



# Cooperation in the European Market Economies

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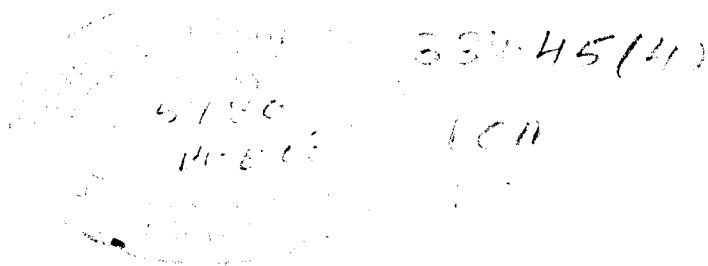
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# Cooperation in the European Market Economies



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# Preface

There has been a growing demand from visitors and students for a concise yet comprehensive Handbook which will serve them as a guide to cooperatives in the Western part of Europe. As the number of students and visitors to this region has been increasing steadily in recent years, the International Federation of Agricultural Producers and the International Cooperative Alliance decided to make themselves jointly responsible for the production and publication of this Handbook and to study its practical usefulness before considering the need for further similar Handbooks of cooperatives in other regions.

This Handbook is intended to outline the main features of cooperatives in the Western European market economy countries and to give the addresses of national cooperative organisations from whom more details can be obtained.

We are most grateful for the assistance of the Cooperative and Fisheries Department of the FAO and of Dr. R. Hewlett, Dr. L. Smith, and Mr. E. Mondini, Dr. W. Ruf, Dr. Horst Baumann and Professor R. Saint-Alary, who have contributed important material, and to Mr. W. P. Watkins, a past Director of the International Cooperative Alliance who has edited the Handbook.

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of Agricultural Producers

# Editor's Foreword

This book is intended as an introduction to the study of the Co-operative Movement in European market economies, either through travel and direct observation or through more intensive reading. Its aim is to help the student in searching for what is significant and in understanding the significance of what he sees and is told. It treats the countries with market economies as one region in which economic and social development over the last 150 years has displayed more or less uniform tendencies and it describes one by one the principal types of Co-operative society, rather than describing cooperative development country by country. However, the reader who needs to build up his own picture of the Co-operative Movement within a given country will find that a judicious use of the cross-references in the Index will enable him to do so without much difficulty.

The appendixes have been prepared so as to enable the reader to expand his knowledge in directions which correspond to his special interests. The address list of Co-operative organisations will assist those needing study visits to plan their itineraries. For those needing courses there is a list of educational institutions. The annotated book list, designed especially for those whose native or working language is English, should give guidance to students seeking to deepen by further reading their acquaintance with European Co-operative Movements and their evolution.

W. P. WATKINS



# Chapter I

## Cooperation and its Economic and Social Background

The cooperative institutions found in Europe today are the results of processes of development which have already lasted longer than a century and which seem to be accelerating rather than coming to an end. Cooperation, in the sense of a system of associated effort, based on fixed principles and characterised by specific forms of organisation and methods tested by experience, was originally a European invention. Nevertheless, like many another invention, it was a new application or modification of an old idea, made necessary by the emergence of problems hitherto unknown.

Cooperation made its first appearance in a period of radical and far-reaching change which was rendering traditional forms of mutual aid obsolete and ineffective. Yet the cooperative institutions which students come from other continents to observe were not always as we now find them, nor will they so remain. The same is true, of course, of the social and economic milieux in which these institutions exist and work. We can discern in contemporary cooperative movements survivals from earlier phases of their evolution, just as we find relics of former styles of architecture—Romanesque, Gothic, Baroque—in the fabric of many an ancient building still in use. This is why, in order to understand present-day cooperative organisations, we need to know something of how they came to be what they now are and why this handbook must needs begin by outlining the historical situations which have largely determined the aims of Cooperation and the forms which it has assumed in Europe.

## **The Industrial Revolution**

The rise in Europe of Cooperation in its modern forms, as distinct from the simpler forms of mutual aid among the common people, surviving in remote regions and existing today in other continents where they are still indispensable, dates from the Industrial Revolution of the 18th and 19th centuries—that vast and complex transformation of people's living and working conditions which in the 20th century became worldwide. There is no need here to enter into all its aspects. For our present purpose we may note that, in addition to great advances in division of labour and technical specialisation, the Industrial Revolution has always brought about or accentuated oppositions or divergencies of economic interest. It tended more and more to separate the producers from the consumers of any given commodity, as production for subsistence gave way to production for the market. It divorced the manual workers from the organisation of their work and the management of their industries. It divided agriculture from manufactures and with that, urban from rural social life. It offered enhanced opportunities of gain to people with capital to invest and these acquired so completely dominant an influence over the economic system that it has borne the name of capitalism ever since.

These divisions and oppositions of economic interest—between producers and consumers, employers and workers, farmers and traders, landlords and tenants—are important because it is precisely those people whose economic interests suffered, or who seemed to be placed at a permanent disadvantage under the capitalist system, who were most inclined to resort to Cooperation in self-defence.

In the field of economic policy the prevalent doctrine, based on the classical economics, of *laissez-faire* made governments disinclined to protect particular interests, either by propping up old systems of regulation which the new industrial system was visibly undermining, or by introducing new systems which might hamper enterprise and restrict economic development. Those whom the new system impoverished through competition would look in vain to the State for succour, until they were destitute. Their one hope and their final resource lay in self-help and mutual aid.

## **Cooperative Groupings**

There can hardly be a cooperative movement unless there is a widespread economic interest which it can defend or promote. That is the reason for the present groupings of the various types of cooperative society, their unions and federations, operating in the European market economies. It also accounts for the attitudes which they display in common and which, if they are not at all times anti-capitalistic, tend to maintain and often sharply to emphasise the differences between cooperative and capitalistic business policies or practice.

This grouping of cooperative institutions, which is governed, not by abstract logic, but by practical necessities and therefore defies any formal classification, is as follows:

Agricultural cooperatives, which embrace all classes of people earning a livelihood on the land, from the farmer who rents hundreds of acres to the peasant family which works its own holding with its own labour, and often other rural dwellers as well;

Artisanal cooperatives, which are formed by skilled workers employing themselves and perhaps a few journeymen and apprentices in handicrafts or related branches of trade;

Workers' productive cooperatives of wage- or salary-earners, who desire to retain or acquire control over their own industry or professional practice by associating to establish their own enterprise and serve under a management responsible to themselves;

Fishery cooperatives, which are the counterpart of the agricultural cooperatives for those whose livelihood is gained by off-shore or deep-sea fishing;

Consumers' cooperatives which embrace people whose standard of living depends mainly or entirely on the purchasing power of wages, salaries or pensions, in other words, the great mass of industrial and clerical workers and the urban populations;

Housing cooperatives, whose members use cooperative organisation in order to build or acquire their own homes, so that they can collectively determine rents and purchase-prices and influence planning, equipment and services, mainly though not exclusively in urban areas.

This list of principal groupings by no means exhausts the types of cooperatives to be found at work in Europe today. Each grouping comprises in fact cooperatives of a variety of types serving different purposes. Thus the agricultural cooperatives include societies for the marketing and processing of produce, the supply of farm requisites, the organisation of common farm services, the provision of short- and long-term credit, etc. Through federation they have built up efficient wholesaling, importing, exporting, banking and insurance organisations, all promoting agricultural interests and rural welfare generally. Similarly, the consumers' cooperatives are not limited to retail storekeeping but have evolved, mainly through federation, powerful wholesaling manufacturing, banking and insurance organisations of national dimensions. The importance of cheap credit to the self-employed artisan makes the people's banks no less vital to the promotion of his economic interests than the societies for purchasing or selling in common. Specialised financial institutions, either of their own or expressly established for them by government, are no less necessary to the workers' productive and fishery societies. The housing cooperatives are, of course, fundamentally financial institutions for collective saving and expenditure.

## **Trial and Error**

The remark in a previous paragraph about the invention of Cooperation in Europe should be understood in the sense that the types of cooperative, which are basic to the groupings just listed and more or less standardised in all western European countries, were worked out by a process of trial and error extending in some cases for longer than a generation. To take an example from consumers' cooperation, the basic type is the cooperative of individual consumers which distributes goods retail to its members from its own stores. The search for the right principles and methods for making this cooperative form an enduring success went on in various European countries for about half a century before the Rochdale Pioneers' Society in England effected the synthesis which set the pattern, not only for the rest of Europe, but the rest of the world. The society began business in 1844, but it was at least twenty years later before the Rochdale system began to be known among the continental people who most needed to use it and longer still before they were able to apply it with demonstrable success.

A similar process was followed in the development of cooperative credit organisation for the artisans and the agriculturists. Schulze-Delitzsch, who devised the basic type of credit organisation for the German artisans was, like the Rochdale Pioneers, inspired to a certain degree by the organisation of the British "friendly" (mutual benefit) societies. However, his first plans were not based on pure self-help by those who needed credit, but included a philanthropic element which, after a few years, it was found desirable to discard. Similarly with Raiffeisen, the initiator of cooperative credit among the peasants. He also began with efforts to organise the well-to-do for the assistance of the poor, but had to learn from experience that Cooperation really begins when the poor are resolved to help one another. Raiffeisen took thirteen years from his first philanthropic credit organisation in 1849 to evolve the fully cooperative form in the credit association established at Anhausen in 1862. Both the Schulze-Delitzsch and Raiffeisen systems, as they spread outward from Germany into neighbouring countries and even within Germany itself, had to be modified to suit changing circumstances and differing national customs and characteristics. Thus Luigi Luzzatti adapted the Schulze-Delitzsch system to the needs of Italian artisans and Wilhelm Haas the Raiffeisen system to the ways of farmers who were more businesslike and less idealistic than Raiffeisen's first disciples, without sacrificing any point of essential Cooperative principle.

In the chapters which follow there will be found many references to other cooperative forms and the manner in which they have been developed in response to the challenge presented to different classes of society by the evolution of the economic system. Two general remarks may be made about the relation of Cooperation to the Industrial Revolution, viewing that as a continuing process rather than as an event which occurred a century or more ago. Cooperation appeared first of all among people whose economic position, livelihood and living standards were jeopardised by the intro-

duction of the machine and the factory system or who were forced by poverty to submit to long hours of work, harsh discipline and the squalor of the new industrial settlements. The workers' productive society was thus an attempt on the part of skilled workers whose industry was being mechanised to maintain or even regain, by combined action, control over their work and workplace. The consumers' cooperative originated in discontent with the adulteration and high prices prevailing in retail distribution among workers living on or near subsistence level owing to their weak bargaining power in the labour market. Paradoxically, the remedy they found introduced a new system more in harmony with the underlying ideas of the Industrial Revolution than the traditional methods of private retailing.

This brings us to the second general remark, namely that Cooperation has served again and again as the promoter of the Industrial Revolution in certain branches of the economy. In doing so Cooperation has made the revolution subserve the ends of social welfare and progress without incurring the huge debit of misery, insecurity and conflict which often accompanied its introduction under purely profit-seeking leadership. This is notably true of agriculture. Cooperation has enabled the multitude of small farmers to transfer many operations formerly carried out on the farm, e.g. butter-making, to factories with up-to-date equipment and good market connections, besides giving them the motives and the means to readjust their farming to suit the needs and tastes of the consumers who form their ultimate market. The greater resulting prosperity for them has been well expressed in the formula of the great Irish pioneer of Cooperation, Horace Plunkett: Better Farming, Better Business, Better Living.

### **Liberty and Democracy**

Parallel to the Industrial Revolution and constantly acting and reacting upon it, other revolutionary and evolutionary changes have been proceeding in Europe, with immense influence on the ideas and aims of cooperators and the course of cooperative development. Three of the most important must be mentioned here. The first is the progress and extension of political democracy. Since the great French Revolution of 1789 which cleared the ground of innumerable restrictive privileges and oppressive institutions, despotism has been replaced by representative government; nation after nation has liberated itself from the rule of ancient empires; civil liberty and the rights of full citizenship have been guaranteed to every adult man and woman in almost every country. But the great watchwords of the French Revolution: Liberty, Equality, Fraternity, worked like leaven throughout society, not simply in the purely political sphere. They inspired those who, like the cooperative pioneers, believed in the economic, as well as the civic emancipation of the common people. They are reflected in the principles underlying the rules, constitutions and policies of cooperative institutions of all kinds right down to the present day. Cooperators, for example, could not conceive of their societies or federations being other than democratically administered.

However, the combination of political liberty with the doctrine of free enterprise, which dominated the middle of the 19th century, produced both negative and positive results. Government policies of *laissez-faire* delayed State intervention to protect the manual workers against ruthless and senseless treatment by unscrupulous employers. At the same time they left the peasantry, who had come into the freehold of their land with the collapse of feudalism but lacked capital to tide them over bad harvests, still less to develop their holdings, at the mercy of the money-lenders and merchants. Failing government aid, the necessitous classes had no other recourse than Cooperation. On the other hand, since enterprise was generally free, those attracted by Cooperation were at liberty to make practical experiments, while liberal attitudes among parliamentarians were not hostile to legal recognition of cooperatives, alongside any other honest type of enterprise. Cooperatives, like joint-stock companies, came under the protection of the law. Nevertheless, State aid or patronage for Cooperation was not yet above the horizon. If Cooperation was patronised at all, it was mostly by social scientists, liberal-minded employers or well-to-do persons with a philanthropic turn of mind. Cooperation was essentially and consciously free association for self-help and cooperators were for the most part jealous and proud of their independence of government or of any outside assistance.

### **Socialism and State Intervention**

From the time that the industrial workers and the farmers, having been admitted to the parliamentary franchise, became conscious of their power as voters, the attitude of government to Cooperation changed, and more gradually, the attitude of cooperators to government also. The revolutionary year 1848 marks the emergence of Socialism as a political force and the widening of the breach, already open, between the wage-earners and orthodox liberalism. The reaction away from extreme individualism, even in industry and commerce, gathered momentum throughout the second half of the 19th century. The states found that they could no longer disown responsibility for the welfare of their citizens or refuse to act when the free enterprise system was clearly unable to ensure that a secure and decent livelihood was within the reach of all. In the 1880's the French and Italian governments both introduced legislation and administrative measures to facilitate the financial operations and encourage the development of workers' productive societies. In the 1890's the Prussian and French governments in different ways took action to provide massive financial aid for farm improvement and especially for the more rapid transition from subsistence to market agriculture. Owing to the hostility of trading interests the value of consumers' cooperation had to wait a little longer for government recognition. It was not until State departments were faced, in the course of the 1914-1918 war, with the necessity of regulating the distribution and prices of essential food supplies, that they found that their natural, and sometimes their only allies, were the consumers' cooperatives and their wholesale societies. In belligerent and neutral countries alike, the

consumers' societies were found to be the only type of trading organisation which could be relied upon to keep prices to the minimum possible at any time, not to engage in black-marketing with commodities in short supply, to ensure a strictly fair distribution of rationed supplies to customers and to give government officers reliable information and disinterested advice on distribution problems. The confidence thus engendered helped to maintain good relations between the Cooperative Movement and governments in peace-time, was renewed during the second world war and still enables the Movement to influence government economic policy in most fields where consumption is directly affected.

Over the last century Cooperation and Socialism have also had to come to terms with each other. Early political socialists like Louis Blanc and Ferdinand Lasalle, in so far as they put forward any definite ideas about the transformation of industry, advocated workers' cooperative organisations using State-provided credit and capital. Many doctrinaire socialists, however, were always sceptical about Cooperation, regarding it as at best a mere palliative of working-class poverty, without value or significance for the radical transformation of society they desired to see. In the course of a generation the accumulated facts proved too much for them. The cooperatives, especially the consumers' and housing societies, showed themselves to be important factors in the permanent improvement of wage-earners' standards of living, by securing for them a fairer share of the benefits resulting from industrial and technical progress. Moreover, the cooperatives had come to be recognised as a positive aid in the struggle of the workers' movement as a whole to bring about beneficial social changes. By 1910 the value of Cooperation was being acclaimed in resolutions of national and international Socialist Congresses. It may be added that the reconciliation did not extend at first to all forms of Cooperation. Some years had still to pass before many socialists were willing to recognise the necessity and advantages of Agricultural Cooperation.

### **The Cooperative Sector**

Mutual conciliation was perhaps facilitated by the abandonment among cooperators of claims to universality, made on behalf of Cooperation, in favour of the idea of a cooperative sector of the economy. Here again ideas and idealism have had to come to terms with facts. The notion of the Cooperative Movement absorbing the whole or most of the economic system was seen to be utopian. The capitalist economy was still evolving, often more rapidly than the cooperative. In addition, a third element, the public sector, had grown up in the economy, occupying fields in which enterprises promoted and managed by local or national government possessed advantages over private or cooperative enterprise. Without in any way diminishing the necessity of maintaining powerful and efficient cooperative institutions in the economy, the role of the Movement was henceforward conceived much more as counterbalancing and correcting the undesirable features of profit-seeking enterprise than as superseding it. The idea of a mixed economy gained ground, irrespective of political

doctrines or policies. The principal exception is naturally to be found among those who are impressed by what has been achieved in the last fifty years by central governmental economic control and planning in the countries of Eastern and Central Europe not included in this handbook. In these countries the treatment of Cooperation has been radically different, as a result of fundamental differences of political principles and economic aims from those in the free market economies.

### **Popular Education**

The third influence on thought and action of cooperators to be considered here is the evolution of popular education. Here again, as with the democratic movement, the initial impulse came from the writings of Jean-Jacques Rousseau who, even if his message was in some ways self-contradictory and over-sentimentalised, understood quite well and declared in plain language that public education is a necessary foundation of republican government or, in other words, that education is essential to the existence and survival of any democratic form of society. More directly related to Cooperation are the views of Rousseau's disciple, the great Swiss educator Pestalozzi, whose concern was not simply with children as individuals but with elevating the intellectual and moral level of the people and, especially, of the peasants. Cooperation was one of the bases of Pestalozzi's educational system, which in due time came to inspire Swiss cooperators, and many others beyond the frontiers of Switzerland.

It is remarkable how many leaders and pioneers of Cooperation have been popular educators, even great popular educators. This is probably because Cooperation, as a novel idea and practice, had to be expounded to the multitudes who could benefit if they could apply it, but also because Cooperation was a system which was educational in its methods and its results, that is, it promoted the personal growth of those engaged in it. It assumed that better systems of society demanded better men and women, more enlightened mentally and morally, than the old systems to be abolished. Robert Owen, who set up an "Institution for the Formation of Character" in the community he tried to create at New Lanark, was the first of a long series which includes the Englishman, Dr William King, author of *The Co-operator*; the German Schulze-Delitzsch; the French economist Charles Gide; the Finnish professor Hannes Gebhardt, to name only a few.

In the second half of the 19th century movements concerned with the education of citizens exercised an important influence on the Cooperative Movement, even if they had no specific reference to Cooperation. The great example of this, famous throughout the world, is the form of adult education propagated in Denmark by Bishop Grundtvig and Kristen Kold as part of the national revival after the disaster of 1849. Their people's colleges were specially designed to enable young farmers to continue their general education in the winter months when farm work was at a standstill. The aim was to widen their knowledge of their native land and its people, their history, their place in the contemporary world and to exercise the



capacity of the students to think clearly and deeply on problems of the day. This educational movement made the best possible preparation and support for Cooperation when, in the last quarter of the 19th century, the Danish farmers turned their energies to the task of establishing themselves in the British market by satisfying consumers' demand for butter, bacon and eggs, as no body of producers had hitherto succeeded in doing.

