, through the by-paths of syndicalism, internationalism, and "maximalism" in the direction of reorganisation by Guilds. The tardy admission at recent gatherings of brain workers to the ranks of labour shows that the old lines of the contest are being re-formed. The aim of the future, above all things, is the abolition of the wage-system—the destruction of the theory that a man and his labour, whether of brain or hands, may be used like any other commodity as a means to an end. A.E., the prophet of the Co-operative Commonwealth, has attempted to show in his book, "The National Being," how co-operation may be linked with the theories of which Mr. Orage in the "New Age" is the principal literary exponent. We believe that this policy, which is a generous, human and progressive one, will commend itself to co-operators ; but serious difficulties stand in the way.

The very success of the co-operative movement has raised for it difficulties un contemplated by the pioneers. The chief of these difficulties are, first, the fact that co-operators have themselves become employers of labour on a very large scale ; secondly, that by the success of their business methods and the operation of the dividend principle they have to a large extent shut out from the benefits of membership the poorest

classes of the population ; thirdly, that they have segregated themselves into unrelated and sometimes almost hostile sections according as they were either " producers " or " consumers." We have been over much of this ground before in other parts of this book ; we return to it because it contains the whole problem of the future for those co-operators who see beyond the counter of their own shop. The deduction put bluntly is that co-operators themselves have tended to become miniature capitalists and not only to acquiesce in the distinction between the " haves " and the " have nots " but to adopt the stereotyped view of employer and employed and to perpetuate, by their failure to find a bridge between agriculture and manufacture, that very system of exchange of goods through commercial undertakers which is contrary to the whole theory of their movement.

To get out of this rut and into the broad road which leads through free guilds to a free co-operative commonwealth is not the work of a few Parliamentary elections. Much has been done already, for in spite of the labour problem co-operators and trade-unionists have been able to come to an understanding which appears to be whole-hearted and permanent. What remains is the greater task of casting out the wages system from the movement and devising a policy which will find room for producers as well as consumers. Meanwhile, it will be well for advocates of consumers' co-operation and of Guild Socialism to abandon the happy illusion that their present policies are consistent with one another. They are, as a matter of fact, diametrically opposed in everything but their underlying spirit, for the member of a consumers' society wishes to get production done for him through his society ; and this is exactly the system which the Guildsman seeks to replace.

The ultimate goal must be such a reorganisation of society as will enable the producer to work for himself and his fellow consumer untrammelled by the present relations of master and man. We see only one way in which co-operators,

as co-operators, can play their part, irrespective of what others may be able to do, in bringing about this result. They must keep developing their economic organisation, bearing in mind the necessity of making each community self-supporting and getting each community to realise when it is self-supporting the necessity of becoming a constituent part of an international co-operative commonwealth. The goal is far distant ; and, for the present, it is hard to see how any definite political action which co-operators can take can lead far towards it. They can, however, use political action for the purpose of removing disabilities which can be removed only by legislation and State administration. In doing this, they have before them the very delicate task of avoiding harmful entanglement with any purely political party ; and they have to face the question whether, in avoiding such entanglement, they will be able to influence a sufficient number of electors to give them any power. The answer to this turns upon the rate of extension, not only of the membership of the movement but of the number of true co-operators in that membership ; it depends in fact on the extent to which co-operative principles are understood and appreciated ; and that in its turn depends upon that cornerstone of human endeavour—education.

CHAPTER XVI.

The Policy of Co-operators : (3) Educational.

AMONG the model rules published by the Co-operative Union for the use of affiliated societies, that relating to the allocation of surplus contains a clause providing that $2\frac{1}{2}$ per cent of the balance remaining after certain charges have been met shall be devoted to educational purposes. The clause is, in many cases, more honoured in the breach than in the observance. To its practical application we shall return; but it is worth while to point out that its wording admits of more than one reasonable interpretation. Education in connection with co-operative activities may mean any one of these things— education by co-operation, education for co-operation, or the general education of co-operators in various subjects. All three of these policies have been made the subject of experiment, and it is of course both possible and practicable to combine any two or all three thereof.