The example of Denmark exerted a powerful influence on adult education in the neighbouring countries of Scandinavia and thus contributed indirectly to their notable cooperative achievements. In Great Britain an adult educational movement, based on university extension, developed in the last quarter of the 19th century and was supplemented in the early years of the 20th by an organisation which recruited considerable support from the trade unions and the cooperative societies. This organisation was the Workers' Educational Association, founded by Albert Mansbridge, a former cooperative employee. But even before the first world war far-sighted cooperators were beginning to realise that the Cooperative Movement's need of trained and technically-competent administrators and employees could not be adequately met by any external educational system, although considerable help might be derived from it. They accordingly started to propagate plans for cooperative colleges, the establishment of which was delayed a few years by the war, but which made their debut in Great Britain, Germany and Finland, for example, soon after peace was concluded.

### **Between the World Wars**

The twenty years between the Treaty of Versailles of 1919 and the renewal of war between the Great Powers of Europe in 1939 constitute a period in which the progress of the Cooperative Movement was seriously retarded by the great economic depressions of the early 1920's and early 1930's. Cooperation also encountered political obstacles in those countries where a remedy for instability of governments was sought through the suppression of democracy and a reaction towards corporative systems of economic regulation. In this period the movements of some of the smaller countries, which had not been involved in the war, claimed wider attention because of their vigorous development and, in the case of Sweden, for their successful championship of consumers' interests against cartels and similar capitalist combinations. Having gained some experience of international collaboration through a common trading agency, the Nordisk Andelsforbund (Scandinavian Cooperative Wholesale Society), the consumers' cooperative organisations of the Scandinavian countries challenged the European electric lamp cartel by manufacturing a cooperative brand of lamp—the Luma—and scored a resounding victory. In the main, however, the relapse into economic nationalisation after the world depression of 1929-31 presented too difficult obstacles to international collaboration among cooperative federations in other countries, some of which were also preoccupied with the effects of large-scale unemployment and reduced spending power on their own trading and financial situations.

The period is also noteworthy for the increasing scope and variety of governmental action for the support and regulation of national economies or important sections thereof. The dislocation of exchange relations and the whole world market presented problems with which private enterprise had inadequate resources to cope. Government had to step in to prevent widespread collapse. This was all the easier because war conditions had demonstrated that government was capable of doing many things (and doing them well) that had hitherto been regarded as belonging to private enterprise. The demise of *laissez-faire* as a policy was proclaimed by the economist John Maynard Keynes. In ways too numerous to detail, the agreement, the support, the finance or the guidance of ministers and government committees and departments became indispensable to the achievement of any economic object of national importance, while the great public services, like transport, gas and electric power, were steadily moving towards the point of no return, when their organisation would demand a national authority created by legislation for their proper co-ordination and integration.

### **The "Welfare" State**

In retrospect, it can be seen how much the tendencies of European economic policy in the 1930's foreshadowed the transformations and achievements of the last twenty years. But hardly anyone in 1945 was mentally prepared for the economic and social revolution which burst upon the continent long before the destruction caused by the war had been made good. The war itself had produced a desire for radical change among many people who were determined to see that it would not be thwarted as it had been in the 1920's. Hence the extensive nationalisation of banks, transport and power services in Great Britain and France. Hence also the rejection of traditional banking policies and the adoption of Keynesian methods of controlling finance so as to maintain high and stable employment. Hence also the enlargement of the welfare, especially health, services and extension of social security measures, which virtually eliminated the worst kinds of poverty existing since the early phases of the Industrial Revolution or before. With full employment, and social security at a low cost to the beneficiary, the spending-power and standards of comfort of working people rose rapidly and created opportunities for other revolutionary happenings.

### **Revolution in Agriculture and Distribution**

In the economic sphere one which vitally concerned the Cooperative Movement was the long-delayed invasion by large-scale organisation and advanced technology of two regions which had hitherto resisted them with considerable success. These economic regions were agriculture and distributive trade. War, by creating labour shortages, had encouraged the mechanisation of agriculture in some countries, but it needed only the manufacture of the right type of machines for mechanisation to spread rapidly elsewhere, even among small farmers. The cooperatives for the

purchase or use in common of farm machinery grew rapidly in importance. New chemical discoveries, again accelerated by wartime research, increased the trade in fertilisers and pesticides of the agricultural supply cooperatives. Such changes, however, were of lesser significance than what was happening on the marketing side of the farmer's business. This was the consequence of the new systems of large-scale retailing which the increased spending power of the urban workers had turned into profitable investments. Self-service, the supermarket, the chains of department stores now setting the pace of competition in the retail trade of some European countries and spreading rapidly in others, led directly, for example, to large-scale egg and table-poultry production and to the "contract" farming which is denounced by agricultural cooperators as a menace to the individual farmer's independence. However that maybe, the general consequence is the growth of the demand, as never before, for standardised high quality food products which the primary producers and their cooperatives must meet or go out of business.

The consequences of the revolution in retailing for the consumers' cooperatives are no less far-reaching. For generations their trade has been built on the staple foods and household articles required by wage-earning consumers. In innumerable local markets they acted as price-regulators by retailing unfalsified commodities of good quality for prices at or slightly under the market level and distributing their financial surplus as dividend on purchases (patronage refunds). They also looked after their members' small savings, performing a function in the household economy which fitted in well with thrifty habits. Except in countries where the shape of things to come had already been discerned by observing developments in North America, consumer cooperators were taken by surprise by the speed with which the new types of retail store captured the custom of the very classes the cooperatives looked to for support. These classes were no longer riding bicycles; they ran their own (if only second-hand) motor cars, purchased on the instalment system. They dressed themselves less in durable, more in fashionable, clothes. They wanted every kind of labour-saving device they could fit into their dwellings. As hours of work diminished, they spent more on amusements and the apparatus for leisure occupations, such as photography and sports. They were no longer living on bare necessities, but in relative affluence, and could afford comforts and luxuries. The protection against exploitation which the cooperative store afforded them covered only a limited range of their requirements, so long as it declined to follow its competitors in widening the assortment of goods and services offered to its members and to supply them under similar conditions. Its very survival was at stake.

### **Consumer Protection**

Yet the need for the protection the Cooperative Movement could offer to consumers was greater than ever, for research had made available a host of new products, many of them very attractive, with which consumers were unfamiliar and about which they were uninformed as to their proper-

ties and qualities. Not merely were consumers too easily parted from their money, but their health and safety were too often endangered through insufficient attention to hygienic factors and lack of proper precautions and directions for use. The new competition did not exclude possibilities of profit from the production and sale of trash to the naïve, ignorant and inexperienced. The new agencies for consumer information which sprang into existence did not obviate the need for an organisation which would manifestly make the service of consumers' true interests its primary objective. This is the new challenge which Consumers' Cooperation has now to meet.

### **Mobility and Unity**

Without exhausting all the possibilities, mention must be made of one other group of factors which are transforming European economic and social life. The population is becoming increasingly mobile. More and more people are being detached from the land and the ancient, stable life of the agricultural villages. They are joining the vast, shifting populations of the great cities and industrial conurbations. They commute daily between home and work and in their holidays they increasingly travel abroad, even in other continents. Frontiers signify less and less for, with better education, people are not limited to a single language. Frontiers signify less also because of air transport, radio and television, and because power-networks are becoming international to an ever greater extent. National markets are growing too small for the giant production units of the present day, whose output requires a continental or even a world market. Hence the movement towards economic communities or free trade areas, largely favoured among the Cooperative Movement's big competitors.

### **The New Challenge**

It is against the background of this fascinating situation, as it develops, that the observer from another continent should examine the Cooperative Movement in Europe today. As he will learn from the chapters which follow, he will find it in some countries actively engaged in remodelling its structure and organisation so as to consolidate its forces and display the best, not something less, of which it is capable. In other countries, where plans are not yet in execution, they are being studied and formulated. The true problem is not the preservation of cooperative institutions, as they have been or as they are, but the application of essential cooperative principles in appropriate forms for contemporary circumstances. The challenge is not only material, but intellectual. The history of movements, as of nations and civilisations, is the story of their success or failure to rise to the challenges which confront them as the generations and centuries roll by.

# Chapter II

## Consumers' Cooperation

### I Principles and Organisation

#### Origins

If on a map of Europe showing the coal measures and industrialised districts we place two other transparent maps, one showing densities of population and the other the concentration of the membership of consumers' cooperative societies, we see at a glance a remarkable correspondence. This is due to the fact that consumers' cooperation in Europe is the direct offspring of the Industrial Revolutions of the 19th and early 20th centuries, and the resulting growth of an industrial and urban population whose living standards depended entirely on what money—wages and salaries—would purchase in terms of food, clothing and shelter.

The introduction of machinery and the factory system brought great increases in productivity which benefited in the first place the entrepreneur and investor. The bulk of the industrial population was much slower to reap the advantages. First, its wages were low because its bargaining power was weak in negotiating with the employers. Second, retail and wholesale distribution were mostly old-fashioned, unprogressive and inefficient. Lower production prices were not fully or promptly reflected in the prices charged by retailers to their customers. The wage- and salary-earners were thus exploited both as workers and as consumers, and government, under the influence of the prevailing economic doctrine of *laissez-faire*, was slow or unwilling to adopt measures for their protection.

The consequence was a continually smouldering class struggle which frequently flared up in strikes and lock-outs, often accompanied by violence and even attempts to overthrow governments.

Thrown back on their own resources, many wage-earners turned to mutual-aid and association in the form of sick benefit societies, trade unions and cooperatives of various kinds. In the earlier stages of the Industrial Revolution, when working people began to associate, the outcome was just as likely to be a trade union as a cooperative store or a mutual benefit society, according to what the members felt or found by experience they were able to organise together. At a later stage, after the aims and techniques of the different kinds of associations came to be better understood, they began to separate and eventually grouped themselves in distinct movements which evolved, according to their respective aims and circumstances, along their own lines.

The powerful, well-established consumers' cooperative institutions to be found in Europe today have therefore a long evolution behind them. Great Britain was the first country to feel the impact of the Industrial Revolution. Attempts to establish consumers' enterprises on cooperative lines, for corn-milling, baking or the supply of provisions were being made from the middle of the 18th century onward in both England and Scotland. A consumers' cooperative "movement" in the real sense could not be said to exist, however, before the late 1820's or early 1830's. This movement was the offspring of a marriage between the wage-earners' need of an immediate rise in their standard of living and the aspiration towards a better social order based on the teaching of Robert Owen, Dr. William King and other social prophets and pioneers. By the middle 1830's this movement had spent itself, and all but a handful of the societies had disappeared. Within ten years, however, consumers' cooperation had revived and with the opening, in 1844, of the first store of the celebrated Rochdale Pioneers' Society, the proper evolution of consumers' cooperation in Europe may be said to have begun, because the "Rochdale system" became accepted all over the continent as standard cooperative practice.

This does not mean, however, that consumers' cooperation developed from a single centre. On the contrary, the essential common-sense underlying consumers' cooperation is proved by the fact that in the first half of the 19th century, working people and social reformers in a number of European countries—France, Belgium, Germany, Italy, Switzerland—were groping their way by trial and error towards some form of organisation which would enable consumers to control the supply prices and qualities of their household necessities. Occasionally, as in the French city of Lyons in 1835, there were notable anticipations, inspired by Fourier's ideas, of "Rochdale" methods.

### **Principles and Methods**

The resounding success achieved by the celebrated Equitable Pioneers at Rochdale was the result of long and careful study of earlier experiments and

the strict avoidance of any practices which would expose their Society to the risk of failure. The Pioneers made consumers' cooperation a sound business proposition. Their Society's independence was safeguarded by financing it entirely or mainly by the members' own contributions and by the reserves accumulated from trading profits. Risks arising from credit granted to or by the Society were eliminated by paying and demanding cash down. Risks arising from personal greed or ambition were reduced by making the management responsible to general meetings in which each member had one vote and no more, whatever his capital contribution. Loyalty in purchasing was rewarded and the members' sense of justice satisfied by limiting the interest paid on share capital and dividing profits in proportion to members' purchases during the balancing period. Members' interest was maintained by submitting periodic (at first quarterly) reports and balance sheets to be approved by general meetings. Risk of disunity was minimised by keeping contentious questions, especially political and religious, which would inevitably split the membership, out of the Society's affairs. In order to maintain the highest standards of knowledge and awareness possible at that time, the Pioneers set aside money for education—even before the law sanctioned it—and provided facilities for their members to read instructive books and periodicals.

The adoption and even the strict observance of these practical rules did not of themselves guarantee success, but they went a long way to safeguard the Society against failure due to mismanagement. The rules still left something to be contributed by shrewd and courageous leadership and the steadfast loyalty of the members, especially in periods of trade depression and slack employment, when wages were low or irregular and household spending had to be cut down. Nevertheless, before the Society had been ten years in existence its success was undoubted. It had found many imitators in the industrial regions of Britain and the Government had been persuaded to pass new legislation, better adapted than the old Friendly Societies Acts to the needs of this new but admittedly beneficial type of working-class association. The movement was thus fairly launched in Britain. In the middle 1850's it became known far and wide after George Jacob Holyoake had published in the London "Daily News" a series of articles on the Rochdale Society, afterwards given wider circulation in book form and translated into the most important European languages.

In the second half of the 19th century the "Rochdale" system of consumers' cooperation became widely known over the continent. Knowledge was spread not only by Holyoake's book but by his friends, the political exiles from continental countries, who found refuge in England in the 1850's and who carried the good news with them when they returned home in the 1860's. Rochdale became a place of pilgrimage for social investigators and reformers, such as the German Victor-Aimé Huber, or philanthropic employers, like the Swiss Jenny-Ryffel, who inspired or undertook practical experiments in imitation of the Rochdale model. By the middle 1860's such cooperative store societies had been formed not only in France, Belgium,

Switzerland, Germany and Austria, but in Denmark and Norway and even in Riga at the farther end of the Baltic Sea.

It would be an exaggeration to say that these enterprises represented a movement. They were forerunners and many did not live long. Their members imitated, as far as they thought expedient, the Rochdale methods of trading and management but they often failed to grasp the underlying principles or realised that these formed an integrated system which had to be accepted and practised as a whole. In particular, the early continental consumer cooperators tended to be lax in cash payments, in keeping their societies clear of political doctrinal or party entanglements, in promoting education or in keeping the democratic machinery of their societies up to a due pitch of efficiency. Add to these defects the dangers incurred by over-enthusiastic, amateur management, and the high mortality rate amongst the societies in the third and fourth quarters of the 19th century is easily explainable. Gradually however, by comparing the practice of the societies which survived with that of the societies which went bankrupt, the needful lessons were learned. With the establishment of unions or federations, one of whose objects was to formulate the right principles and methods and to supervise their application by the primary societies, a sound body of doctrine was built up and accepted, which was to all intents and purposes the Rochdale system.

### **Structural Development: Federation**

It was not merely in regard to principles and methods that the Rochdale Pioneers set an example. Their own success and the imitation it inspired in the industrial north of England brought them face to face with a structural problem which they were the first to solve. The problem arose from the competition for supplies in the wholesale provision market of Manchester on the part of the rapidly growing consumers' societies in the towns and villages of the surrounding region. How was this to be avoided? The Pioneers' first attempt was to open a wholesale department of their own from which smaller neighbouring societies could be supplied. After a few years this was abandoned because of dissatisfaction on both sides. An experiment with an independent agency met with no greater success.

The final solution was to apply the cooperative method to the societies, not merely to individuals. In other words, societies needing supplies were induced to join together on an equitable and democratic basis in a federal type of organisation entrusted with the functions of wholesale buying and eventually, import and production for its affiliated societies. An amendment of the law was necessary to admit this new organisation to the rights and privileges of a cooperative society. This was passed in 1862. In the following year the organisation, now known all over the world as the Co-operative Wholesale Society Ltd., was registered. A similar society for Scotland was established in 1868. In less than ten years from their foundation these societies were engaged in import trade and production, as well as taking deposits of their members' spare funds. Their development was phenomenal. It was supported not only by the steady extension of consumers' co-



operation over nearly the whole territory of Great Britain, but also by enormous industrial expansion. Great Britain in the second half of the 19th century became the world's chief workshop, paying with her manufactures for food and raw materials imported free of tariffs. The British skilled workers, thanks to rising wages and cheap living costs, enjoyed the highest standard of comfort of any wage-earning class in Europe and the consumers' cooperative societies became their main source of household supplies and an important depository of their savings.

The British Consumers' Co-operative Movement had a start of 30, 40, even 50 years over the corresponding national movements of the European continent. Those years, moreover, were undisturbed for Great Britain by major wars or civil disturbances. Hence the great disparity in size of membership, trading volume and capital resources between the British and the Continental movements which, a whole generation younger, came to maturity in the first half of the present century, a period of political and economic upheaval without example in world history. In the British movement's present the younger movements could visualise their own future and this was formulated by the great French economist and co-operator, Charles Gide in an ideal scheme of development by which consumers' cooperation advanced from retail trade, through wholesaling and manufacturing even into agriculture and other extractive industries.

### **The Retail Sector**

The reality has proved to be somewhat different, not merely the Cooperative Movement, but the economic system as a whole, has been in continuous evolution. The inter-action of the two has largely determined the structure of the consumers' cooperative movements in Northern, Western and Central Europe during the last half-century and will continue to influence it during the foreseeable future. In their pioneer phases these movements consisted of growing numbers of small primary societies which sooner or later became linked with a common purchasing organisation, usually doing agency business and not warehousing on its own account. The societies were small, chiefly because they were local, operating in villages or in suburbs of large cities. Often they were smaller than they might have been because their membership was not open to the public but limited to the employees of a given enterprise, the members of a particular trade union or profession or some other social group. Their smallness was no great disadvantage at that time for in most countries the typical retail enterprise was a one-man or family business or a small partnership. Where the Rochdale system was faithfully practised with reasonably good management, the young consumers' societies were able to make headway in competition with private trade. In many an industrial or mining community the consumer cooperative became the largest single retail business and dominated the market for foodstuffs.

At the turn of the century the situation was clearly changing. Large scale enterprise had already appeared in retail trade in the form of department stores in the large cities and of "chain" or "multiple" stores, that is,

specialised shops, e.g. grocery or footwear, numbering scores or even hundreds, owned and managed by a single company and covering virtually the whole of a national territory or large region. These facts were not ignored by the more alert among the cooperative leaders. The organising genius of the Germans enabled them to plan and develop consumers' societies of the first magnitude in Hamburg, Berlin, the provincial capitals and the great industrial centres of Saxony, the Rhineland and the Ruhr. Some of the leaders began to think in terms of district or regional societies and to encourage amalgamations of local societies. In France the excessive multiplication of little societies and the division of the movement into two separate groupings provoked a powerful affirmation of the urgent need for unity, the basis of which was to be the organisation of the retail trade by regional societies. In Great Britain, a co-operator of great authority, J. C. Gray, General Secretary of the Co-operative Union, devoted his inaugural address in the British Congress of 1906 to the theme of a single National Cooperative Society. Such were the ideas fermenting in the years before the first world war but action came much later, except where competition between neighbouring societies had become intolerable or where a society in grave difficulties could only be saved from bankruptcy by being taken over by a stronger neighbour.

The general tendency can be illustrated by a few figures. In Great Britain the number of consumers' societies affiliated to the Co-operative Union reached its peak, 1455, in the year 1903. These societies had a total of just under 2 million members. Thirty-five years later, in 1938, the number of societies had declined to 1085 but the membership was approaching 8.5 million. In Germany a corresponding peak, 1293 societies (with 2.7 million members) was reached in 1920. By 1932 the total number of societies had been reduced to 949, with just under 3 million members. In Sweden the number of societies affiliated to the Cooperative Union KF reached a maximum of 856 in 1924 and by 1936 had sunk to 710. In the same period the total membership of the consumers' societies in the country, of which 92-93 per cent were affiliated to KF, had risen from 271,000 to 601,000.

More drastic measures of consolidation were possible in two countries which suffered military occupation in the first world war, Belgium and France. In Belgium Victor Serwy, Secretary of the Office Coopératif, the Union of Consumers' Societies linked with the Labour Party, worked out a plan to replace the existing 250 local retail societies by about 20 regional societies. Under the shortage of food and consumers' goods prevailing during the war, societies were willing to surrender independence for a share in the available supplies and Serwy's plan was realised to the extent that the total number of societies was reduced to just over 50 before easier economic conditions brought diminished enthusiasm for amalgamation. In France the task was to rebuild the consumers' cooperative movement from its very foundations as the civil population flowed back after the armistice into the battle areas. In conformity with the new ideas, district, not local, societies were established and in a few years some of these district societies were

themselves amalgamated into regional societies. Similar methods were adopted to build up the movement in other areas of France where consumers' cooperation was undeveloped. This policy has been pursued steadily for over a generation and, despite the setbacks of the Second World War, has been so far successful that today over four-fifths of the movement's total retail trade is carried on by as few as 50 societies.

In Germany and Austria consolidation in the retail sector was accelerated in a curious manner by the violence done to the movement under the Hitler regime. The policy of the Nazis was to exterminate the Movement. About 80 of the larger German societies were wound up under legislation passed in 1935 and the remainder summarily dissolved by a war-time decree, which included Austria, in 1941. Although the societies were abolished, their retail shops, bakeries and butcheries were kept running because they formed an indispensable part of the national food distribution system. For the purposes of management and control the shops were grouped somewhat arbitrarily in district "supply rings" which in turn were under the financial control of a department of the German Labour Front. When the Movement was revived from 1945 onwards, the opinion among the leaders was strongly against reverting to anything like the former system of local societies and, except where local sentiment was especially strong, the reformed retail societies were based on the "supply ring" grouping, certain mutual adjustments apart. In 1952, four years after the Federal German Republic was established, there were no more than 312 separate retail societies and the number declined by 1961 to 257. In the same period the total membership grew from 1½ million to 2½ million. In Austria there were in 1955 no more than 73 separate retail societies, compared with 210 in 1938, and the number had been reduced to 64 by 1961.

The revolution in distributive trade which struck north-western Europe with hurricane force from the late 1940's onwards furnished the advocates of consolidation with much more powerful arguments than those they had previously employed. The whole competitive situation was transformed. The balance of advantage swung heavily to the side of the large enterprise which alone could command the financial and technical resources required for modern merchandising methods, such as strategical shop-siting, the employment of highly-paid specialists, bulk-buying direct from manufacturers and primary producers, market research and special staff-training. Concentration and centralised direction became commonplace in private commerce. Not only the specialist but the department stores and supermarkets adopted the chain formation and even the individual traders grouped themselves around wholesalers in voluntary chains with astonishing rapidity. Outside of Sweden this invasion of European retail markets by techniques first perfected in America was clearly foreseen by only a few of the leaders of the national consumers' movements. The remainder, resting rather complacently on the superiority generally achieved a generation before by the consumers' societies over traditional private trade, required the rude shock administered by slower growth of turnover, competitive price-cutting, narrower trading margins and consequently lower dividends

on purchases to awaken them to the necessity of re-thinking their policies and methods and remodelling their whole structure of the movement if it were to hold its place in the rapidly evolving business world. The British movement called in an independent commission of economists and business experts but generally speaking had little stomach for the drastic remedies proposed, although the discussions on the commission's report did much to illuminate for the sister movements the vital problems to be solved. The complete picture, however, can only be seen where we also take into account what had been happening simultaneously to the wholesale societies.

### **The Wholesale Sector**

Through the formation of the wholesale societies as federations of consumers' societies European Consumers' Cooperation was able to break through from retail into wholesale trade and importation, as well as advance step by step into the manufacture of goods, chiefly food products and household requisities, for which there was an assured market among the membership. The importance of these manufacturers roughly corresponds to their role in the household economy of the typical family. In several countries the importance of bread in the diet led consumers' societies to make baking the first, or at least an early, branch of their business. Correspondingly the wholesale societies gave their flour milling a high priority in their productive activity. For over a generation in Great Britain and Sweden, for example, the cooperative flour mills have been the largest milling enterprises outside the capitalist combines.

This kind of "vertical" development by the Wholesale Societies follows no common or uniform plan. It has been determined in each country much more by circumstances and opportunities than by deliberate strategy. One notable exception, however, is provided by Sweden, where the Cooperative Wholesale Society KF has generally not embarked upon manufacture, unless it found no other way of breaking a monopoly or cartel agreement and so bringing about a price reduction from which the whole body of consumers could benefit. This policy has naturally influenced the development of Cooperative Wholesale Societies in the other Scandinavian countries.

From the legal aspect also, the constitution of cooperative manufacturing enterprises differs from country to country. They may be organised as departments of the Wholesale Society or as separately constituted and registered subsidiary companies, the capital of which may be wholly or partly owned by the Wholesale Society. In either case the ultimate control will be vested in the Board of the Wholesale Society. The reason for these differences may spring on the one hand from considerations of management and capitalisation and on the other from legal or fiscal advantages.

Examples of joint enterprise by national Wholesales, i.e. organisations of the third degree, have up to the present been rare. The two British Wholesales set up, in the early years of this century, a joint department, now known as the English and Scottish CWS Ltd., to manage their import and warehousing business in tea, coffee and cocoa, their tea plantations in India

and Ceylon and a cocoa and chocolate factory. In 1917 under the pressure of scarcities, a joint purchasing and importing agency, Nordisk Andelsforbund, was established by the Danish, Swedish and Norwegian Wholesale Societies which were later joined by the two Finnish and the Icelandic. This organisation, now approaching its jubilee, has been directed with a judicious blend of caution and enterprise. It is generally acknowledged to be the consumers' cooperative movement's most significant achievement in international trade. A subsidiary organisation for export trade, Nordisk Andels-export, established in the middle 1950's, also shows more than promising development. In one famous enterprise, the Luma electric lamp factory in Stockholm, the Scandinavian Wholesales combined in a successful attempt to loosen the hold of an international cartel, the Electric Lamp Manufacturers' Association, on their national markets.

### **Trades National Retailing**

The clearly defined "two-decker" structure which characterised most of the national Consumers' Cooperative Movements began to undergo far-reaching modifications after the second World War as their leaders recognised the changes brought about, on the one hand, by social policy and on the other by the technical revolution in distribution already mentioned. With rising standards of comfort among the wage and salary earning classes, it became evident that the Consumers' Cooperative Societies would lose ground to private trade unless the range of things they offered their members was rapidly extended from foodstuffs and household articles to include clothing, furniture, electrical equipment, sports goods, as well as various services. Up to that time the trade in consumers' requirements other than food was highly developed, apart from a few exceptions on the continent, only in the British Consumers' Societies, many of which ran large department stores or groups of specialised dry goods shops in the central shopping areas of cities, towns or large suburbs. But again, the organisation and management of this branch of distribution on a local basis was rapidly becoming obsolete. Private trade in ready-made clothing was being carried on with brilliant success by chains of standardised shops, national in extent. The major department stores were all grouped around central holding companies and worked closely together so that, for example, goods which proved unsaleable in one city might be sold profitably in another. An immense range of small, cheap articles was and is retailed in chain bazaars, the finance and control of which are sometimes international.

Progressive thought in the Consumers' Cooperative Movement recognised that, if the Movement was ever to play an effective role in the trade in consumer durables, it must organise for the purpose on a national scale. The long-standing sharp distinctions between the functions of wholesale federation and retail society could no longer be maintained. Closer integration and more centralised management were required than the traditional federal organisation, inclusive of both the wholesale and the retail societies, usually provided. New undertakings have come into existence, such as the 'Domaus' chain of cooperative department stores in Sweden, the retail

furniture stores of the German G.E.G., the chains of supermarkets and footwear stores in England.

In other ways the cleft between the wholesale and retail structures has been filled or bridged with the object of rationalising the processes of distribution. In regard to warehousing, for example, in order to avoid double storage by the wholesale and the retail society, the Swedish movement has created a network of district warehouses common to a group of neighbouring retail societies and the wholesale, thus cutting out one handling. The Danish and the Swiss movements are others which have streamlined their warehousing system according to their own particular needs and circumstances. Concentration in the private bakery trade in England, encouraged by the flour-milling combines, presented the consumers' societies with formidable competition from bread factories delivering their products by motor transport over a wide area. Local cooperative bakery departments ceased to pay their way, and the only effective answer was, with the participation of the CWS, to concentrate production on big suitably located units as the private trade was doing. The Co-operative Wholesale Committee, one of the auxiliaries of the International Co-operative Alliance, adopted in 1962 a statement justifying the role which the Wholesales in general were assuming by taking the initiative in all kinds of promotional and consolidating measures designed to secure and expand the cooperative movement's share of the market. They claimed the right to enter retail trade and to supplement or even supersede the services provided by local retail societies, if these were inadequate to withstand large-scale private competitors.

### **Other Secondary Institutions**

Differences are to be seen in the superstructures of the national movements according to whether the functions of supervision, technical advice, training, education, and the representation of consumers' and cooperative interests are discharged by the wholesale societies or by separate, non-trading unions. In Sweden, Norway, Holland, Iceland, Belgium, Switzerland the consumers' societies are federated in institutions of the former class. In Finland, the Federal German Republic, Austria, France, Great Britain there are separate unions or federations for purposes other than trading or production. There are no general reasons for this difference, apart from the circumstances of each country and the manner in which the movements happened to develop.

Within these national unions or federations, of whatever type, are to be found district or regional unions of consumers' societies, some of which came into existence before the national body. These unions with their periodic meetings, form a necessary link between the board and central secretariat of the national union and the local societies, as well as between neighbouring societies. The latter function was of much greater importance in the movement's early days, but with the growth of the local into district societies and more direct contact by automobile and telephone between the central organisation and societies, the regional unions, unless invested,

as in Germany, with auditing functions, are needed less than formerly for supervision and advice. In a number of countries, however, their annual assemblies play an important role in the democratic constitution of the national unions, for it is customary for representatives of the central board and secretariat to present to these assemblies a report on the activity of the national union and to sound them on important questions of policy. The local membership is thus better instructed on the matters to be decided by the national assembly or congress and presumably readier to give its intelligent collaboration. The weeks preceding the national congress are thus filled with a series of regional meetings with a very nearly uniform agenda. The national congress itself, at one time invariably annual, is tending to become in the various countries more and more a biennial or even triennial assembly.

A role of rapidly increasing importance in recent years is played by secondary institutions concerned with finance, namely banks and insurance societies. A striking fact about many of the European institutions of this kind is that, although they are an integral part of the consumers' cooperative movement, they do not belong exclusively to it. In many countries the association between consumers' cooperation and trade unionism is not merely historic, it is personal and practical. Millions of consumer co-operators are also trade unionists. The trade unions build up from their members' subscriptions important funds part of which they need to keep liquid in banks and part of which they can safely invest. Hence the banks of the consumers' cooperative movement if they were not originally established as joint enterprises of the two movements, tend to become banks for trade unions and the rest of the labour movement. There are two obvious considerations: first, that, if a trade union becomes involved in a dispute and is obliged to draw on its funds for strike or lock-out pay, it needs a bank which will collaborate rather than obstruct; second, that, if a union has funds to invest, it can use them to support business enterprise which is avowedly working to raise the wage-earners' standards of living and to apply principles which they accept.

The increasing importance of insurance in working-class life from the point of view of saving as well as security is noteworthy. Capitalist insurance companies collect vast sums in premiums from wage and salary earners and invest their accumulated funds in undertakings some of which are formidable competitors of the consumers' cooperative movement. The national movements, therefore, with their natural allies the trade unions, have gone into insurance in order to reduce the cost of insurance and to keep wage-earners' savings circulating in channels which the wage-earners themselves control. They have built up in many European countries insurance organisations which are amongst the most important in their respective countries and which have distinguished themselves, not only by the benefits they offer their clients, but also by promoting health and social welfare institutions from which the whole community benefits.

Constitutionally, both banking and insurance institutions are federations of which individual societies and trade unions are members in addition

to the central organisations of the consumer's cooperative movement. In certain cases the cooperative interest will be represented by the wholesale society exclusively. Great Britain is once again different from the continent in that the banks of the English and Scottish wholesales have no trade union but only cooperative membership and are exclusively directed by the boards of these two organisations, even though they have trade union customers. The Co-operative Insurance Society of Great Britain is really a tertiary organisation since all its shares have been held by the English and Scottish wholesales since 1913, after an amendment of the law had been passed to permit as few as two organisations to form a federation.

The foregoing account of the secondary institutions is by no means comprehensive. It gives a general idea of what may be normally expected in any national consumers' cooperative movement. In particular countries secondary organisations have been formed for various purposes, such as the press and general publishing, travel, hotels and holidays, etc. Examples will be cited in the later sections referring to specific branches of cooperative activity.



# Chapter III

## Consumers' Cooperation 2 Economic and Social Roles

### **Economic Role**

The statistics in the annexe show that, in the majority of European countries, the consumers' cooperative movement has secured the adhesion of a considerable proportion of the population and become an established institution in the life of the wage and salary earning classes. Great Britain apart, the membership figures denote heads of households. The number of persons actually served to a greater or lesser extent by consumers' cooperatives is probably three or more times the membership figure. What proportion of their needs these persons obtain from cooperatives depends, of course, on what the cooperatives have to offer and their efficiency compared with competing private and capitalist enterprise. What the cooperatives can offer depends to a large extent on the capital they can command for development and the imagination and enterprise of their business leaders.

Roughly speaking, the policy of consumer cooperatives is to supply first what their members most urgently or constantly need and to organise the supply of other requirements as their resources increase. Like the Rochdale Pioneers, who began by retailing flour, sugar, butter and oatmeal, most consumers' movements concentrate first on supplying foodstuffs. An analysis of their trade figures shows that in all countries even after a generation or two of development, foodstuffs, that is, bread, groceries,

meat, milk, still constitute the largest item. Next to them generally come household requisites, such as fuel, cleaning materials and kitchen utensils. Until recently consumer durables were important only here and there, except among the older British societies. In regard to foodstuffs, the societies accepted the task of maintaining the highest standards of purity and quality consistent with reasonable prices, that is, of giving the best value for money. Where the volume of their business became large enough, they were able to act as market regulators by being the last to increase their prices when the price-level was rising and the first to reduce them when a fall was indicated. The societies could do this because they were technically a superior form of retailing to the typical private shop and could command the advantages of dealing on a large scale, including the benefits of collectively organising their own bulk-buying and production through a national wholesale society.

This function of market-regulation was discharged through a policy of selling a little under ordinary market price and the savings yielded by these lower prices were the major economic advantage expected by the members from their consumers' societies. The dividend on purchases was an additional but secondary advantage. Here again Great Britain provides an exception. The policy of the British consumers' societies, established in the prosperous years of the 19th century, was rarely systematically to under-sell the private retailer, although they might be slower to raise prices. The small immediate saving on price mattered less to the skilled industrial workers and their families than the savings accumulated by months of loyal purchasing and ultimately available in a sizeable sum when dividend was paid. In fact, in communities where the cooperative store was the largest retail enterprise, the members were seldom exacting about prices, willingly paying an extra halfpenny or penny because they knew it would increase their total saving. Hence there were many societies in the north of England and Scotland which for years on end paid dividends on purchases at rates as high as 15 or even 20 per cent, notably in the days when wages in retail trade were generally low.

Whatever the price and dividend policy, the consumers' cooperative movement makes an important addition to the purchasing-power of low and medium incomes. But that is not its only contribution to the improvement of standards of comfort. The dividend system is a kind of involuntary saving, but its advantages tend to induce voluntary and deliberate saving, especially if the consumers' societies encourage their members to deposit surplus money with them. In Great Britain members were permitted to take out shares up to the legal limit (at first £200 but now £500 per person) and beyond this limit to deposit sums on loan to the society at lower interest rates than are paid on shares. On the Continent the members' actual shareholding is more often the minimum amount laid down in the rules and often carries no interest, but the deposit of savings is always encouraged and in some countries in recent years it has been made the object of very persistent propaganda. These savings represent postponed consumption

much more than investment for income. Sooner or later they are withdrawn to meet large items of expenditure—a suite of furniture or some other addition to the comfort of the home, or even a deposit on the purchase price of a house to be owned instead of rented. What the Consumers' Co-operative Movement has contributed through the generations to the improvement of the economic position of the wage and salary earning classes in Europe cannot be computed, but the study of many individual households in different countries affords firm ground for the belief that its role has been considerable and probably indispensable to a fairer and more equal distribution of wealth.

### **Social Role**

The movement's social role is scarcely less important. As indicated above, it helps the propertyless to become property owners and so tends to change their outlook on society and life in general, making them less easy to stampede into extreme or reckless action, especially in politics. Property also gives a sense of security and in the days before the advent of the welfare state, with social insurances and public concern for maintaining high and stable employment, the savings deposited with the consumers' cooperative society constituted an important reserve against hard times. The property-owning worker further feels and displays greater independence. Rather than endure oppressive or unhealthy working conditions he can take the risk of changing his employment or, at least, of threatening to do so, if he cannot find any other remedy. More significant still are the benefits enjoyed by the younger generation. Much of the members' savings confided to consumer cooperative societies is eventually withdrawn to be spent on education, not only in school and college fees, but also in contributions to the maintenance of children and young people for longer periods at school or college. These wider educational opportunities open the way to a greater choice of employment. The children of the unskilled labourer may have the chance of learning skilled trades or of office training, leading on to responsible posts in management or administration, or of entry to a learned profession. Reserves of ability are thus tapped from which society as a whole reaps the advantage. Moreover class barriers are surmounted or breached and a sense of social equality is more and more diffused, to complement the political equality necessary to democratic systems of government.

Just as much as any other form of cooperation, the consumers' cooperative movement, when it observes its fundamental principles, is a school of democracy. The members enjoy equal rights of voting and expressing opinions on their society's success or lack of it in business. Through being obliged to think about their society's operations they receive a training in the administration of common affairs none the less effective because largely unconscious. For those elected to various offices such as the management committee the training is naturally more intensive. Consumers' cooperation has therefore helped to produce a better-informed,

more level-headed type of citizen and it is no mere coincidence that a considerable proportion of the working men and women who have risen to eminence in local and national government have developed their capacity for leadership and acquired their mastery of democratic procedures in consumers' cooperative societies, their federations and assemblies.

The contribution of consumers' cooperation to general social welfare, even in these days when so much is provided by the State and local government, cannot be ignored. A few generations ago, when the State was doing much less or nothing at all, consumers' cooperative movements were pioneers in the fields of child welfare, the care of convalescents and the aged, support for the unemployed, the provision of recreation and healthy opportunities for the use of leisure. In general the financial means for such services came from the business profits of the societies and their federations and they therefore denote beyond a certain point a higher appreciation of those aspects of welfare obtainable by the collective use of surplus funds than of money dividends paid out to individuals. The extreme poverty prevailing in mid-nineteenth century Belgium led to consumer cooperatives initiated by the Labour Movement to devote special attention to the development of welfare services and their example was followed by the societies in the industrial regions of France and Germany and elsewhere. The "People's House", *maison du peuple*, *Volkshaus*—a common centre for working-class activities of all kinds, cooperative, trade union, political, social, recreational—is widely distributed in Europe. It may contain any or all of the following: a consumers' cooperative store, a café, or restaurant, offices, meeting rooms, a hall or theatre for concerts and plays, a library and reading room.

With the development of joint cooperative and trade union insurance societies the same concern for human welfare has been manifested more extensively. The series of institutions created by the Belgian "La Prévoyance Sociale" is of course outstanding: a tuberculosis sanatorium, treatment centres for rheumatism and children's ailments, homes for the aged, etc. The Swedish Folksam, on the other hand, has devoted funds to medical research. In France the National Federation of Consumers' Societies has a national subsidiary organisation which maintains holiday homes for children and for adults at a number of seaside and mountain centres. As holidays with pay have become more and more the rule in industry the national consumers' movements have either established travel departments of their own or joined with workers' organisations in setting up special associations which provide travel and hotel facilities and organised tours at prices within the reach of working-class family incomes. Thanks to international arrangements between these associations, the typical member of a consumers' cooperative society can now range over virtually the whole of Europe at a reasonable cost. In these ways, although by no means as rapidly as may be thought necessary or desirable, the movement is extending its conception of consumption from bread and food to include non-material commodities.