It may be argued that the whole co-operative movement is in itself an educational agency, giving those who take part in it an insight into business methods, a training in practical citizenship and an enthusiasm for social ethics which they could scarcely obtain in any other way. There is obviously a great deal of truth in this point of view, so long as co-operators live up to the ideals of their movement, and are not content with passive membership which merely

brings material benefits to their pockets. It is for each society to see that its members take the higher point of view; and it is above all things the duty of the advisory and propagandist federations to assist in this work. It may therefore be held that such federations are primarily charged with the educational work of the movement. In some countries they do in fact assume all such responsibility; in others, notably in England, the duty is shared between the federation and the local societies—with the result that the amount of work done in this direction varies very much from district to district. In Ireland, where the rule nominally exists of making a contribution to education, it is held—by those societies which give any thought to the matter—to be discharged by the payment of the proper fees to the Irish Agricultural Organisation Society. All the work of this body may in fact be said to be of an educational character. By organising and supervising co-operative societies, and placing continually before them the proper practice and ideals of their movement, it is promoting education by co-operation, while in issuing leaflets and sending out organisers and lecturers into new districts and organising instruction for secretaries, managers and committee-men, it is giving education for co-operation. It is admittedly in respect of such educational work that the society has for some years been in receipt of an annual grant from the Development Commissioners. The third feature—nowhere more urgently required than in Ireland—the education of the people in general subjects in order that they may become good co-operators and good citizens, has been beyond the scope and resources of the Irish Agricultural Organisation Society and, indeed, of every such body with the possible exception of the Co-operative Union, to which we shall return.

Our first type of education—education by co-operation—is a matter for which obviously no rules can be laid down; where the movement is healthy, both in body and spirit, educational results must follow; and if this is not so, the

movement has no superiority over other forms of business. We need not therefore labour this point. We can, however, enumerate briefly the educational advantages which the practice of co-operation may be supposed to confer on its adherents. In the first place, it should teach self-reliance and, at the same time, through associated effort it should foster a spirit of mutual confidence. Secondly, it should draw out the business and administrative capacity which is latent in many a man who has never had occasion to use it. Thirdly, it should lead people to appreciate the advantages of honest dealing, cash trading, and fair distribution of wealth; and as the business expands and comes into contact with public duties, its members should gain a true sense of the duties and responsibilities of the good citizen. A co-operative society should make it part of its business to promote the general welfare and reputation of the town or district in which it flourishes. By so doing it will give, at least, to those of its members who take an active part in it, the highest form of practical education. That the co-operative movement has accomplished results of this kind to a greater or lesser degree wherever it has firmly established itself, is beyond question; but it is a point which would be hard to prove on paper without going into many and elaborate details.

Education for co-operation is a more technical matter, more interesting perhaps to the enthusiastic co-operator, and yet narrower in its scope than the form of unconscious education we have discussed. By this phrase we mean to describe all that education which is given by co-operative societies or their federations to members, secretaries, managers and committee-men, with a view to fitting them to carry on as well as possible the business of the societies, to understand and observe the rules, and to appreciate and foster the ideals of the movement. The greater part of this work has been done by federations; and it has been done more or less in every country where such federations exist. It falls naturally into several divisions (1) the practical

instruction given by officials of the federation to members and employees of societies in personal visits and interviews which may be said to come under the heading of organising work rather than education in the restricted sense in which we are now considering it, (2) the publication of printed matter of all kinds, *e.g.*, leaflets, pamphlets, books, and above all, newspapers, (3) the giving of lectures by a travelling agent, (4) the holding of classes, either at local centres or in the form of short "schools" at a convenient centre, or in a permanent educational institution, (5) the institution of libraries and reading-rooms.