## **The Movement and its Members**

The real strength of the consumers' cooperative movement in Europe is not to be measured by statistics alone, impressive though these may be. A smaller membership in a country with a mixed economy, where the movement has to make progress against every form of private or capitalist competition, may signify greater strength than a larger membership in a country with a centrally-planned economy under which private enterprise is deliberately restrained or suppressed. In any case, the statistics give a very inadequate idea of the most powerful factor of all and that is the hold which the idea of consumers' cooperation has on the minds of its members and, beyond them, the public at large. How powerful that can be was shown in Germany and Austria in the period after 1945 when the consumers, societies and federations which had been suppressed under the Hitler regime were revived and reconstructed. Because enough of the old cooperators, who knew the pattern and the principles had survived, this reconstruction was completed within five or six years.

Within the last ten years, however, the movement in country after country has been confronted by a situation which has subjected its hold over its membership to tests unprecedented in its history. This is due to the conjunction of three groups of factors. The first group consists of results of the evolution of the consumers' societies themselves and especially their growth in membership and the increasing volume and complexity of their business operations. These factors make it steadily more difficult for the central management of the society to maintain touch with the membership as a whole and for the members, despite the reports and accounts regularly submitted to them, to survey the society's business as a whole and understand the reasons for the policies they are invited to approve. Relations tend to become more and more impersonal. New members are often neglected and gain the impression that the society is more interested in attracting their trade than in helping them to understand its broad objects or the principles underlying its business organisation and peculiar methods. As time passes the members intelligently playing an active role in the life of the society form a dwindling proportion.

## **Democratic Fundamentals**

This is, perhaps, an over-simplified picture but it portrays a real tendency which has to be counteracted by education and constitutional developments if it is not to produce untoward, if not disastrous, results. The pioneers of consumer cooperation in Germany, and especially those who founded and built up the great societies in the cities, realised the vital importance of maintaining and strengthening the links between the individual members and the branch shops which served their neighbourhoods. This neighbourhood unit became a cell in the society's constitution. It held its own annual general meeting; it elected its committee, which had no power to interfere with the running of the shop but which kept in touch with the members, looked into complaints, interviewed them if their purchases

tended to fall off and so clothed the abstract idea of the society with human form and substance. Branches were often grouped in districts, which sent delegates to a body representing the whole society and acting as its supreme authority. Thus to replace the general meeting by a representative assembly may be considered a decline from pure democracy, but the practical choice is between representative democracy and feeble democracy in the form of minority rule. Fortunately the German example exerted a widespread influence and it was imitated, with more or less adaptation, by the large urban or regional societies of Central and Northern Europe. The regional societies of France which serve very large territories have also had to devise networks of local "sections" in order to preserve their members' sense of participation and keep democracy alive.

### **Communication**

Yet constitutional machinery, though indispensable, is inadequate unless the membership is informed and interested enough to play its proper role, that is to attend meetings, to approve right and reject wrong policies and to elect the best people to the board and other representative bodies. A system of communications is indispensable and while each separate society has its own means of keeping in touch with its members, such as local meetings and the local press and, less often, a special journal or bulletin, general cooperative enlightenment is regarded as a task demanding combined action through the national cooperative union or a special federal organisation. A widely-circulating press organ, either of the newspaper or magazine type, with local pages or regional additions, is commonly regarded as the most effective medium, though not the only one, of member information. In Switzerland the use of three national languages obliges the consumers' cooperative union VSK to publish members' journals in German, French and Italian with a total circulation of 800,000 for a membership of 830,000. The other mass-media are not neglected but used much less extensively than the press. Films descriptive of cooperative activity in various countries are produced from time to time and circulated to societies for showing to their members. The results achieved by joint action between the cooperative unions of Scandinavia, Finland and Iceland are outstanding in this field. Radio talks and television programmes are also arranged to coincide with notable events or anniversaries or the yearly celebration of International Cooperative Day. Exhibitions showing cooperative activities, achievements and products are organised frequently for example in Great Britain, Sweden and Switzerland.

Although European consumers' Cooperative Movements have made considerable efforts to observe the Rochdale principle of the promotion of education among their members, it is generally true that the development of the cooperative educational system has always lagged behind the growth of the Movement's membership and its commercial and industrial commitments. The inadequacy of the national movements' communications and education services was exposed by the second group of factors which came into play with the revolution in distributive trade of the 1950's. Under the

pressure of competition from self-service and mechanised selling, the growth of multiple store firms and mail-order business, reinforced by an expanding advertising industry using ever more refined methods of influencing the public, the consumers' societies found that their hold on their members as purchasers was weakening and that the younger generation was hardly attracted at all to the cooperative store. Again, when the societies and federations rightly decided to modernise their business and sought to raise fresh capital for the purpose, they found that they had to meet competition in this field also from private enterprise and government offering attractive investments for wage and salary earners' savings. Finally, when the Movements sought to recruit managerial and administrative ability to direct and develop the larger units and the new types of enterprise recognised as urgently necessary, they found themselves often in an inferior competitive position to private enterprise in respect of both salaries and opportunities of advancement. They had difficulty, not only in attracting ability from outside the Movement, but also in keeping in cooperative employment promising younger personnel. The old loyalty to Cooperation based on principle was becoming more and more rare, wherever it was sought. The immediate advantage to the individual became to an increasing extent the decisive influence on the actions of both members and employees.

This was due in a considerable degree to the third group of factors and, notably, the virtual disappearance after the second World War of the old familiar forms of poverty and economic insecurity. From the time that government recognised that the maintenance of a high rate of employment was not only possible, but an obligation, the situation in the labour market changed in favour of the wage-earner. Despite price inflation, real wages in terms of purchasing power rose and, with them standards of comfort. Big markets were opened up for new inventions and products, e.g. television and plastics, and an irreversible shift took place in the distribution of spending power. The pattern of consumption radically changed, former necessities becoming less and comforts and luxuries more important. Socially, working-class consciousness diminished, as the desire to vie with neighbours in displaying "status symbols" increased in influence. With the ferocious competition and price-cutting in retail trade, with trading margins in certain foodstuffs virtually disappearing, the question: What is the practical use of joining a consumers' cooperative? became more and more difficult to answer satisfactorily in terms of contemporary life.

Of course, the question can be, and in certain countries is already being answered, effectively. Nevertheless, the full effects of the distributive revolution have not yet been felt, especially in Southern Europe and, in any case, certain attitudes and responses to traditional appeals on the part of working people are no longer to be counted upon. If their allegiance to the consumers' movements is to be preserved and strengthened, not only must cooperative distribution and production be maintained in a state of efficiency at least equal to that of private enterprise, but the cooperative idea must be presented to them anew as *a propos* not to the industrial revolution of the 19th century but to the social revolution of the 20th.

Fortunately, certain aspects of contemporary change are not unfavourable to consumers' cooperation or at least can be turned to advantage by the movement's policy-makers. One of these is the growing consciousness of the consumers' interests and the tendency of private enterprise, in the headlong pursuit of profits, to disregard them. There is a revolt amongst intelligent consumers against being treated as sales-fodder or advertisement-fodder and while the forces thus released have been to some degree canalised in non-trading consumers' associations, there is no reason why some of them should not be harnessed to the Cooperative Movement if the advocates of the Movement understand their job and are supported by the performance of its economic institutions. In other words the value of Cooperation will not be judged finally by the logic of its theory or the nobility of its ethics, but by its efficiency in delivering goods and services required by enlightened consumers.

### **Administration and Management**

As all the implications of this situation come to be recognised, more and more attention is being devoted to methods of improving the movement's administration and management. The general tendency is away from amateurism and towards increasing scope and authority for the trained, professional administrator or manager. Almost all countries can cite examples, from the pioneer era of their consumers' cooperative movements, of societies which began business under the leadership of management committees, not one member of which had had any training or previous experience in retail distribution. The members elected to the management committees their fellow workers in the mine or factory or on the railway, in whose honesty and good sense they trusted. Samuel Ashworth, the young man of 19 whom the Rochdale Pioneers appointed their first salesman, had no business training. Many another after him learned business management the hard way, by experience on the job. And so long as the typical consumers' cooperative remained a small enterprise, comparable to the private shop which was its nearest competitor, it could make progress under such management. But progress led inevitably to expansion and departmentalisation and, in consequence, to the employment of full-time, professional managers.

Problems then arose involving the relations of the managers with the committees of laymen and women, to whom the members delegated supreme authority (under the general meeting) in the societies and on whom the law usually laid more or less responsibility for the good management of the societies' business and finances. On the one hand, the manager was an employee, while the committee represented the society as employer; on the other hand, the manager was versed in the technical problems of commerce while the committee had no more than a rudimentary notion of them. Somehow, in the formulation and execution of business policy, the authority of the democratic mandate and the authority of technical knowledge would have to be mutually adjusted. With the evolution of the economic system, as previously described, success came to depend more



and more on mastery and effective use of administrative and management techniques, and never more than in the present period of revolution in distributive trade. A clear line of cleavage became visible between the committee's participation in administration as trustees of the interests of the members of the society as a body, and the day-to-day management of a complex business enterprise.

This division of functions was recognised as early as the German Co-operative Law of 1889, previously cited. The law provides that a cooperative society should be administered by a supervisory council elected by the members, and a management committee appointed by the supervisory council but also approved by the general meeting. The management committee is small in number; its chairman is the chief manager of the society; it may include, in a small society, one or two laymen as well as full-time employees of the society. The powers and duties of both supervisory council and management committee are defined in the society's rules, so as to reduce interference to a minimum, but on all important questions of policy and decisions regarding, for example, large investments of the society's capital or purchases of real property, there is normally consultation in advance between them. It is customary also for both authorities to submit reports for the consideration and eventual approval of the general meeting.

German example was very influential in the countries of Central and Northern Europe and in their consumers' cooperative movements the difference between the management of the society's business operations and the representation and safeguarding of the members' interests has found expression in similar two-headed system. In Great Britain, on the contrary, the tradition of a single management committee (sometimes styling itself board of directors) is still unshaken, one or two exceptions apart, notwithstanding the strong recommendation of the Independent Commission of Enquiry of 1958 in favour of reform along the lines familiar on the continent. Meanwhile, the continued growth in size of the typical consumers' society and the volume of its business increases the difficulties experienced by lay committee members in control of its affairs, and the real responsibility and authority tend inevitably to shift on to the shoulders of the full-time officials.

From this situation arise two urgent needs at the present time. One is managers of greater capacity and higher standards of education and training than heretofore. The other is an improved system of preparing lay members for office in order that a proper balance may still be maintained between technocracy and democracy in the societies and their true cooperative character remain unimpaired by the growth of their business commitments. Both these problems are discussed in more detail in a later chapter on education, but it may be emphasised here that the consumers' cooperative movement everywhere is now involved in severe competition for management ability and that success will be achieved only through a coordinated system of recruitment, training, remuneration and promotion which makes

cooperative service at least as attractive as employment in the ordinary business world.

### **Consumers' Cooperation and Government**

The relations of the consumers' cooperative movement with governments in the different European countries range over the whole gamut from complete independence to close control. The older movements which originated in the 19th century grew up for the most part under economic regimes inspired by liberal ideas. The most they could expect in the way of recognition would be a legislative charter giving the protection of the law to the cooperative form of enterprise on the same terms as it was given to other forms. They did not always get that, for in bourgeois governments the influence of the so-called "legitimate" private traders who feared the competition of consumers' cooperation was always powerful. In Great Britain the Industrial and Provident Societies Acts from 1852 onwards, which grew out of previous legislation for mutual benefit societies, did not make use of the term "cooperative society" but permitted societies to register themselves, if their rules were approved, with the Registrar of Friendly Societies and to enjoy the advantages of legal personality. In France, on the other hand, cooperatives were legislatively provided for in 1867 by amendment of the law on joint-stock companies, so as to give recognition to companies with variable membership and capital. In Imperial Germany consumers' cooperatives were included in the General Cooperative Law enacted in 1889 which, though fundamentally sound and enlightened, was excessively detailed and did not always allow for the differing needs of various types of society. In particular consumers' societies were restricted to dealing with their own members, a rule impossible to observe in practice. The societies were therefore always open to prosecution on the part of traders and their associations which instigated police action for petty infringements of this regulation. If today in the German Federal Republic, consumers' societies are permitted to sell to the general public, it is only because a law was passed in 1955 imposing a limit of 3 per cent on the rate of untaxed dividend on purchases they may pay to their members.

### **Taxation**

The taxation of consumers' cooperatives has always been a bone of contention between them and the private traders. Controversy centres upon the dividend on purchases. The thesis of the cooperators has generally been that the dividend is not an addition to the member's money income, but a saving resulting from the purchase or production and distribution in common of necessary commodities, and should therefore not be liable to taxes levied on incomes. For the most part the fiscal authorities have accepted this thesis in one form or another. The traders, however, who regard the dividend on purchases as a dangerous weapon in competition, usually clamour for its taxation at the source, in the same fashion as company profits and shareholders' dividends. By confusing the two cases it is

possible for them from time to time to persuade a part of the public that consumer cooperatives do not pay their fair share of taxation until the movement by counter-publicity is able to establish the true state of affairs. Cooperators commonly retort, in reply to the allegation that they are privileged, that they pay all taxes levied on capital or real property and pay all that is due because their accounts are properly kept and open to inspection, in contrast to the multitude of small traders who keep no proper accounts and whose tax liabilities are impossible properly to assess or collect. The attitude of the fiscal authorities depends, not only on the relative influence of the cooperative and private trader's lobbies, but also on government's social outlook and policy. Enlightened statesmen have always recognised the value of encouraging thrift and self-help among wage and salary earners, but with the extension of the parliamentary franchise and the advent to power of social-democratic parties and of coalitions in which such parties were partners, the Consumers' Cooperative Movement's legitimate place in the economic and social system has gained fuller recognition.

It may be added that the movement's first great opportunity of demonstrating its social value came with the war-time and post-war shortages of food and other necessities of life between 1914 and 1921. Even before government control of supplies became very strict the societies in all the belligerent and some neutral countries were doing all they could, even selling bread and other foodstuffs at cost, in order to restrain the rise in prices. After rationing was introduced they were conspicuous for their faithful observance and execution of the regulations. Their customers could be sure of obtaining their fair shares of goods in short supply. The authorities could be certain that no consumer cooperative would be involved in black-market operations. The societies' and the federations' expert knowledge of the food and other trades was always at the disposal of the appropriate Ministries and local controllers. The movement as a whole came to be regarded by Ministers of Food as their chief ally in ensuring the best nutrition of the population possible in the circumstances. Not merely government but the general public regarded the movement with increased respect after this experience which was, of course, repeated during the second world war.

## **Politics**

The wars brought with them many other occasions on which the consumers' cooperative movement became involved with government and inevitably with political questions. This merely accelerated a process which its very growth and the increasing extent of its business commitments made inevitable. Adhering to the Rochdale practice, the national movements, with few exceptions pursued a policy of "neutrality" or independence in regard to political questions, but found it impossible to interpret this as "passivity" or even "impartiality". From time to time it was indispensable to defend the interests of the movement and, indeed, of consumers in general. The case of protective tariffs, which restricted

consumers' choice of supplies and were ultimately paid by consumers as an element in the retail prices of goods, is one obvious example. Keeping watch on the proposals and actions of the public authorities became a regular function of the national unions. On their side, governments found it of practical value to appoint officials of certain Ministries—Commerce, Labour, Social Welfare—to specialise in maintaining contact with the movement.

Another factor of importance was the development parallel to the consumers' cooperative movement, of trade unionism and of Social Democratic parties. It is no great exaggeration to say that in the 20 years before the first world war (and even since) the typical member has been a citizen who was at one and the same time cooperator, trade unionist, and member of a Social Democratic party, except in those countries where the trade union movement was itself divided between Socialist and Christian political allegiances. It is obvious that, while it was generally possible to avoid actions or declarations by societies and their unions which were open breaches of the neutrality principle, it was by no means possible to control the sentiments of the members and their feelings of solidarity with workers in other countries who were struggling against oppression and for liberties which they themselves had already won. Whatever advantages in the way of access to Ministers and a sympathetic hearing which the consumers' cooperative movement gained when workers' parties came to power have to be offset by the weakening effect of political divisions within its own ranks. In Belgium the movement has always been divided along party lines and even today there are three groupings, Socialist, Christian and neutral (because it consists of civil servants) all affiliated to the International Cooperative Alliance. The same was at one time true of Holland and Germany but not since the reconstruction of these movements after the second world war.

There is only one example, Great Britain, of a movement which has deliberately created its own political party to fight electoral battles and secure representation in Parliament and municipal councils. This is the result of historical developments peculiar to Great Britain and it is significant that no other national movement has taken a similar course. For one reason the cooperators of the continent are aware of the difficulty the Cooperative Party has always experienced in combining collaboration with the much larger Labour Party with the maintenance of a truly independent point of view, especially on questions touching consumers' interests and the maintenance of cooperative freedom of enterprise in relation to nationalisation and state planning. The national movements which have not resorted to political action are not, however, without considerable or even great influence on government policy, especially in economic and social affairs. The influence exerted by Kooperativa Förbundet on the policy and measures of the Swedish Government in the fields of legislation to control cartels and restrictions and of consumer protection and enlightenment is a conspicuous example. Nor are the representatives

of the National Federation and the General Society of Consumers' Cooperatives on the National Economic Council of France ineffective spokesmen for cooperative and consumer interests. There can be no question that, the greater the support consumers' cooperation can secure amongst the general public and the larger its role in the economy of any country, the easier will it be to enforce its claim to consultation on national economic policy and to exert an even more powerful influence in promoting the welfare of the common people as consumers.

## Chapter IV

# Agricultural Cooperation

### I Credit and Banking

Although the Western European countries, taken together, are a relatively small land area, they show wide variety in their agriculture—more particularly, a variety of crop and livestock productions and of land tenure systems. Even within the still narrower limits of individual countries the differences are often striking. The farmer who has several hundred hectares of land under cereals in the rich plains around Paris and the farmer who, with his family, intensively works one or two hectares of vineyards on the arid hills of the south of France show how wide is the farming spectrum. If horticulturists, market gardeners, forest owners and part-time farmers are included, the diversity becomes almost bewildering.

Without attempting any systematic classification of types of farming and of land tenure, a few examples may not be out of place, since they illustrate the varying requirements of Western European farmers for credit, both for themselves and for their cooperatives. It is well known that agriculture everywhere—because of its dependence on climatic conditions and on the partly unpredictable behaviour of living organisms, the usually discontinuous nature of its output and the perishability of many of its products—presents a series of problems peculiar to itself. But most lines of production have, in addition, difficulties of their own, to which land tenure systems contribute a further element of diversity. All this has a direct bearing on the farmers' credit needs.

It may be worth noting, to begin with, that a large number of farmers in Western Europe do not own the land they farm. In some cases they pay a fixed money rent to the owner, in others there are various arrangements for payment by delivery of a proportion of the farm's output (*métayage*,<sup>1</sup> share-cropping etc.). In the context of credit requirements the important fact is that the landlord always has some obligations towards the joint farm business. It may be limited to the upkeep of buildings and drainage systems, or it may include also the provision of some portion of the working capital of the farm (livestock, machinery etc.). To a greater or lesser degree the landlord helps to finance the farm business and the dependence of the tenant farmer on outside sources of credit is reduced by that amount. It is hardly necessary to add that the landlord-tenant relationship is often unsatisfactory to one or other party, or both, and does not by any means relieve the tenant of all anxiety regarding credit. In Italy, where it is widely practised, the days of the *métayage* system are now numbered.