Classes in co-operative education have been rendered doubly necessary by the fact that little or no effort—except in Denmark and more recently in Finland—has been made to give any understanding of this subject to the children in the ordinary schools. Great progress has been made both in Germany and in Britain with this form of instruction. In the former country, the work is almost entirely done by the federations, and classes are held at selected centres. These classes cover various aspects of the movement, as suited to members and officials, the duration of the course being proportioned to the use which the learner proposes to make of his knowledge. The extent to which co-operative education has spread in Germany, is illustrated by the number of books on co-operative matters—often discussing in detail comparatively small points of theory or practice—which have been written as theses by men competing for degrees in the leading universities. Such theses were unheard of by the learned men of English universities until within the last four or five years; but they have been common in Germany for twenty years or more. The general standard of education, at any rate among those who direct the affairs of co-operative societies in Germany (the members for instance of the *Aufsichtsrat*, or Supervisory Committee) seems to be considerably higher than is the case in most other countries, and while much of the credit of this is no doubt due to the efficiency of the general system of education

some at least must be ascribed to the work of the federations.

In Italy, a certain amount of similar work is done, and a system which has been instituted for well-managed and successfully administered societies has had a stimulating effect.

The British movement has been going through a period of self-examination with regard to its educational efforts recently, and developments have been taking place with some rapidity. The usual practice has been for each society to appoint its own education committee, and to finance the work of the committee by a small grant from the surplus at the end of each accounting period, thus complying with the rule already referred to. The amount thus obtained was supposed to be used locally in the education of co-operators by means of classes, libraries, lectures, publications, and so forth. In point of fact, the money available has in most cases been insufficient to provide a really effective system of instruction, and it must be admitted that in many districts considerable apathy has prevailed in regard to it. Education committees have been only too apt to sink into inactivity on the one hand or to spend their money and time more on amusement (no doubt of a healthy and useful kind) for the members of the society than on the actual education which formed their *raison d'être*.

It has gradually become clear to the leaders of the movement that greater centralisation is the only method of avoiding waste of money and energy and great inequality of opportunity.

The present educational programme which is being developed by the Central Educational Committee of the Co-operative Union is of a very comprehensive character, as may be seen by a glance at the syllabus which is published year by year. An "Adviser of Studies" has been appointed to unify and extend the work of the committee. Classes are held throughout the year at Holyoake House and instruction is also given through correspondence classes,

lectures and summer schools. The subjects of the courses include, in addition to the history and principles of co-operation, technical subjects like auditing, book-keeping, management, and secretarial work. Other subjects such as Industrial History, General Economics, and Civics, are also taught. Certificates are given to successful students who qualify in the necessary examinations. A magazine, the *Co-operative Educator*, is published, and scholarships of small amounts are made available.

It is not necessary to consider in detail the various methods of instruction which are adopted; the point of interest is the general object of the scheme. While the main object at present is necessarily the inculcation of the principles of co-operation both in theory and in practice—in order to maintain the supply of trained employees, officials, and committee-men—there is a larger purpose behind this, viz., the training of all the future members of a coming co-operative State in the duties and responsibilities of true citizenship. To this we shall return in connection with the third of our sub-divisions—the general education of co-operators.

The giving of lectures by a travelling agent is a form of co-operative education which need not detain us long, as it is familiar to everyone, whether employed on behalf of the co-operative movement or otherwise. In every country a certain amount of work of this kind is done, usually, of course, through one or other of the federations, but occasionally by Government agency or for propagandist purposes by exceptionally strong local societies. It may be roughly divided into two sections—one of which consists in attempts to convert non-co-operators to co-operation, the other in interesting, instructing, and confirming the faith of existing co-operators. The second of these comes more exactly under our heading. There is little to be said of it, except that experience suggests that lectures are chiefly apt to be successful when they are delivered by one who has himself been a chief actor in the scenes he describes. The use of the

magic lantern is well understood ; and the attraction which it adds to a lecture is appreciated, but the development of the cinematograph as a method of co-operative education has been slow. Generally speaking, it may be said that the movement, as a whole, is somewhat behind in what is coming to be known as " publicity." Publicity bureaus are, however, gradually being established by the leading co-operative federations with the twofold object described above of popularising the movement and of educating its followers.

Among the manifold duties of such bureaus will undoubtedly be that of sending out lecturers ; a preliminary step, however, is the issuing of co-operative literature, or the co-ordination of what is already issued. Here we come to ground on which a great deal of work has already been done. Every co-operative federation of any importance—it is almost safe to say—issues one or more papers or magazines ; and many of the larger local societies have followed the example. In addition to this large regular press, the number of propagandist and educational pamphlets issued from the same sources is tremendous and is growing year by year with almost remarkable rapidity.

The number of publications is probably greatest in Germany, Britain and Italy, in the order named. Finland has been extraordinarily prolific of written material, considering the comparative youth of the movement (the Pellervo Society was formed in 1900) and the scanty population. Co-operative text-books in three languages are in use in the schools throughout Finland ; and we are told that the circulation of the principal co-operative newspaper is as high as 55,000, a truly remarkable figure. Ireland has the satisfaction, owing to the efforts of Mr. George Russell, of producing a co-operative weekly—the *Irish Homestead*—the reputation and influence of which are international, even though its circulation cannot by any means hope to rival that of the Finnish organ. Germany, with characteristic thoroughness, has produced several complete libraries of technical literature as well as seven or eight old-established

newspapers ; and the British Co-operative Union is not far behindhand in regard to technical literature.

The Survey Committee of the British Co-operative Union in its report has drawn attention to the fact that in the multiplicity of publications there is a possibility of some waste of effort and even, perhaps, of friction. This is undoubtedly true at the present time of the co-operative press both in the British Isles and in Italy ; but the amalgamation of newspapers is a difficult undertaking, even though it may lead in the end to more business-like results and more effective propaganda.

The establishment of libraries and reading-rooms has always appealed to the more ideally-minded members of the co-operative community as one of the best methods of preserving the balance between the spiritual aspects of their faith and the material elements represented by the shop-counter. But it must be confessed that, on the whole, slow progress has been made. In some countries—Belgium, Holland, Norway—the social side of co-operation has made a natural appeal to the people ; it has been a part of their political life and opened to them that right of association which was so long denied ; and in these countries we find that co-operators have erected “ People’s Palaces ” in which provision for reading and writing plays a part. In England, many of the more flourishing of the distributive societies, blessed with energetic and intelligent educational committees, have incorporated reading-rooms in their new premises, and have created useful libraries for the instruction of their members. The same has been attempted to a greater or lesser degree in every country, but probably the percentage of co-operators who have taken advantage of such facilities is, on the whole, very small. The spread of cheap literature, the establishment of free public libraries of one kind or another in all large towns, and the general diffusion of miscellaneous publications has tended to make co-operative libraries almost superfluous. What seems to be more needed is a certain number of more technical libraries in which the

serious students of co-operation—of whom there are beginning to be quite a number—may find the material for their researches. The average public library, even when [it specialises in economic literature—and very few of them go even as far as this—has little room for co-operation ; and it is rarely that the librarian has any knowledge of, or interest in, that subject. This fact is sufficiently revealed by the almost complete absence of any scientific library classification of co-operative literature, a matter to which we have drawn attention in a previous chapter.

The need is to a certain extent being met, and will probably be met to an increasing degree in the future, by big federations, most of which are making some attempt to build up libraries. Useful collections of books and documents have been created in this way ; but something more than this is needed. We are beginning to realise more and more, that a collection of books does not in itself constitute a useful library, however excellent the books may be. There must be means of making the knowledge contained in them useful to students ; and this necessitates the appointment of a trained and permanent library staff. Up to the present, very few co-operative federations have seen their way to spend on library work the money required to achieve this object. As an illustration of what can be done where the money is available, we may cite two institutions, each of which is keenly interested in co-operation among other subjects, namely the International Institute of Agriculture in Rome and the Musée Social in Paris. The first of these is supported by the contributions of forty-six governments, each represented in its constitution, for the purpose of supplying to the world accurate information with regard to the whole economic side of agriculture. Agricultural co-operation is one of the chief subjects engaging its attention, and it has a fine library dealing with it. The publications which come into the library are made available to the public by means of articles, extracts, and summaries by expert members of the staff published monthly in the “Inter-