The owner-occupier is, however, more typical of Western European agriculture. Usually a large part of his capital is tied up in his land and buildings, and more is required to maintain these in a state of productive efficiency, even if nothing is currently being produced. But in most cases considerable expenses have to be incurred on other inputs than land and the farmer's own labour—fertilisers, pesticides, machinery, storage and perhaps hired workers. In the case of fertilisers, pesticides and similar items the expenditure has to be made some months before the crop is sold, while machinery and buildings represent a large lump payment to be written off over a period of years. In both instances the need for credit facilities is obvious.

### Sources of Credit

At the time when the first agricultural cooperatives were coming into existence in Europe, about a hundred years ago, farmers obtained credit mainly from merchants and moneylenders. It was almost entirely short-term operating credit that merely tided the farmer over the period between sowing and harvest, without enabling him to make any basic improvements in his farm. It was given at exorbitant rates of interest. The result was the permanent indebtedness of a large part of the farming population, at any rate in countries where small owner-occupied farms predominated.

More recently, commercial banks have come into the picture as a source of credit for farmers—in countries lacking cooperative credit institutions, they are the principal source of medium and long term loans. But only the successful large-scale farmer can, as a rule, gain access to adequate bank credit on acceptable terms. Industry, with its quicker turnover and higher profits, is a much more powerful magnet for investors, and commercial banks are geared to its requirements and find agriculture an irritating and unprofitable exception to their rules. Hence only the farm that approaches

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<sup>1</sup> A form of lease common in France and Italy, under which the cultivator and landowner take equal shares of the produce of the land.

the scale and style of operation of an industrial enterprise can hope for much understanding from commercial banks.

In the past decade or so large private concerns—meat packers or manufacturers of animal feedingstuffs, for instance—have begun to provide appreciable amounts of investment capital (not merely short-term credit on purchases) in connection with contract-farming schemes. The farmer who signs a contract to deliver pigs to a packing plant may thus obtain credit to erect suitable piggeries. Contract farming, however, is not as yet practised in more than a few sectors of production, of which broiler chickens, eggs, pigs and some horticultural products are perhaps the most important. Moreover experience has shown—particularly in the United States where contract-farming in its modern form originated—that an association of this kind between an individual farmer on the one hand and a large and powerful company on the other is fraught with dangers for the weaker party. Credit obtained in this way probably creates more problems than it solves.

The farmer's need of credit institutions catering specifically for his peculiar situation scarcely requires more exhaustive demonstration. Yet it is a striking fact that, whereas agricultural marketing and supply co-operatives are found in all Western European countries, agricultural credit co-operatives are entirely absent in a number of cases—Ireland, Italy<sup>1</sup> and the UK for instance. Perhaps some link may be seen with the fact that these are countries where tenant farming in various forms has been extensively practised. It remains, however, that many farmers today in these countries feel keenly the lack of cooperative credit facilities and are trying to remedy it.

### **The Raiffeisen System**

The first coherent cooperative credit system in European agriculture, and one that has strongly influenced later developments, is that associated with the name of Friedrich Wilhelm Raiffeisen (1818-1888). Not himself a farmer, Raiffeisen was nevertheless intensely concerned about the plight of rural people and devoted his life to improving their conditions through the creation of cooperatives and saving banks. He is rightly regarded as one of the great pioneers of agricultural cooperation in Europe.

Credit cooperatives occupy a central position in the cooperative structure that can conveniently be called the Raiffeisen system. In the middle of last century the first step towards a more tolerable existence for farmers in Germany—and elsewhere—was to break the grip of the moneylenders. But it is worth noting that Raiffeisen was well aware that credit cooperatives by themselves could not bring about the revolutionary changes that were needed. The farmer needed not only a source of credit on fair terms but alternative ways of obtaining his supplies and marketing his produce. The moneylender, as often as not, was also the merchant who sold the farmer his seeds and other requisities and marketed his grain, dairy products or livestock; the only way to beat him was by creating new channels that bypassed him completely. This truth is fully recognised today in the doctrine

<sup>1</sup> Although they were introduced in Italy in the 1880's and in Ireland in the 1890's, they flourished for only a limited period.



of supervised credit and the integrated approach to agricultural improvement.

Raiffeisen's cooperatives were rural, rather than strictly agricultural; they were permeated by the idea of the rural community in which the strong would help the weak in a spirit of total solidarity. Thus the local credit banks were open not only to farmers but to artisans, tradesmen, the local doctor and any others having their daily activities within the limits of the village. Membership did not involve any subscription of share capital—the cooperatives had none. Instead each member accepted collective and unlimited liability for the debts of the cooperative. Anyone could deposit money in the credit banks (and receive normal interest) but only members could get loans.

The great strength of these cooperatives lay in their virtual identity with a small, closely-knit community. Loans were granted, not so much on the basis of normal security, as having regard to the circumstances, character and capabilities of the applicant. The collective guarantee given by the members enabled funds to be borrowed by the cooperative on favourable terms. Since serious mismanagement could mean ruin for some or all of the members, there was a strong incentive to keep continuous track of how each recipient was using his loan, and to intervene in one way or another before dangerous situations arose. Such small units did not call for highly qualified, full-time management. Often a respected local farmer could run the credit bank as a sparetime occupation, for which only symbolic payment was made, if any.

Many other cooperative ventures developed around the nucleus of the local credit bank, in particular supply cooperatives and small processing and/or marketing cooperatives (dairies, egg collecting stations etc.). Thus the typical local cooperative unit in some parts of Germany was—and to a large extent still is—multi-purpose. This is not the place to revive the perennial discussion on specialised and multi-purpose cooperatives. In passing, however, it can be mentioned that qualified opinion in Europe today tends to appreciate more highly than in the recent past the particular virtues of a network of multi-purpose cooperatives, especially for countries in an early phase of economic development.

### **The Cooperative Credit Structure**

The German agricultural cooperative structure is not, however, exclusively the creation of Raiffeisen. Wilhelm Haas, a contemporary of Raiffeisen, was a vigorous promoter of farmer cooperatives. Inspired by similar ideals, his cooperative system nevertheless differed from that of Raiffeisen in some important respects: emphasis on single-purpose cooperatives, combination of unlimited liability with cooperative share capital and reserves, the three-tier structure (local, regional and national), in which the regional level enjoyed great autonomy. These two main groups of agricultural cooperatives were united in 1930.

A hundred years after Raiffeisen and Haas began their pioneering work, the cooperative structure in Western Germany is still recognisably their

creation. But many changes have taken place in response to the rapidly evolving economic and social environment. Most striking is the decline in numbers of village credit cooperatives, a tendency noted already over a period of decades but accelerating in recent years. There have been amalgamations of two or more units, and others have simply gone out of existence. Some that still survive only do so thanks to unpaid or underpaid management and their situation becomes more and more critical as the older generation retires from active participation. Small cooperatives have extremely limited loan potentiality and are faced with the competition of other lending institutions, in particular the public savings banks which are often strongly supported by local government authorities. Where farm supplies are also handled, overhead expenses (storage, transport) on the relatively small quantities tend to be high. Acute problems centring upon the economic scale of operation are, of course, being encountered in all the Western European countries.

Cooperative development in a number of Western European countries—Austria, Belgium, Switzerland and the Netherlands, for instance—has been strongly influenced by the ideas and practice of Raiffeisen and Hass. Besides extending from country to country the cooperative credit movement also developed in depth through the grouping of the village credit societies around district and central banks. The primary societies needed support and guidance, as well as sources from which they could borrow funds for re-lending to their members, and a secure depository for any surplus capital not needed for their members' borrowings. In the 1870's Raiffeisen established at Neuwied a Central Bank for all Germany which 20 years later set up a network of provincial branch banks which dealt directly with the primary societies and helped to equalise the supply of credit between the different regions. Thanks to this system the Raiffeisen credit movement had become, before the first World War, very nearly self-sufficient for working capital. Other notable examples of Raiffeisen central banking institutions have been established in Austria at Vienna and in Holland at Utrecht.

### **German Central Bank**

In Germany from 1895 onwards an additional source of credit for agriculture became available in the form of a central bank for cooperatives, set up by the former State of Prussia, which in time extended its field of operations to include the whole German empire. For some years this governmental bank encountered difficulties in arriving at fruitful working relations with the cooperative credit and banking systems, urban and rural, already existing. Ultimately, however, the governmental bank, acting as a clearing-house, came to form an indispensable link between them and an important channel for mutual support. A great part of the financial operations of the two systems proved to be complementary in the sense that the peasants, on the one hand, and the artisans, on the other, needed credit at different periods of the year and their loan repayments would thus serve to finance each other's borrowing. This yearly cycle of borrowing and repay-

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ment was already well-established before the outbreak of war in 1939 and the need to restart it was a powerful reason for setting up the bank afresh in Frankfurt-on-Main, simultaneously with the foundation of the Federal German Republic in 1949. The bank was reconstituted, as before, as an organisation subject to public law, but it is no longer under governmental control except for the supervision of a commissioner who verifies the legality of its operations. The governing authority is an administrative council on which the representatives of the shareholding cooperative organisations hold a majority over the representatives of government and other banking institutions. Thus an institution which began as a bank for cooperatives has become for all practical purpose a bank *of* cooperatives. In 1957 it obtained powers to issue bonds, thus enabling the Agricultural Cooperative Movement to tap external sources of capital.

### **Land Mortgage Credits**

Mention must be made of another kind of credit association specialising in mortgage credit, which originated in Germany about a century before the Raiffeisen savings and loan associations. This is the "Landschaft" and its original purpose was to raise capital for the rehabilitation of agriculture in the province of Silesia which had been ravaged in the Seven Years War of 1756-1763. The method adopted was to issue bonds, negotiable on the stock markets which were backed by the collective security of mortgages on the estates of their members. The Landschaften were not pure cooperatives, for the proprietors of all estates above a certain size in the province were compelled to accept liability for part of the associations' obligations whether or not they became borrowers. The system was so successful in saving land owning families from ruin that it spread all over Germany, especially when membership ceased to be compulsory and was made open and voluntary.

This enabled cooperative land mortgage credit to play a beneficial role in agrarian reform and agricultural progress. Over the greater part of Western Europe statesmen were thinking, as the 18th century drew to a close, of abolishing the ancient feudal land tenures in favour of peasant proprietorship. The great Revolution of 1789 liberated the French peasants at a stroke. Elsewhere the movement was slower and occupied at least half of the 19th century. Although the emancipated peasantry came into possession of the land, they lacked the capital to make it fully productive. An institution was needed to finance long-term improvements to their farms and also to finance the purchase of land by those whose holdings were too small to maintain their families decently or by landless agricultural workers who aspired to become farmers. Hence the attention paid to the German Landschaften, for example, by the Danes who, in the middle of the 19th century began to establish cooperative associations working on very similar lines. Their role in the advancement of Danish agriculture was fundamental; without them the farmers would have not obtained the means to enlarge and reconstruct their buildings, to drain and marl their land, to add to their

equipment and in other ways to keep abreast of technical progress and the evolution of their markets.

## The French System

The French cooperative credit system in agriculture provides an instructive contrast with the Raiffeisen set-up on a number of points. It is more strictly agricultural; the credit cooperatives are single-purpose; right from the start, towards the end of the last century, the local credit societies have generally had only modest functions and the real operating agencies are the departmental<sup>1</sup> credit banks. But the fundamental difference is that, in the French system, a union has been effected between the farmers' own efforts to meet their credit requirements and the aid which the State feels it necessary to give to agriculture in the form of credit provision. This has given rise to a three-tier structure in which the local and departmental echelons are essentially farmer-managed cooperatives while the National Agricultural Credit Bank, at the apex, is administered by a board on which government and parliamentary nominees together form a majority, and is managed in its day-to-day operations by a staff of civil servants headed by a Director General appointed by the government.

This structure can be largely explained by the fact that, in the second half of the nineteenth century, the growth of local agricultural credit societies was disappointingly slow. It was not until the law of 1897 authorised the Bank of France to advance 40 million francs, interest free, to the government for agricultural credit purposes that marked progress began to be made. The distribution of this sum to farmers rendered necessary the creation of departmental credit banks which then in many cases, stimulated the formation of local credit cooperatives. The local cooperatives, however, mostly function simply as an agency of the departmental bank, their main activity being to examine and advise on loan applications originating in their constituency.

This structure was completed in 1920 by the establishment of the National Agricultural Credit Bank (*Caisse Nationale de Crédit Agricole*). Today this is one of the most important credit institutions in the country, and handles all types of banking business. Its volume of deposits on current account in 1964 placed it fourth in the national classification above some of the major commercial banks. It is authorised to offer bonds for sale to the public and obtains a substantial part of its resources in this way (a net capital addition in 1964 of 1,215 million francs or \$243 million). The National Agricultural Credit Bank is the normal channel through which the government makes available special credits for specified purposes (rural dwellings, consolidation of holdings, modernisation, natural disasters etc.).

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<sup>1</sup> In France a *département* is a principal administrative area, resembling an English county.

## The Swedish System

The Swedish cooperative credit system in agriculture can be regarded as in a sense intermediate between the German and the French. The first local rural credit societies founded in 1915, were consciously modelled on Raiffeisen lines (although it is to be noted that the initiative and a good deal of financial support came from the State). These credit societies, and the regional cooperative credit banks that were set up soon afterwards, did not flourish and by 1930 only about 14,000 farmers out of a total of 300,000 had become members. It is thought that the heavy liability of members for the debts of the societies and the limitations placed on the right to borrow were among the inhibiting factors. A thorough reorganisation took place in 1930, and further important modifications in 1942 and 1958. Features of the reorganisation in 1930 were the creation of an apex organisation uniting the regional credit banks, the relaxation of regulations governing the granting of loans by the credit societies, the reduction in individual liability for the debts of the societies, and the introduction of cheque accounts. The 1930's were in any case a period of strong agricultural cooperative development in Sweden and, helped on by these reforms, the credit cooperatives progressed comparably with the other types of farmer cooperatives. Deposits overtook loans for the first time in 1943, and have remained ahead virtually ever since.

It is particularly interesting to note that by 1960 the system was working without any State funds or guarantees, and the management of the societies at all levels had passed entirely into the hands of the farmer-members.

Since 1936 the total number of local credit societies has been falling, as a result of amalgamations to form larger and more viable units. This process is expected to continue. Nowadays the members of the local credit societies have no personal liability for the societies' debts. Membership is open not only to farmers and those engaged in ancillary occupations but also to agricultural cooperatives and to local government bodies (communes, municipalities) in the area of operation of the societies and the regional banks. The original apex organisation has been dissolved and its functions divided between two bodies: the Bank of Agriculture (banking operations proper, servicing of the regional banks, large loans to cooperatives) and the Association of Swedish Rural Credit Societies (management, coordination, supervision, staff training, etc.).

The three agricultural cooperative credit structures briefly described here—the German, French and Swedish—can be regarded as representative of the types of organisation to be found in Western Europe as a whole.

## Credit and Cooperative Trading

So far no specific mention has been made of the credit requirements of farmers' supply and marketing cooperatives. As would be expected, the cooperative credit systems, whose *raison d'être* in the first place was to provide credit to the individual farmer, have long since assumed the function of bankers to the agricultural cooperative movement. As loans to cooperatives are normally much larger than those given to individual farmers this activity is not much handled by the local credit societies. The usual

practice is for cooperatives to apply to the regional (departmental) credit banks; if an exceptionally large sum is involved the request may be passed on to the central (national) cooperative bank. In Germany the apex organisation, the German Cooperative Bank<sup>1</sup>, is the central bank of the entire cooperative movement. Like the National Agricultural Credit Bank in France it is the institution through which various kinds of government assistance to agriculture are channelled.

The enormous changes that have taken place in agriculture and in the general economy of Western European countries in the past hundred years have further emphasised the dependence of farmers and their cooperatives on an adequate source of credit catering for their particular needs and not enslaved to the restrictive criteria of conventional banking practice. If farmers today are better off, in absolute terms, than their grandfathers their prosperity does not keep pace with that of most other sectors of the Western European economies, while the demands of modern agriculture for investment capital have increased enormously. Exploitation by the private moneylender may have become so rare as to be negligible, and most farmers are probably able to cover their requirements for short-term operating credit in a satisfactory way, but a farmer's future now often depends on the outcome of a fierce struggle for scarce medium and long-term capital, and those who fail to secure what they need on acceptable terms face the prospect of a rapid obsolescence of their productive equipment.

### **Cooperative Credit and Agricultural Progress**

This can be seen in almost every branch of temperate agriculture. The grain producer, to be competitive, must invest heavily in combine harvesters and grain-drying equipment, perhaps also in storage capacity. Milk producers must bring their milking parlours—and of course their cattle—up to certain stringent standards if they are to obtain remunerative prices. Fruit producers have to scrap old trees and replant at great expense and with a break in production of some years. Consolidation of scattered holdings and other structural improvements such as the redistribution of land occupied by marginal farm enterprises are, in many areas of Western Europe, necessary and even urgent undertakings which however require investment resources far beyond the capacity of the farmer or farmers concerned to take care of alone.

Perhaps the prime virtue of the various cooperative credit systems is to ensure that a large proportion of the savings of the rural population are ploughed back into farming, together with some funds attracted from other sectors. The Swedish and German examples show that the volumes of such agricultural savings should not be underestimated; in France too, deposits in the agricultural cooperative credit system represent an increasing proportion of total resources available.

A further important advantage is that credit from cooperative sources can be tailored more closely to farmers' requirements. In the case of local

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<sup>1</sup> Deutsche Genossenschaftskasse, pp. 55-56

credit societies personal knowledge of, and confidence in, the borrower can to some extent be a substitute for the kind of security a commercial bank would demand. Repayment can be phased to fit in with expected returns from the investment. Advice can be given to the borrower regarding the best utilisation of the loan, so as to avoid situations in which he is unable to meet his obligations.

### **Extended Role of Cooperative Banking**

Where credit cooperatives are specialised organisations—and this is usual in Western Europe—much can be gained by a close collaboration with other types of cooperatives. In some cases, for instance, payments due to the farmer from his marketing cooperative are automatically credited to his account with the credit society, thus providing extra security for his loans from that source. In recent years marketing and supply cooperatives have begun to experiment with contracts between themselves and some of their farmer-members and credit cooperatives are sometimes associated with these ventures, which usually involve extending credit to the farmer for special purposes (construction of batteries or pigsties, acquisition of selected stock etc.). Since part of the attraction of contract schemes offered by large private concerns appears to derive from the credits that may be granted, it is important that cooperatives should be able to compete fully and effectively in this respect. The collaboration of the credit societies may therefore turn out to be essential.

It is hard to generalise about interest rates. Where cooperative credit agencies are handling funds allocated by the State for specified purposes (consolidation of holdings, improvement of pastures, afforestation etc.) the interest rate will normally be lower—perhaps much lower—than on equivalent loans from commercial sources. As regards the regular types of loans from cooperative credit societies, there may not always be any significant difference in interest rates; if there is a difference it will almost always be in the favour of the cooperative, without taking into account the patronage refunds or bonus which many credit cooperatives pay out to their members at the end of the financial year.

As in so many other sectors, the mere existence of a cooperative credit system has a healthy effect on private firms active in the same field. For reasons already briefly mentioned, commercial banks are usually not much interested in making loans to farmers; they can find more profitable takers in manufacturing industry. But as they do not want to abdicate entirely from agriculture and related industry, they are obliged to offer terms that bear comparison with those of the cooperative credit system.

The national agricultural cooperative credit banks are too important, in the general economic context, not to be subject to the regulations and supervision exercised by the public authorities over other banking and credit institutions. Management at both the national and the provincial levels requires highly competent technicians who will often have to be sought from outside the cooperatives themselves and remunerated at rates current in banking and industry at large. Economies on this point can easily be

disastrous. At the local level it may still be possible to carry on with a less sophisticated type of management. But, in line with the almost universal trend towards larger units, it seems inevitable that the functions of such local societies will be further limited, until they become direct agencies of the provincial cooperative banks, as can be seen in some parts of France.