national Review of Agricultural Economics." The Musée Social, on the other hand, is the result of private benevolence, having been handsomely endowed by the Comte de Chambrun. It is a library and research bureau, which exists for the purpose of making information on economic subjects available free of charge to all inquirers. It has done magnificent work; and co-operation has not by any means been disregarded in its activities, as a study of its various publications and of its catalogue will show.

When we come to look for a corresponding institution devoted entirely to co-operative purposes the Co-operative Reference Library, situated in the Plunkett House in Dublin, will, we believe, be found to be unique. This library—which is more a research bureau than a mere library—was initiated in 1914 at the instance of Sir Horace Plunkett and has been enabled to do practical work through the financial assistance generously given to it by the Carnegie United Kingdom Trustees. Although located at the headquarters of the Irish Agricultural Organisation Society, and working closely in touch with that body, it is quite independent in its constitution, is international in its scope and covers both the agricultural and industrial aspects of the movement. Its purpose is to form a complete collection of works dealing with co-operation and kindred subjects, to make the information contained therein accessible to students, and to publish extracts and results of research work for the benefit of a wider public. A quarterly journal is maintained and supplemented by occasional pamphlets, and readers at the library are welcomed. As the authors of this book have been responsible for the work done by the library since its foundation, they are naturally not in a position to estimate its value; but it may be pointed out that in spite of the handicap of war conditions which have prevailed since its institution, the library has already formed a very large collection of literature and has attracted students from countries as far afield as India, Japan, and America. The Carnegie grants will not continue beyond 1920; and it is

hoped that by that time the various co-operative bodies who are benefiting by its work will see their way to make it self-supporting. It is at least fair to claim that, whatever may be the merits of the work done hitherto, the principle underlying the foundation of the library is a sound one and that the library meets a real need of the co-operative movement.

We come now to the last of our three points, which is at once the most important and the most difficult with which we have to deal, viz., the general education of co-operators in various subjects in order to fit them to play their part as citizens in the co-operative commonwealth of the future. It will have been noticed by the observant reader, that in what we have written of co-operative education, little has been said of Denmark, although that country is admittedly a model one in many respects for co-operators. It is a curious fact that, in Denmark, there is very little talking or writing about the movement; and the Danish Co-operative Union has none of the educational and propagandist machinery which we have described in dealing with other countries; the advertisement which Danish co-operation has received has come from visitors from abroad. Yet the movement has flourished there as in scarcely any other country; and its principles are thoroughly understood and acted upon. The explanation of this seeming contradiction is not hard to find. It lies in the high standard of general education for citizenship—in which co-operation plays an important part—which is accessible to practically all Danes, through the means of the Peoples' High Schools and similar institutions. In this Danish educational system, we have the foundation stone of a real democracy, and, given such a foundation, the impulse to co-operation is almost automatic.

In most countries, such facilities are as yet a dream of the future; and it lies largely with co-operators, if they wish to accelerate the coming of the co-operative commonwealth, so to use the advantage given them by the solidarity of their movement as to ensure that their own members receive a thorough training in citizenship. This is one of

the purposes of the co-operative college which is the ultimate aim of the educational programme now being built up by the Co-operative Union in the United Kingdom.

The difficulty of education, hitherto, has been very largely a question of money. Under the class system generally prevalent in Europe, an excellent education is open to those who can afford to pay for it. Under democracy of the American type, the education which is given to all is limited by the fact that the funds available are not sufficient to pay high salaries to all teachers ; the consequence of this is that democratic education becomes a matter of levelling down. It is fair to say that if there are few people in America so badly educated as many people in Britain, yet there are few so well educated as are the products of the best kind of British education. What co-operators have to achieve is a form of education which will overcome this difficulty and produce results similar to those already obtained in Denmark. In that country, however, the State, which is governed largely by and for farmers, works in harmony with co-operators ; in most other countries, co-operative educational ideals have to be worked out without any such assistance. The aim, therefore, must be to concentrate funds on employing really good teachers in the most efficient manner to handle just those subjects which are essential to the co-operative citizen and are not usually part of the courses of instruction provided in the schools maintained from public funds.

That this fact is thoroughly grasped in Britain may be seen by consulting the list of subjects in which the Co-operative Union is preparing to give instruction. Recent developments in other countries have been largely obscured by war conditions ; but we may take it that in the period of reconstruction they will follow much the same lines.

Training in citizenship is not a strong point in the ordinary system of education. Subjects such as practical economics, social reform, industrial history and so forth take a very subordinate position in the scheme, compared with the more impressive subjects of the old régime. Yet

instruction in these subjects is an absolute necessity if we are to have a true democracy in the future. How many artisans, educated under the present system, have any real knowledge of the constitution and governing principles of municipal and other public bodies to which they may increasingly hope to be elected ? The education it is proposed to give should have special reference to such matters.

There is room for such education particularly among co-operators because the societies to which they belong should in themselves be miniature models of the larger society to which they aspire. If all the members of a society really understand the proper use of that society, as something larger than a mere trading agency, they are already on the first rungs of the ladder which leads to true citizenship. If they do not so understand it, they must be educated in co-operative principles for the sake of the movement itself, and the method chosen to educate them will also fit them for citizenship. The lessons to be learned are those of loyalty, fairness and temperate ambition. It is the human gospel of co-operation which must be interpreted in our co-operative centres as the educational basis of citizenship.

We have tried in these pages to lay down as far as we are able the underlying theory, upon which the practical structure of the co-operative movement has been and must be built up, and to give some idea of the spirit and ideals by which co-operators are inspired. The picture must be completed by illustrating from actual practice the methods of working adopted by co-operative societies in various countries, and to show the amount of success achieved by each method. This we hope to do in a second and complementary volume very shortly to be published.

APPENDIX.

Legislation Relating to Co-operation.

IN most countries, the State has attempted very little in the way of legislation in respect of co-operative societies, though provision has been made for the legalising of the societies. In Great Britain, societies had no legal personality enabling them to sue and be sued until 1852, in which year the first of the Industrial and Provident Societies Acts was passed. In 1862, societies registered under the Industrial and Provident Societies Act were enabled to have limited liability. It is important to note that these Acts were not intended for co-operative societies merely, but were meant to apply to societies which are not in the true sense co-operative.

In Germany, a law on co-operation passed in 1889 specifically refers to co-operative societies. Similarly, in Belgium, in Italy, in Finland, and in Switzerland co-operative societies are explicitly dealt with. Although the definitions in the laws of these various countries have a wide range of difference, they all agree that the purpose for which the society is formed must be a business one, thus distinguishing it from a mutual aid society, a trade union, or a philanthropic society.* In Great Britain, the main restrictive clauses of the definition provide that no individual shall have

* Industrial and Provident Societies Act, 1893.

an interest in the shares of a society greater than £200, and that if the society undertakes the business of banking it shall comply with certain provisions as to non-withdrawability of capital which are laid down in the Act. In Germany, stress is laid in the definition on an open membership, and the furtherance of the craft or occupation of their members by means of a business conducted in common.*

In Belgium, a co-operative society is defined as one composed of members whose numbers and holdings are variable, and whose shares are non-transferable to third parties. The non-transferability of shares exists, as a restriction, in practically every country except England. The object which is aimed at is to prevent the shares from becoming the object of commercial speculation. In Great Britain, open membership of societies and the fact that the committee can issue new shares at *par* when it so desires, effects the purpose quite as well. In every country, the value of the share is left to be fixed by the members in their rules, and it can be as low as they like. Societies have, for example, been registered in England with shares of one penny. There is also a provision in all countries that the capital of co-operative societies shall be variable. Members are thus able to utilise their dividends by adding them to the capital of the society, knowing that they can withdraw all or part of their holding over and above the minimum required by the rules.