Enough has been said to show that agricultural credit cooperatives, like those for marketing, supply and other services to the farmer, are caught in the present strong current of change in agriculture in particular and in the economy in general, and are having to face difficult problems of reorganisation. Although the administration of credit and banking business is highly specialised, the future of the agricultural credit cooperatives is closely linked with that of farmers and their other cooperatives. The situation requires not only a concentration of forces within each branch of cooperative activity but also a concerted thrust by the Agricultural Cooperative Movement as a whole. Credit, in particular for investment purposes, has a crucial role in this context.



# Chapter V

## Agricultural Cooperation

### 2 Marketing, Supply and Services

Agricultural cooperation in Europe has become a permanent way of working which often handles the whole crop of a farm or almost the whole crop of a country; it can be the main contact of the farmer with his markets, his supplies and his technical knowledge. Some existing European farm cooperatives date from the 12th century. These *fruitières* number about 200 in Switzerland and 1,400 in France. They are based on the fact that cheese-making required the milk of some 20 farms. When the herds were driven to the mountain pastures in summer, surplus milk was available which was preserved for the winter or for sale by manufacture into cheese. In modern times the milk usually runs down a pipe to the dairy in the village.

The great growth of farm cooperation came when farmers were entering the market economy—when their main activity became production of food and materials for sale rather than home consumption. This happened in the latter half of the last century in Europe. It is happening in many other parts of the world today. In our world men specialise more and more, becoming expert in one or a few activities rather than self-sufficient. In an under-developed economy, such as Europe used to be, eight out of ten people work on the land to supply food for the population. Most of what they grow they eat at home on their own farms. In the most advanced farming countries one worker can supply ten with better food than could eight in a less developed agriculture.

## **Agricultural and the Market Economy**

Such an achievement has also posed problems. When the farmer had only a little surplus he could go to the nearby town and sell to the local people. With the growth of commerce and industrial towns the market became farther and farther away from the farmer, who cannot now look after the sale of his produce personally. It is not only a question of distance from the market, but also one of preserving food; of processing it so that it will be acceptable to the consumer; of grading, advertising and selling.

On the other hand, the farmer found increasing need to purchase farm equipment and consumer goods, which he had previously made for himself, but, in this more specialised world, had to buy from other people. Even in production he found that he could no longer be fully self-sufficient because the size of machinery, or the kind of service needed became too big to be justified for his farm alone. The old system, therefore, breaks down. It can no longer function in the modern world.

Change is first seen by an individual rather than by a large group. The local merchant, more in touch with the outside world, was the first to see the opportunity for increasing purchases from farmers for sale to a distant market. The merchant also could increase his sales to the farmer, so making profit on both transactions. Private enterprise has usually opened up agricultural trade in the first instance. Cooperatives are developed by farmers who believe that they can avoid exploitation and do the job more effectively by their own action. Some economic theorists argue that competition between merchants will make them trade at the lowest possible profits; that competition can ensure efficiency. This has not been Europe's experience in trade with the products of agriculture. The merchant has tended to become a monopolist.

At first there was a sale of a small quantity of produce. The merchant reinforced this position by lending money to the farmer to buy necessities. At harvest time they were forced to sell to this money-lender merchant to settle the debt. If the harvest were bad, as in the "hungry" 1840's, they sank still deeper into debt-servitude. Interest rates were high—very often the farmer did not know the precise rate of interest, nor indeed the extent of his debt. Farmers were so indebted that no crop could pay off the interest and the amount owed accumulated from year to year. Such a position could be found frequently even in the beginning of the 20th century. Having gained this control over the trade of a farmer, and indeed of a whole farming area, the merchant could buy cheap and sell dear. He had a strong monopoly.

With development came processing and grading which required a national network which could not be duplicated. There could only be one dairy in a locality if costs were to be kept to a minimum; there could be only one butter sales organisation if the market was to be controlled on a national scale. Private ownership gives power too great for any individual to have over the livelihood of his neighbours.

Cooperatives are an economic tool, but they are used for a social purpose in many cases. The farmer who is in the hands of an exploiting monopolist feels that no action of his can benefit him. Greater output only goes to the

middle-man. Therefore, he makes no effort. This was the reasoning behind Raiffeisen's movement in Germany and Plunkett's in Ireland. The objective was moral, the means economic. If these pages deal with facts and factories their interest lies in the spirit of the farmers who sought and still seek today, to assert themselves as men—controlling their changing environment, preserving and improving their independent way of life.

### **Processing**

The farmer is now a junior partner in the food business. Only forty per cent of the housewife's money travels back to the farmer—in some products as little as ten per cent. All of this expense might be termed "processing", but in particular we mean factory processing of food, which used to be carried out on the farm.

In Europe the great example of this transfer from farm to factory has been the dairy industry. It has given rise to some of the earliest and strongest cooperatives. Before the mechanisation the manufacture of butter by hand churn was as efficient on a small farm as on the large. Nonetheless, the "estate butter" in Denmark made 25 per cent more in price than the produce of the small farm. This experience was repeated in each country. The larger farm could establish a reputation for quality in a way impossible to the small individual producer. The first European cooperative dairy of which we have record was at Rausjodalen in Norway in 1856. It was designed to benefit the local farmers by uniform quality and better marketing. When the cream separator was invented in 1878 it became possible for the creamery to extract more butter from a given quantity of milk, and the butter could be of uniform quality.

But the introduction of machinery required the output of many farms for its economic operation. Buttermaking ceased to be a farm job and was done in a factory. Cooperatives did not immediately spring up to use this new invention. The Danish industry began with a creamery in Hjedding in 1882. The Netherlands, Sweden and Ireland followed within the next decade, Finland at the beginning of this century.

At first the new invention was exploited by the individual owners, who invested their capital in the new factory system. Provided the farmer was paid more for milk than he could make under the old system of butter making, he would supply them. When he had ceased to make butter by the old methods, and had lost his market contacts, he could only sell his perishable product to the nearest dairy at the price offered—or cease production.

"After a while the price was reduced and the proprietor finding it only necessary to give suppliers what they could make out of their milk without his modern equipment, realised profits out of all proportion to his share of the capital or the labour involved in the production of butter", said Sir Horace Plunkett in his speech to the annual general meeting of the Irish Agricultural Organisation Society in 1906.

At first dairies were set up in a haphazard manner. Private and cooperative firms were in competition with each other and sometimes premises were very close together. Since milk is perishable and expensive to trans-

port, dairies tended to have a local monopoly but an inadequate supply of milk for cheap working. (The cost of manufacture is about half as great in the largest as in the smallest size group.) There was no standardised basis of milk purchase. Prices paid to farmers farther from the dairy were often higher than average, to attract them to supply. The butter produced was more standard than that of individual farmers, but still too variable to establish a consistent market for export.

A low grade product could be sold at more than its true value, injuring the reputation of all other producers. This confused state of affairs lasted in most countries to the 1930's when the depression in prices and incomes forced rethinking by farmers and governments, as happened in Sweden, Norway, Britain and Ireland. The form of legislation varied in each country, but the effect has been, between legislation and economic development, that cooperatives handle most of the milk in Europe. The farmers' cooperatives pioneered the way in paying for milk according to quality. They have also laid down general standards of quality of product. In this privately owned factories have cooperated, as in Denmark, but the initiative is held by the cooperatives.

While cooperatives do not usually initiate the first beginnings of development of a modern dairy industry, once in existence they give the farmer power to have research carried on and for further reorganisation of the market. Modern methods of transport have carried through a revolution as important as the discovery of the separator. Instead of serving a radius of three or four miles a creamery now collects milk 30 or more miles distant. For specialised products such as the processing of lactose from whey, federations cover hundreds of square miles of collection area. In the Federal German Republic all the regional central cooperatives handling dairy produce are united in the "Milch-Fett-Eierkontor" registered as a company with headquarters at Hamburg. In Sweden the cooperation of cooperatives has led to the closing of more than three-quarters of the creameries in existence in 1933, though the total quantity of milk handled has increased. This rationalisation can now be done on a scientific basis. Still many farmers think that it is better to have some private concerns operating in any industry as a control to ensure efficiency and to measure the results of cooperative societies.

### **Slaughter-Houses**

A little after the revolution in dairying came that in the bacon industry. In Denmark especially the farmers sent their pigs to cooperative slaughter-houses, where they received a standardised cure, which could be sold and promoted as one product in the British market. This was the secret of Danish success in dominating that market in price and quality. The large volume of a standard product can carry the cost of expensive advertising and other market promotion.

The large throughput of each agent enables the marketing commission per ton to be reduced. Through the Danish Bacon Company Ltd., their marketing company in Britain, and the control on agents, the Danish

farmers were more nearly able to determine the price in the market. Their farmers were no longer passive price-takers. By contrast privately owned factories, such as those which control a great part of the market in Ireland, are jealous of their brand name and will not willingly submit to the control that is necessary in the interest of the industry. Privately owned factories tend to resist rationalisation. If factories are merged into one, then a number of managing directors lose their position. Rationalisation is difficult enough to achieve among cooperatives, because, though farmers are interested in the overall success of the industry rather than that of individual factories, still any group or society tends to develop a life of its own and resist a merger with other factories.

The slaughter of beef has taken longer to develop. While the meat trade was carried on by individual butchers there was no point at which the cooperative could help. In much of Europe this is still the position. It has, however, become increasingly obvious that large-scale slaughter is desirable for efficiency of working and to supply the consumer with the cuts which he prefers in each area. In Sweden this has been an important factor in improving the quality of the cattle. When beasts are sold live to the butcher many faults are concealed. The butcher does not suffer because he averages out the loss. He may know that many cattle he receives have, for example, diseased livers due to fluke. He simply reduces the price he pays for cattle to an average which will give him a profit. With an organised market, the farmer can receive payment for each part of the beast according to its quality. Then he considers it worth while treating his cattle to obtain a disease-free, higher priced product.

### **Other Products**

A similar story can be told of the processing of many other farm products from the potato starch factories of the Netherlands, to the wine producers of France and Italy, of grain-handling cooperatives, sugar refining, wool marketing, forest products. Whatever farmers produce that requires transport, grading, storing, packaging, processing by some industrial means can be handled in this way. Each has become a big business, eventually requiring large capital and skilled management, but with the common attribute of farmer ownership and control.

A special word may be said of the poultry and egg cooperatives, because there may be a lesson to be drawn. In many countries these have been the hardest to organise because they have traditionally been the source of money income to the farmer's wife. While she sold poultry in the old manner no one knew what happened to the money, and she kept it. When the market was organised through cooperative packing stations, cheques came in to the common family account. The cheque was better, but the farmer's wife less satisfied.

### **Marketing**

Processing leads to marketing. In fact marketing is a form of processing, regarded in one way. A product is moved from a place where it is not so useful to one where it is more valuable. It may incidentally require grading,

testing, processing on the way and advertising and sales promotion on the spot to persuade people to buy it. Sometimes a fairly simple marketing scheme suffices, as where cattle are brought to a central ring for sale. Even here in modern experience a capital expenditure of about £20,000 is required. One auction working by itself is inefficient. It is necessary to have a number spaced out round the country so that they can offer a large selection of stock each day. Costs can be lowered by full employment of staff since one sale will be held on each day.

Vegetable marketing is of special interest. In Europe can be seen a wide variety of approaches to this problem, varying from the apparently chaotic and admittedly expensive, old-style markets of Covent Garden in London or Les Halles in Paris, where a system suited to small cities in the Middle Ages handles the food of millions of people. On the other hand, we can see the "veilings" of Holland or Belgium, where a wholesale auction system handles goods for a commission of about 1 per cent. The basic commission in old markets often reached 10 per cent, but the incidental cost in time wasted, freshness lost, or in damage is far heavier. Efficient markets are in instant contact by phone with other centres at home and abroad, so that price cannot fall too low in any one centre because of a local glut. The surplus is bought up for transport to another area.

Where markets are close at hand, as with market gardeners beside a city, it is difficult for a cooperative to provide an adequate service. A member feels too often that he can (at least temporarily) arrange a better sale privately. Similarly when the trade is between individual farmers, as in the fattening of cattle in Germany or Ireland, because the market is disorganised at each end.

Frozen vegetables are rather little handled by farmers' cooperatives as yet. This operation is carried out by major concerns which contract with farmers for supply. Marketing of processed foods is a major development, which can be undertaken cooperatively by the processing factories. Only by an organisation which can cross the frontiers and enter the importing country's market can farmers gain any influence on the handling and the marketing of their products abroad. A particular example is the Danish Bacon Company in England which receives most of the Danish bacon exports, handles pricing, advertising and other services.

### **Inter-cooperative Trading**

In some cases the farm cooperative has come to the consumer's doorstep retailing milk to the consumer or operating butchers' shops. Sometimes the current has been in the other direction, as when the CWS operated creameries in Ireland—a bacon factory is still so operated—even bought farms.

There has been slight friction and jealousy, but usually when farmers are organised there has been suitable cooperation, with the normal disagreement on price. The Swedish cooperatives, after certain difficulty, reached an arrangement whereby, in general, the farmers operate the processing plant, and the consumers the retail outlet. One of the best known examples

of such division of labour has existed for over 30 years in the city of Geneva, Switzerland, where the fresh milk collected by the farmers' processing society is sold through the shops of the local consumers' cooperative. In other cases, such as the Miloko chocolate crumb factory in Ireland, Producta Ltd in Holland, joint enterprises have been set up.

An interesting point arises in the negotiation of prices when farmers have organised into a monopoly processing and sales organisation and the consumers into an equally powerful negotiating instrument on behalf of consumers.

### **Cooperative Purchasing**

Industrialised farming requires ever greater purchases of farm requisites and also of family needs. Both are an obvious field for cooperation and have been extensively used by the European farmers, though never to the extent of monopoly found in the sales and processing. Nonetheless, when three-quarters of fertilisers are bought through the cooperatives it is these societies which fix the price in the market.

The first objective is to obtain a fair price. Reductions in the order of 25-50 per cent have been common at the start. There is a real danger that farmers forget the conditions as they were in their grandfathers' time, and say that, since the cooperative sells at the same price as other merchants, it has given no benefit to its members.

The second objective is the ensuring of quality in the goods supplied. In the last century fertilisers and feeding stuffs were sold without grading. There was no guarantee printed on the fertiliser sack of the amount of potash, phosphate and nitrogen, nor on seed was there any guarantee of germination and purity.

When there was no competition, or when farmers bought by price, there was a temptation to lower the quality of the goods. A cooperative society has nothing to gain by cheating its own members. Cooperatives have been pioneers in establishing the norms of quality in every country of Europe.

The reaction of the traders was to try to cut off supplies from (as they called it) unfair competition. The need to secure supplies, together with the economies of bulk purchasing and the control which this gave over quality, led to the setting up of wholesale societies which, like those of the consumers, entered manufacturing. Such factories are the cement works in Denmark, fertiliser factories in the Netherlands, machinery in the Netherlands, Sweden, Finland, Denmark, and feed-compounding almost everywhere. One of the major reasons for farmers entering the wholesale market and manufacture of these goods was the existence of cartels or monopolies. These restricted supply and held prices up. Since a cooperative is designed to sell at cost-price and any surplus earned is paid back to members in proportion to purchases, the cooperative has been found repeatedly to be the ideal response to the monopolist.

The method of operating these societies varies from country to country. Some local societies are merely agencies, as in Switzerland or Denmark, having at most a local warehouse from which farmers may draw their

goods, and charging 2 per cent to 7 per cent commission on orders. Sometimes full shops and stores are operated even by the consumers' cooperative society of which the farmers may be members—as in Finland. Some, such as the Danish societies, are separated, with different associations for fodder, fertiliser and seeds, others are part of the general purpose societies. The Union of Agricultural Cooperatives of N.E. Switzerland (VOLG) with headquarters at Winterthur is a multi-purpose wholesale organisation which offers its members a complete range of farming and household requirements. Consumers' goods of all kinds are retailed by the local farmers' societies in their village stores.

### **Specialist and General Purpose Cooperatives**

In most countries of Europe specialised cooperatives are found dealing in one type of commodity. These societies link together in regional federations for common purposes and often make a common movement with other types of agricultural cooperative only at national level and through the farmer who may be a member of a dozen different specialised societies. This is the basic form of organisation in Scandinavia.

In other countries such as Great Britain, Ireland, Belgium and, in part, Germany, the local cooperative is designed to give all cooperative services to the members. Many thinkers, such as Sir Horace Plunkett, have hoped that by this means a new unifying force in rural society could be fostered.

This division is not a clear one. Some cooperatives began by having a specialised aim but added new activities to the structure till they became general purpose societies; other societies began as general purpose societies, but found that only a specialised society could be large enough to be efficient. General purpose societies often federate to form a specialised regional cooperative which can in this way reach economic size.

The arguments given for specialised cooperatives are principally based on efficiency. The economic unit for each type of trade is different. Slaughter-houses, whether for poultry or cattle, need large supply areas and large factories for handling the product. They cannot be based on a locality small enough to be called a community. Dairies on the other hand were once very small, serving an area about five miles radius, which covered a parish or local community. But dairy societies, which appeared the perfect basis for local organisation in the past and were the foundation of general purpose societies, must change with the new methods of transport so that in every country numbers are rapidly being reduced—to less than a quarter of the previous number in the course of 25 years in Sweden. In fact the Danish farmers in October 1964 adopted the rules for the Dairy Society of Denmark which is to be one cooperative handling all milk sales for the country.

The arguments for the general purpose society are rather more sociological in nature. The general purpose society reflects the mixed farming carried out in most European countries. The farmer keeps fully employed by moving from one activity to another with different crops during the year. His cooperative follows the same rhythm. Cost will be lowered if the



staff used for handling milk during the peak periods can be transferred to the sale of fertiliser during the winter.

In many parts of Europe, such as Germany, the cooperative movement found that indebtedness of farmers was their great weakness and that the money-lender controlled buying and selling as well as credit. The heavily indebted farmer could not use the cooperative sales organisation unless he first cleared his debts to the money-lender. Should he prove "disloyal" the loan would be called in and the farmer faced with a debt which he could only pay by selling his farm. For this reason the cooperative credit societies were joined in Germany with supply societies for farm needs and farm sales organisation. In Ireland the farmers needed credit so that they could increase production; produce, such as milk, provided the only security on which a loan could be given. Because the dairy is the only buyer of milk in an area it can claim almost 100 per cent security on loans which it gives to its suppliers. The cooperative dairy society therefore became the natural vehicle for credit and for the supply of manures and machinery.

When the Cooperative Movement began in Europe, education was not as developed as it is now. Except in Scandinavia it was not easy to obtain suitable committeemen. The same was true of staff. Under such conditions one competent committee and effective manager were preferable to many specialised societies each catering for one commodity or service.

### **Farm Services**

The modern efficiency of European farming is not founded solely or principally on equipment or machinery but on knowledge. Large companies can carry out research and spread the results, but individual small farms cannot. Technical advice to farmers is often thought of as a government service. It is not necessarily so. In Denmark virtually all agricultural advisers are employed by the agricultural associations, to which the government pays a subsidy. In Ireland the advisers were originally employed in a similar manner, and there is some movement back to this. Advice from an expert hired by the farmers themselves is often more valued. Advice on the farm is often a by-product of marketing. A standardised high quality product is required. For this the farmers must know the type of quality required, the breeding, feeding and housing. The pig breeding centres in Denmark are a good example of work which it would not pay an individual factory to undertake, but which, collectively, farmers found the soundest of investments. The farmer becomes increasingly dependent on specialised services rendered to him. These services must cover a wide area as the unit for giving them has greater capacity.