In the United Kingdom and Italy the law contains provisions limiting the amount of shares which any individual can hold. In both countries it is fixed at £200. The Italians most probably took this sum from the British Act. In every country, societies are free, through their committees, to refuse admission to any individual whom they desire to exclude without reason stated, and they may in their rules lay down certain conditions which restrict the classes of persons who may join, or the district from which members

* Gesetz betreffend die Erwerbs-und-Wirtschaftsgenossenschaften*
1889,

may be drawn. In Belgium and Italy the law gives societies the power to make rules limiting the right of members to withdraw from the society, but this rule is not much in use. In other countries, members may withdraw when they please.

The liability of members is usually either unlimited and undivided, or limited. In most countries, unless a provision is made specifically to the contrary in the rules, liability is taken to be unlimited. This is specifically stated in Swiss and Belgian law, the clauses stating that if no provision is contained in the rules to exclude the personal liability of individual members, then the members are jointly responsible to the extent of their whole fortune. In the United Kingdom, societies which are registered, as most are, under the Industrial and Provident Societies Acts, have, *ipso facto*, limited liability, and must put "Limited" in the title of the society. In Ireland, the credit societies affiliated to the Irish Agricultural Organisation Society have unlimited liability, because the Raiffeisen model was followed. They are registered, not under the Industrial and Provident Societies Act, but under the Friendly Societies Act, which includes in its ambit societies "specially authorised," in addition to friendly societies proper. In Germany there is another form of liability. The creditors of the society, having endeavoured to satisfy their claims from the property of the society can proceed against all the members, but not against an individual. In Belgium and Italy there are forms of unlimited liability in which the member is responsible for his proportion only of all the liabilities of the society, *e.g.*, in one of thirty members, each member is responsible for one thirtieth of the society's debts. In these two countries, also, liability may, if the societies are registered under the French classification of *Sociétés Commandites*, be unlimited for those who have a share in the management, *i.e.*, the directors, and be limited for the other members, provided the latter do not interfere in the management. In France there is no special co-operative law. Societies may register either under the civil code or the commercial code, and they

are bound by the regulations of either. Societies which register under the civil code must deal with members only. By this method of registration societies can be established cheaply, but it is almost impossible for them to escape unlimited liability, for it is a provision of the code that unless third parties are formally told at each transaction between them and the society, that its liability is limited, the limitation is null and void. In the commercial code there are three classes of business association. One has unlimited liability (*en nom collectif*), the second has unlimited liability for the directors and limited liability for the members (*en commandite*) and the third has limited liability (*anonyme*). As a rule, societies registered under the *en commandite* form were registered before 1867, when an alteration was made in the commercial code allowing a new type of society—the *société à capital variable*—to be registered. This amendment was carried in order to meet the wishes of co-operative societies. In 1893, a mixture of the provisions of the civil and commercial codes was authorised, by which societies are enabled to register as *sociétés civiles à forme commercial* thus indicating that, although they appear to be trading bodies in the ordinary sense, they are really co-operative. They escape the *patente*, or licence, required by the commercial code, provided that they do not deal with non-members, and, at the same time they are allowed to have limited liability and a variable capital. In all countries, provision is made for the supervision of the accounts of societies by periodical audit. In Germany, Switzerland, Belgium, and Italy the law fixes the responsibility of the government of the society, not only in the general meeting of the members, but also in committees and supervisory councils. These latter have the right to inspect at all times the books and accounts of the society.*

* In Germany and Switzerland they are called *Aufsichtsrat*, in Italy *sindaci*, and in Belgium *commissaires*.

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