Bull societies were common in Denmark from the 1880's, reaching a maximum of 1,400 local societies in 1939. They gave small farmers the advantage of pooled resources so that better stock might be bought. Now, in almost every country in western Europe, artificial insemination is predominant. When one bull can sire as many as 15,000 calves in a year, a wider scale of operation, backed by progeny testing and research, is the only means by which the best results can be obtained.

Similarly, breeding strains of pigs suited to bacon production has been delegated to special centres in which bacon factories in Denmark pool their resources.

The hatching of poultry has become a service uneconomic to the individual farmer and carried through in large scale breeding and hatching centres. In France and elsewhere the cooperatives supply day-old chicks to farmers for fattening. This is parallel to the vertical integration of private firms. It enables the farmers to supply large quantities of a standardised poultry product, which their societies also process, for the mass market of broilers. Electrical and water supplies are services which the individual farmer finds it costly to provide. Usually these are provided by the municipality, but in France and other countries one may find them operated by the farmers themselves on a collective basis.

Mutual insurance is almost universal. Local insurance is of doubtful value because the risks run are shared by the farmers of the region. Weather or disease affect them at the same time. Most often insurance is operated through a national farmers' association, such as the Boerenbond Belge which handles the insurance of some 80 per cent of farmers, and which commenced operation in 1893. In Sweden the Scandinavian Livestock Insurance Company was set up in 1890 and the National Farmers' Union (RLF) has now third party, forestry, and accident insurance with the Swedish Farmers Accident Company. Life assurance is operated jointly with a private company. In Britain the National Farmers' Union draws a substantial part of its organisation funds from the operation of insurance.

### **Loyalty**

Many hold it essential to a farmer cooperative that members be bound by rule to trade only through it. The members undertake to each other that they will use the equipment set up for their mutual advantage. If certain farmers trade outside the group the throughput is less than the equipment was designed to handle, so costs per unit are heavier on the loyal members. If the cooperative has been set up by farmers in the hope of controlling all supplies in an area, their plan may be wrecked by individuals who sell outside the cooperative, catching a chance profitable market which would otherwise have accrued to all the members in the cooperative. Such farmers send the residue, or what they cannot easily handle in their own sales outlets, to the cooperative so that the cooperative receives surpluses in time of glut and has a poor supply when prices are high. The loyal members get the worst of each situation.

Especially in societies of the type traditional in Denmark, where farmers are liable for the debts of the society, there is a valid case to be made that the farmer who sells outside the cooperative is in breach of contract to his neighbours and should be punished by the courts. On the other hand, the British Common Law has held that such agreements are "in restraint of trade" and contrary to policy. Some exception has been given to this in the British Marketing Acts and the United States, which has basically the same form of law, has passed special legislation exempting farm

cooperatives' contracts with members from the scope of such monopoly legislation.

### **Vertical Integration**

Vertical integration is the linking of different stages of production under one control. Europe is beginning to experience this movement which has become predominant in many parts of North America. Shops are developed in standardised chains with an enormous throughput of hundreds of millions of pounds per annum. These sell ready packaged goods, identical one pack with another, and count on the ready availability of supplies week by week. They have not been satisfied with the fluctuation in volume, price and quality shown in a traditional market. To ensure their supplies of identical products they have gone back directly to the farmer and beyond him to the supplier of feed stuffs and the breeding of stock. The individual farmer is approached with offers of credit, feed, stock, advice, if he will produce on contract as directed. In some cases the direction is such that he becomes a paid employee on his own farm. The greatest danger is that the first contract may be favourable to the farmer, but when he is fully committed and has no other outlet, he may get a worse offer.

This is a new development causing deep concern to European farmers. They discuss it together in the European and cooperative committees of IFAP and with American colleagues. Joint contracting through cooperatives is one solution.

### **Cooperation in Farming**

Mechanisation and the need for large scale working has moved some operations, such as butter making and the slaughter of animals, off the farm. For some others the argument in favour of large-scale working is almost as strong, but the work must be done on the farm. The European farmer has used the tool of cooperation to maintain the independence of the family farm while gaining the efficiency of large-scale working.

This section of the Cooperative Movement was pushed forward in the years of scarcity just after the second world war. Machinery was in short supply and the authorities were faced with the choice of allocating machinery to those who could use it fully, i.e. the large farms, or having cooperatives formed so that many farmers could use the equipment. In France after the first world war cooperation for the utilisation in common of agricultural equipment were developed. In 1949 there were 8,000 societies, but it has now stabilised at about 6,000. These have a federation which provides technical advice on methods of repair, training of personnel, etc. They chiefly specialise in the larger machinery which the individual farmer could not easily maintain. In Holland the units are smaller with 10 to 30 members. again having a central association. In Britain machine clubs are common.

The working of the farm itself may become cooperative. This extends from the use of machinery described above, which is widespread through Europe, to the hiving off of certain farm operations, as in the cooperative cow-sheds which have been tried in Scandinavian countries. In these the

farmers pooled their stock and built a modern cow byre in which the capital cost per beast is less than in a series of small buildings. The same tendency is to be seen in the cooperative pig fattening units of some 2,000 pigs each, which are to be found in Ireland. The idea is to obtain the benefits of large scale production and the specialised knowledge of experts in a way impossible to the very small farmer. Feed can be bought more cheaply and the stock sold to advantage, both because quality can be strictly supervised and transport costs are reduced.

It should be noted that these cooperatives do not solve the problem of farm redundancy. They are of little advantage to the farmer unless he has some other productive activity open to him as an alternative to the livestock farming which is now centralised.

In some cases the cooperative enters all farm activities. Attempts in fairly recent years in Sweden and in Britain have not always proved successful where groups of a few farmers joined together. In France the movement has been more successful and there are now some 200 cooperative groupings of farms. The greatest West European success has been achieved in Italy, where cooperation was adopted as a remedy for rack-renting or rural underemployment. In 1886 a farm cooperative was set up after a cooperative labour brigade had reclaimed the land. Instead of disposing of the land the workers decided to retain it and farm it as one large unit. The extent of cooperative activity varies considerably. Some have family farms with central services; others distribute land in proportion to the number of workers in the family; others redistribute the land every few years. Since 1950 the work has been intensified, covering over 1.5 million acres and 100,000 families. The settlers are bound to the cooperative for 20 years. The cooperation is principally in buying and selling, not always in full farming operations.

### **Management Training**

The first agricultural cooperatives were small and simple. An intelligent man of average education could manage them. Now the decisions are different in kind. They need technical management skill of the same order as that used by any private enterprise, with, in addition, a knowledge of cooperation.

To meet this need farm cooperatives in every country hold courses both for paid staff and for the committee men who must guide the business affairs of the societies. It cannot be left to untrained intelligence. Courses in technology, accounts, cooperative law, economics, as well as in the history and philosophy of the movement are needed. The course may be a few lectures, a weekend, or a full-time college course. This subject is discussed more fully in Chapter X on Education.

### **Central Organisations**

Cooperation between individuals is not enough. The local society is too weak to provide all the services it requires, or to uphold the farmers' interest at national level and against large rival companies.

The practical work of the cooperative is most evident at the "grass roots" in dealing with the ordinary farmer. But the local society might not have been brought into existence without the central organisation. Naturally farmers who have found a good idea spread the news. It has been so with Cooperation from the start and help is made available in propaganda, legal and technical advice to farmers who wish to start a new or extend their old ventures. In several countries, France, Italy, Germany, for example, special federations of agricultural cooperatives perform advisory and representative functions and act for the societies in non-commercial matters. In others, technical advisory services are carried out by central trading organisations or multi-purpose confederations.

Idealism is here at one with self interest. The single cooperative is vulnerable. Often the private traders threaten the manufacturers with the withdrawal of trade if the cooperative is supplied on trade terms. United cooperatives can get special terms, so wholesale societies for bulk buying, importing, compounding feed, manufacturing machinery, are the natural and universal development. These may be jointly owned with the consumers' societies, or even international.

Similar cooperation in processing and sales is natural. Processing of by-products needs the output of many factories. Advertising and market research (at home or abroad) are of benefit to all, so too is product research to improve pig breeding. Specialists in refrigeration, architecture, law or any other form of knowledge can be employed for the service of all societies, though no one could afford the expense.

Management accounting on a common system by a number of similar enterprises yields information which cannot be obtained within the firm. Weaknesses are shown up so that disaster can be avoided. Efficiency can be increased by finding standards of technical and managerial efficiency. The publication of the analyses of Swedish and Danish dairy accounts is a good example.

Whatever the form, cooperatives of cooperatives are the binding and strengthening force in the movement.

### **Other Farmers' Organisations**

Cooperatives have a business or service object. There are many other human needs which bind neighbours together and each such group has its effect on the local cooperative.

Anything which brings people together and fosters a common interest can lead to the foundation, or help the development, of a cooperative. The Folk High Schools in Denmark were not designed with agricultural cooperation in mind, but they are the acknowledged foundation of the movement in that country because they prepared the farmers by education. Young farmers' clubs of all kinds may do the same work. By education they give the power to run an organisation effectively; experience in working together, even for amusement, leads naturally to a joint business venture. The same people will be the leaders in each.

The religious motive has been a strong force behind the movement. Raiffeisen, with his credit banks, the Boerenbond Belge, the Confederazione Cooperative Italiana, to name a few examples, have built on a desire for economic justice and a religious feeling for man's improvement. In some cases this is expressed in association with a religious body; in others it is no less important but unexpressed; in others complete neutrality is preserved.

Political parties have been associated with some cooperative developments but this is not usually the case.

Farmers' unions have been an important growth in the rural life of Europe, especially in the last forty years. In some cases the union's work is carried on by the same body as the cooperative—as with the Boerenbond—but the work of a pressure group representing the farmers' case with the government and other organisations is not identical with the business of a cooperative. Yet the relationship is elsewhere close. While cooperatives are longer established, the unions have been active in supporting, spreading, and even reforming the cooperatives which are their natural allies.

### **Whither Farm Cooperation?**

The present is a time of change. In Europe this is no new thing, methods of production and marketing, even the way of living, have been in constant revolution for two-hundred years.

The farm cooperatives in every country of Europe are reorganising to adapt themselves to new development. Often this is a matter of size. Expensive, specialised, machinery was the often original base of cooperation. Now it has grown bigger and more specialised. Transport has enabled farmers to join together over a wider area.

The new service of marketing, including the regulation or protection of prices by all the numerous expedients which present-day economic technique can offer us, making new demands on cooperatives and on cooperators. The isolated family farm is too weak to control the huge resources and volume of produce involved. Farmers must hire new skills in marketing and administration, as long ago they hired managers of processing plants. In every country farmers are training themselves by study to equip themselves as committee men, and even as good members, of the new cooperative system.

The task is great. Many will say that control is beyond the power of ordinary farmers; that they are too ambitious. But a cooperative, however big, is only part of a nation. Those who deny European farmers' ability to direct wisely this part must make a stronger case that farmers, and other citizens, are incapable of the more complicated tasks of responsible political freedom.

## Chapter VI

# Artisans' Cooperative Societies and People's Banks

## Fishermen's Cooperatives

### A. Artisans' Cooperative Societies and People's Banks

Self-employed artisans, practising their craft on their own account with the aid of one or two journeymen, apprentices or unskilled workers, at one time dominated industry in Europe, as they still do in many countries of Africa and Asia. They are by no means extinct in Europe today. If they continue to survive in an industrial system becoming more and more dependent on mechanical power, massive capital, and administrative concentration, this is in large measure because they have learned to buttress their economic position and competitive power by recourse to association, of which Co-operation is one of the principal forms.

The characteristic types of artisanal cooperative society originated in Germany in the economic crisis of the 1840's. In that country and elsewhere they gained a foothold and an established position in economic life in advance of the real Industrial Revolution. But it is in Germany that they developed most powerfully and have since most successfully maintained their position, to some extent by recruiting members from among shopkeepers and other classes of self-employed persons. The present account is accordingly based mainly upon their organisation and modes of operation in the Federal German Republic.

## Artisanal Cooperatives in Germany

The first German industrial cooperative societies were founded in the middle of the 19th century by Hermann Schulze-Delitzsch, a district judge in Saxony. In opposition to appeals for state help by the artisanal middle-classes, then suffering hardship from changes in the structure of industry, he proclaimed the principle of self-help. Today the term industrial cooperatives is applied to those cooperatives of independent handicraftsmen, professional men and other members of the middle-classes, which are engaged in promoting the business interests and livelihoods of their members.

The Deutscher Genossenschaftsverband (Schulze-Delitzsch) e.V.,<sup>1</sup> which was founded as early as 1859 at Weimar, is the apex union of all the industrial cooperatives. It includes 17 Audit Unions, of which 11 are regional and 6 are specialised. The membership of the Audit Unions consists of trading and service cooperatives of handicraftsmen and shopkeepers and the industrial cooperative credit societies. The trading and service societies are subdivided into purchasing and marketing societies, producers' and productive societies, transport cooperatives and other artisanal economic enterprises. The term industrial cooperative credit societies covers the people's banks, civil servants' banks, post office savings and loan associations, railway savings and loan banks, cooperative instalment credit banks, the Edeka Bank and other credit cooperatives.

According to the Law of 1889 on Industrial and Economic Societies a cooperative society is not an end in itself; it has to fulfil a legally-defined promotional function for its members, who are at once the supporters and business partners of the cooperative. It must have at least seven members and be enrolled in the Cooperative Register kept by the competent district court. Of the two forms of registered cooperative, namely with limited and with unlimited liability, only one, the cooperative with limited liability, is adopted in the industrial cooperative movement. Under this system the members are liable to the amount of their share capital plus an additional sum, both stated in the rules, for the debts of their cooperative. This liability, or the obligation to make additional payments, only falls due in the event of the bankruptcy or the liquidation of the cooperative with a loss. It exists exclusively in relation to the cooperative; a creditor of the cooperative can never claim on the member directly. The organs of the cooperative are the Board of Management, the Supervisory Council and the General Meeting.

According to the Cooperative Law every cooperative is obliged to join an Audit Union which carries out the audits prescribed by law. These are more extensive and exhaustive than those required for other forms of association. In this way a more complete protection is provided for both members and creditors. Besides its auditing functions the Audit Union fulfils supervisory

<sup>1</sup> Literally, the "German Cooperative Union". This organisation's original title was "General Union of German Industrial and Economical Cooperative Societies" based on Self-help.



functions and takes care of the most important interests of its affiliated societies.

### Artisanal Trading Cooperatives

The business activity of the middle classes, of which the individual traders and handicraftsmen form the backbone, is carried on, in the Federal German Republic, like that of other economic groups, within an economic order inspired by the ideal of a completely competitive market in which all the economic units have equal starting conditions. Artisanal enterprises, because their scale of operations and bargaining power are often limited, are particularly liable to suffer through disturbances of the competitive system. These disturbances can be overcome through the use of concentrated economic power. For the small and medium-scale enterprises which cannot exert an equal economic influence, there result decisive disadvantages in the market which can lead to their suppression.

The small and medium business, in so far as it enters the market in isolation, is inferior to the big business because of its small size. But if it joins together with other similar businesses in a cooperative, it can by this means attain a size of undertaking and pitch of efficiency capable of matching the competitive advantages of large-scale business. From the very beginning it was the function of the cooperatives, by means of collaboration, to reinforce the efficiency of private enterprise in handicrafts and retail trade, as well as of other groups. This function remains unchanged up to the present. Of course, the methods have to be adapted to the economic situation prevailing at any time. In the following section is shown how the trading societies in the Federal German Republic fulfil this function today.

In 1965 there existed in the Federal Republic 1,344 artisanal trading cooperatives with a total turnover of DM. 13.1 milliards. The table below shows how these cooperatives and their turnover are distributed among the different occupation groups:

	1965	
	<i>Cooperatives</i>	<i>Turnover D.M. Millions</i>
<b>I Purchasing Societies of Retailers and Artisans</b>		
<b>a Purchasing Societies of Traders:</b>		
1 Food and Drink Trades .. .. .	286	5,891
2 Non-food Trades .. .. .	72	2,994
<b>b Purchasing Societies of Artisans:</b>		
1 Food production .. .. .	355	1,508
2 Other handicrafts .. .. .	207	556.3
<b>II Purchasing Societies of other Groups</b> .. .. .	91	1,500
<b>III Transport Cooperatives (Goods turnover and total loads)</b> .. .. .	71	226
<b>IV Producers' Cooperatives</b> .. .. .	50	} 430
<b>V Productive Cooperatives</b> .. .. .	34	
<b>VI Supply Cooperatives</b> .. .. .	5	
<b>VII Other Cooperatives</b> .. .. .	153	
	<b>1,324</b>	<b>13,105.3</b>
<b>Central Cooperatives</b> .. .. .	20	5,133.0

The purchasing societies of artisans and retail traders, which are preponderant, supply their members with all their requisite raw materials, tools or stock-in-trade on favourable terms from the standpoint of price and quality. Over and above supplying goods, the purchasing cooperative assists the members directly through supplementary services.

The transport cooperatives provide transport services on the road and inland waterways for their affiliated artisanal enterprises, advancing money for transport services, providing fuel and spare parts and settling their members' accounts. There are cooperatives for water transport, goods transport by road and passenger transport.

Producers' cooperatives are associations of persons which offer their members the opportunity of earning a livelihood through personal employment in the cooperatives. Thus the members are either themselves engaged as employees in the society or they manufacture articles at home or in small workshops.

Productive cooperatives are manufacturing enterprises working for their members, who are not themselves engaged in them. Among these are primarily the cooperative breweries whose members are innkeepers. In addition, there are brickworks and other enterprises producing building materials for handicraftsmen.

Supply societies carry out deliveries or services for their members, to enable them to complete large contracts which can only be discharged by the individual handicraftsmen in collaboration with others. Examples are contracts for making uniforms for the Federal Railways and Federal Postal Service which are shared out amongst tailoring firms. The cooperative undertakes the bulk contract and divides it for execution among its members.

The function of the central cooperatives within the cooperative self-help organisation is to concentrate the purchasing volume of the different cooperative groups. They also take over the advertising for their affiliated cooperatives, besides other functions in the form of a central business advice department. At the present time there are central cooperatives in the following groups: provision trade 4; drug stores 1; tobacconist 1; artisanal food production 9. The following branches of artisanal industry have one each: painters, slaters, paperhangers, hairdressers and shoemakers.

### **Functioning of Trading Cooperatives**

The overriding principle of collaboration between the cooperative and its member enterprise is efficiency. This principle implies, for the cooperative, that it cannot compel its members to trade with it. The members are completely free to make use of the services of the cooperatives. They will decide to do so, as a rule, only if the cooperatives can offer them real advantages in comparison with competitors.

The second essential principle of collaboration between cooperative and member consists in a far-reaching concentration of purchasing and contracting, which is geared to a well-rationalised system of ordering and handling.

The formation of purchasing cooperatives springs from the wish of the handicraftsmen and retail traders to carry out wholesale operations better and cheaper than before, through a wholesale enterprise owned in common. One of the most important preconditions for strengthening the bargaining position of artisans and retailers was low cost prices. Association, through concentration of purchasing, should make it possible to obtain goods on the same terms as those which large-scale business obtains through its big demand. Collaboration between the individual cooperative and the central cooperative is realised in a similar form. The requirements of the single local cooperatives are assembled by the central and passed to the producers as one large order.

The counterpart of the concentration of single orders is the concentration of the offers made by suppliers, for this enables the members to make the right selection. Along with the assembly of suppliers' offers goes pre-sorting and preselection, the determination of delivery conditions, prices and qualities. Simultaneously within this framework of concentration of offers, the purchasing societies are able to operate successfully in the market. It is the duty of the local cooperatives, but more especially of the central cooperatives also, to seek out new sources of supply, so as to create specially favourable buying conditions for the local societies and their members. Because of the size of their organisation the centrals are also in a position to make special purchases in large quantities at their own risk of home and foreign-produced articles for which ample capital is necessary.

Finally, among the essential features of the organisation of trading and service cooperatives is a comprehensive advisory service. Besides the procurement of goods and the services directly associated with it, the purchasing cooperatives have developed advisory activities for their members' benefit. The position of the small and medium-scale enterprises in the market makes a highly developed advisory system a necessity. Besides size and the indispensable wide commercial outlook, they need above all trained specialists and capital before they can copy the methods of their big competitors. The purchasing cooperatives are fully aware of this situation. The chief activity of their advisory services to their members lies today in the field of the internal organization of the enterprise and the safeguarding of its markets. The emphasis accordingly differs according to whether the members' business is retail distribution, artisanal production or a handicraft coupled with an assortment of commodities for sale. In the first place, the advisory service provides commercial advice, consultation on modern selling methods and instruction in these fields. There is also expertise on the erection of new premises, the planning and equipment of shops, as well as in financial and taxation questions. In addition, the big cooperatives go so far as to have goods manufactured under their own trade mark at particularly favourable prices. These branded goods are stocked exclusively by the cooperatives' member enterprises. Joint advertising enables the member enterprises in some measure to counterbalance the advantages of the big business in the advertising field. Advice on goods

assortment and the training of members in the handling of new raw materials and the use of new technical processes should also be mentioned.

### **Economic and Social Benefits**

The activities of the trading societies improve the terms on which artisans and traders purchase. By totalling the members' purchases the cooperative succeeds in securing the corresponding quantity-rebates, bonuses and other more favourable buying terms. Since the cooperative does not aim at making profits, like a private wholesaler, it is able to distribute among its members any surplus remaining after its expenses have been paid and the allocations to the indispensable reserves. This results in a considerable reduction of the cost price of commodities purchased for artisans' and retailers' enterprises. These cost advantages, if they are passed on to the consumers in reduced prices, reinforce the competitive power of the small entrepreneur against big business and ensure cheaper supplies to the consumers. In addition to the improvement of the competitive position, association in cooperatives can open up to the individual enterprise the advantages of a big undertaking in regard to organisation. Supervisory and advisory services which the cooperative provides through specialists result in its members' being able to run their business on the latest scientific lines and create the best conditions for a high sales volume.

Like any other enterprise, the cooperatives have a foot in both sides of the market. Their activity produces advantageous effects both on their own market level and on the markets where they purchase. Early distribution of sub-contracts for bulk orders and the agreement of delivery dates with suppliers bring about more even employment of productive capacity. The suppliers were formerly confronted by numerous small customers and demand was split into tiny fragments. Now, thanks to the intervention of the cooperative, this demand is passed in a concentrated form to the suppliers. Prompt and reliable methods of payment assure the suppliers of a better liquidity and relieve them of the need to examine the solvency of every single member of the cooperative. Moreover, it is frequently the custom for the cooperative to stand surety for direct deliveries from the producer to the member, with a considerable diminution of the supplier's financial risks.

To sum up, it is certain that the activity of the cooperatives affects the economy as a whole, both in the market to which they sell and in the market from which they buy. These results are positive, not only from the standpoint of economic policy, but from the social standpoint also.

### **The People's Banks**

Among the industrial credit cooperatives in the Federal Republic the 700 or more People's Banks take pride of place both in numbers and the total value of their balance sheets. Their title "People's Bank" was coined about 1855 by Schulze-Delitzsch, and it is protected by Art. 39 clause 2 of the Law on Credit Banking. In addition the common symbol of all the artisanal credit cooperatives, the winged V, is legally protected. The common title,

the protected symbol and a conscious concern for the name have facilitated the process of grouping and enable the People's Banks to develop a uniform image with a uniform public appeal.

The People's Banks are registered cooperatives with limited liability. The cooperative form has justified itself in their 100 years of history. Whereas the credit cooperatives were at first only savings and loan associations of the artisanal middle-class, they have now developed into universal banks for all classes of the population. This is visible in the composition of their 1¼ million members.

At the end of 1965 their members belonged to the following occupations:

	<i>Per cent</i>	<i>Per cent</i>
Self-employed Middle-Classes:		48
Retailers, wholesalers, and other traders	18	
Self-employed Handicraftsmen	15	
Peasants, agriculturists, farmers	7	
Liberal professions	6	
Industrialists	3	
Employed middle-classes (Civil Servants, clerical workers, manual workers)	2	39
Miscellaneous (Rentiers, housewives, students, etc.)		13

As before, the chief function of the People's Banks is the provision of credit for their members. They make available to them essential long-term loans (which at the end of 1965 constituted 36 per cent of the total credit volume). Under the pressure of modernisation, rationalisation and consequent high investment due to economic competition, these are of decisive importance and are made principally from savings deposits which the banks have for a long time intensively promoted.

In collaboration with the artisans' organisations, they set up the bakers' and butchers' saving institutions as a means of enabling young tradesmen to set up in business. A self-help movement, also launched by the People's Banks, is the credit action to promote individual enterprise in trade, handicrafts, artisanal industry and the liberal professions, which requires regular saving as a preliminary condition for the granting of a cheap loan at a later stage. The savings certificates (Sparbriefe) issued by the People's Banks since April 1964 are designed to increase the amount of available credit. They are credited with attractive rates of interest and supplement the opportunities for investment which the People's Banks offer their customers in their securities and deposit services. At the end of 1965 they held DM. 1,6 milliard in 330,000 deposits. Another of their many services is in foreign trade business which makes increased demands on them today.

A most important function of the People's Banks in scope and importance is in the sphere of payment without the use of money. In the German Cooperative Ring, which is represented by some 16,000 branches and to which the Raiffeisen credit societies are also affiliated, the customers of the People's Banks have at their disposal the largest German network for the transfer of money, the cashing of cheques and bills of exchange and debt

collection. For years the People's Banks have attached the greatest importance to the maintenance and extension of their network of branches. At the end of 1965 they had offices in nearly 3,000 places and they maintain strict standards of economic effectiveness in their branches.

The People's Banks in a defined territory work closely with the Central Bank of which they are members and which serves this area. In the Federal Republic there are altogether five Artisanal Central Banks, as well as one for the Saarland, which is open to all cooperative groups. The Central Banks maintain uniform liquidity between the People's Banks, receiving long-term deposits from Banks where there are surpluses and transferring them to Banks in which demand for credit exceeds supply. In this manner one of the disadvantages of the decentralised People's Bank system is largely eliminated. In addition, the Central Bank takes over the refinancing of long- and short-term credits, acts as a clearinghouse for payments and supports the People's Banks in all the customary banking functions. The Artisanal Central Banks, the central cooperatives of the artisanal societies and all the super-regional unions of trading societies use the banking services of the Deutsche Genossenschaftskasse mentioned in Chapter III.

The aggregate balance sheet of the 700 or more People's Banks amounted to DM. 16 milliards at the end of 1965. If the five artisanal central banks are included the total would amount to DM. 20 milliards. At the same date the People's Banks were managing DM. 13 milliards of deposits, of which DM. 8.8 milliards represented savings deposits. This imposing total of savings deposits enabled them to advance about DM. 11 milliard in loans to their members. About DM.4 milliard were long-term. Measured against the balance sheet total, the People's Banks' own capital (share capital and reserves) represented 6 per cent. With this ratio of own capital the People's Banks stand at the head of all German credit institutions.

### **Extension of Artisanal Cooperation**

In the two forms of trading societies of various types and of People's Banks the Cooperative Movement spread rapidly among the self-employed handicraftsmen in the States of the then German Confederation in the third quarter of the 19th century. One of these States was Austria where the movement continued to develop, after the break-up of the Confederation, on parallel lines to its counterpart in the German Empire. No corresponding development took place in the other European market economies. Whereas in Germany artisans' cooperatives and People's Banks could be numbered in hundreds, in France they could be numbered only in scores and elsewhere, with one notable exception in Italy, only in units. There are three main reasons for this difference.

The first is the stage of industrial evolution reached by any given country. In France and Belgium, where the Industrial Revolution was furthest advanced, the typical skilled craftsman was no longer self-employed, but already a wage-earner, before the middle of the 19th century. The second reason is that in no other country, again with the exception of Italy, did the movement find a leader of the calibre of Schulze-Delitzsch, who was the

veritable apostle of self-help through association. Where the artisans did not receive with the same force the message that they should look to themselves rather than the State for aid and that, in order to help themselves, they must band themselves together to organise the economic services on which they depend, they remained rooted in their traditional individualism. If they associated at all, it was chiefly in the form of trade and professional associations, one of whose objects was to bring pressure to bear on governments.

The third reason is connected with the work done by Schulze-Delitzsch as organiser. Within 10 years he had organised the artisans' societies inspired by his teaching in the General Union of German Industrial and Economical Societies based on Self-help. There is no doubt that the existence of this Union and, at a later stage, the formation of regional sub-unions, played an indispensable role in the consolidation of the movement, in the promotion of efficient management and the prevention of failures among the societies. In countries where the movement, if actually launched, did not reach the same degree of strength in its union structure, it found it hard, if not impossible, to maintain its foothold, still less to flourish, as industrial development made economic life ever more difficult for the small business unit.

In France and Italy legislation tended to discourage cooperative development among the artisans in an indirect manner. When government adopted measures to alleviate the hardships experienced by the artisans from the competition of advancing machine industry, it became necessary to define an artisanal enterprise. The French definition laid down that such an enterprise was one in which the proprietor himself worked with his hands and in which not more than five persons were employed. In the Italian definition the maximum was set at ten and was rather less restrictive. In both cases, however, the effect was to prevent those who had built up their business with the aid of cooperation from continuing to prosper by the same means or from helping their small neighbours by joining with them in the same societies.

In several countries, cooperation for purchasing in common will be found to be stronger among the small traders than among the handicraftsmen. This can be largely explained by reference to two factors. First, the growth of cooperative organisation does not enable the artisans to maintain their position indefinitely against the competitive advantages of machine production. Sooner or later many of them reach the point where their handicraft no longer provides a living. If they recoil from seeking employment as wage-earners, they may choose the alternative of becoming shopkeepers or wholesalers in branches of trade where their knowledge of raw materials, processes and qualities will enable them to build up a livelihood, especially if they can obtain initial capital from a People's Bank.

The second factor is of course, the invasion of distributive trade by the large-scale enterprise—the multiple shop company, the department store, the chain bazaar and even the consumers' cooperative. It was the rapid extension of consumers' cooperation among the industrial wage-earners in Germany in the last quarter of the 19th century which prompted the

shopkeepers, especially in the grocery and provision trade, to turn to cooperation also. Their object was to reduce the prime cost of goods through purchasing in common, but from that, the two organisations they established, Edeka and Rewe, went on into packing and production and the provision of technical services making for more successful retailing by their members. It is worth noting that, in Finland, whose consumers' cooperation is exceedingly well-developed and vigorous, there is also a strong traders' cooperative organisation called Kesko.

The latest phase of the revolution in distribution has been marked by the formation of the so-called "voluntary chains" of retailers and wholesalers. This kind of organisation, although it may be described as mutual aid, is not based on cooperative principles. It is widespread in western European countries, even where traders' cooperatives already existed. There is no evidence to show, however, that the position of the old-established traders' cooperatives has been in any way impaired by it.

The other branch of the artisanal cooperative movement, the People's Banks, has evolved in a somewhat different manner from the trading societies. For one thing, the movement found in Italy an apostle of comparable fervour and energy to Schulze-Delitzsch. This was Luigi Luzzatti, who grasped the principles of Schulze's credit association well enough to realise that they could be successfully applied in Italy, but only if the methods were adapted to Italian customs and conditions. In particular, the effort to save, which is fundamental to all healthy forms of cooperative credit, had to be directed in a different way. In Schulze's system the member of a credit association contracted to take out shares fixed at a high amount, which he could pay up over a long period. In the Luzzatti system the amount of the share was fixed at a low sum, but it had to be paid up quickly. Again, liability in the Schulze credit association was unlimited, whereas the Luzzatti society was run on limited liability. A third feature was that in administration, the Schulze system emphasised efficiency and professional competence, while the Luzzatti system allowed more scope to the layman and member-participation. There are also differences in the roles of different credit instruments in the business carried on by the two types. In the main, however, they have developed on parallel lines, enlarging their membership and clientele, as time passed, to include members of other social classes than the artisanal.



## B. Fishermen's Cooperatives

### Origins

Cooperation among fishermen in European countries came only in the early part of this century and in many countries it was only in the late 1920's that substantial interest was taken in this field. The conditions which brought fishermen into cooperative organization were almost always the poverty of the fishermen and the insecurity of their profession, mainly caused by low prices paid for fish by merchants, together with the high prices of fishing supplies and consequent indebtedness of fishermen to fish merchants. The activities of fishermen's cooperative organisations vary from country to country but cooperation was started in each case, as a voluntary movement by fishermen themselves. In some countries, the Governments extended financial assistance by setting up a central bank or fund or by giving certain subsidies.

*Denmark.* The initiative to form cooperatives came from individual fishermen who were aware of what cooperative organisation had done for small farmers and wished to apply the same methods of marketing for fish. Fishermen were indebted to merchants to whom vessels, gear and houses were often pledged.

*France.* The first move towards cooperation came from the sardine fishermen of the Atlantic coast. In the early years of the century they were completely in the hands of the suppliers of bait, who in many cases were also canners and wholesalers, and without independence could not improve their position. In 1913 a law on maritime credit was passed which has become the foundation for this type of cooperative activity among French fishermen.

*The Federal Republic of Germany.* The first fishermen's cooperative was set up in the North Sea coast in 1903. There were two periods in which fishermen's cooperatives were formed fairly rapidly: 1917-1919, mainly on the Baltic coast and 1947-1949, both on the Baltic and North Sea coasts. In all cases they consisted of cutter fishermen. The formation of the cooperatives has mainly been motivated by technological changes in the fishery industry, that is, mechanisation of fishing boats since the beginning of the century, and development of a limited number of fishing harbours which called for cooperative marketing.

*Italy.* Fishermen's associations for mutual aid are very old and most of the older cooperatives were formed before 1920 especially on the northern Adriatic coast and Calabria, Apulia and Sicily. However, the present fishermen's cooperatives are registered under the law of 14 December 1947 which gave both freedom to establish voluntary organisations and placed the responsibility for advice and direction on national organisations formed by the cooperatives themselves. There were in 1963, 499 legally established fishermen's cooperatives with 99,185 members.

*Norway.* Cooperative action among fishermen arose from poverty, insecurity and complete dependence on the fish merchants who controlled all

marketing and supply of fish, as well as domestic requirements. In the southern part of the country, some cooperatives among fishermen were started very early, at the end of the 19th century. However, on the whole, they were preceded by the formation of local fishermen's unions of a protective, not a trading character, which combined in 1926 to form the Norwegian Fishermen's Union. The Union has been the driving force behind the formation of cooperatives.

*Spain.* Fishermen's cooperatives were first organised in 1917 by a philanthropist, Dr. Saralegui. In 1919, the Government set up the Central Bank of Maritime Credit, with the object of developing the fishing industry. In 1929, it became the Maritime Social Institute which was authorised to make advances to cooperative organisations, form subsidiaries for the insurance of fishing vessels and fishermen, and in general, promote their economic, social and legal interests. By 1929, fishermen's "positos" had been formed all round the Spanish coast and the principal activities were the marketing of fresh fish direct to consumers and fish curing. At present, the basis for fishermen's cooperatives is the Cooperative Societies Law of 1942. All cooperatives are compulsorily attached to a public body, the Syndical Cooperative Administration.

*Sweden.* The conditions which brought fishermen into formal cooperative organisation were the low prices paid for fish by dealers, the existence of the market rings, the wide margin between the prices paid to fishermen and those charged to consumers together with the high price of gear and the indebtedness of fishermen to the merchants. From time to time attempts were made to set up marketing cooperatives, most of which failed as a result of business inexperience, lack of capital and the fact that they had been formed at periods of declining world prices. However, fishermen's protective associations, which existed from the 19th century, were reorganised and extended and by the time of the outbreak of the second world war, an almost continuous line of small local associations had been established along the Swedish coast, and on the principal inland waters, and nearly all had been federated into large unions. The aim of the unions is to raise the economic and social standing of their members, but they do not themselves trade. They also promote organisation of fishermen's cooperatives.

*United Kingdom.* Deep sea fishing is carried on in large vessels owned by companies. Cooperation is limited to the inshore fisheries carried on in small vessels. It dates from 1912, when the Fisheries Organisation Society was set up with the object of promoting fishermen's cooperatives. This organisation had a membership of 71 cooperatives in 1963 in England and Wales.

### **Cooperative Marketing**

By and large, cooperative marketing of fish is practised particularly where markets are inaccessible to individual fishermen, as in the case in several countries where fishing is carried out from a large number of small villages scattered along the coast, situated far away from national consumer market and fish export centres. In such conditions, fishermen's cooperatives are

often also engaged in processing of fish, as in Denmark, Norway and Sweden.

Fishermen's cooperatives in Denmark engaged in marketing are spread around the country, but are particularly well developed in some of the islands. In Bornholm, for example, they handle about 90 per cent of the catch and have established local comprehensive facilities for processing of fish either for export or for sale on the Copenhagen fish market.

After the Second World War, the position of the fish-marketing cooperatives in Denmark was consolidated and their federation, which provides advice and mutual communication but does not trade, set up a separate federal trading organisation, Dansk Andelsfisk, with headquarters in Copenhagen. The Dansk Andelsfisk is engaged under contracts with its member cooperatives in the wholesale marketing of fish, either on the home market, where it has a stand in the Copenhagen Fish Market, or for export. It has a filleting factory and cold store in Copenhagen. It has built a fish meal factory in Bornholm assisted by a loan from the local farmers' cooperative for the sale of animal feedingstuffs which can utilize the meal produced. It also produces fish oil. During 1961/62, it built a big packing centre in Nexø in Bornholm for packing and freezing of cod fillets. It has friendly relations with the consumer cooperatives in Copenhagen and sells to them but this fish selling arrangement is still rather limited. The sales of Dansk Andelsfisk in 1963 were reported to be 48,000,000 Danish crowns.

The most important function of the fishery cooperatives in Germany is fish marketing and processing and this is carried out by all cooperatives with one exception, a supply cooperative in Hamburg. In the Baltic, where the cooperatives control 90 per cent of the inshore catch, the greater part is sold fresh. The cooperatives on the North Sea coast are concerned mainly with the processing and marketing of shrimp, handling about 30 per cent of total catches of these crustacea. Some of these cooperatives operate quick-freezing plants. The North Sea shrimp fisheries are, to a large extent, controlled by a joint organisation, DEUKO, of fishermen, wholesalers, processors and feed merchants, in which the cooperatives participate. Many kilns for drying and milling shrimp are cooperatively owned and some cooperatives also manufacture fish meal.

In Italy, at least 60 per cent of the total catch passes through fishermen's cooperatives. Various methods of selling are adopted:

- a** The cooperative receiving fish on the quay may negotiate immediate sales to private merchants;
- b** The cooperative may supply boxes and transport fish to more advantageous markets;
- c** The cooperative may establish and organise markets of its own. There are 54 such markets, well distributed, especially on the Adriatic coast;
- d** The cooperative may consign fish to a commission agent at a wholesale market at a consuming centre;
- e** The cooperative may retail locally from a store or cart.

Generally speaking, fishermen's cooperatives are engaged not only in marketing but also in processing, supply of fishing requisities such as fuel

and ice, and in several cases, in fishing operations with their own boats and gear. One fishermen's cooperative in Sardinia has, among other activities, two trawlers operating off the coast of West Africa. These trawlers are refrigerated and land their catches in Italy at the termination of each trip.

In Norway, a statutory power to control primary marketing of fish (first-hand sale of fish), has been given to sales organisations of fishermen by the Raw Fish Act of 1951. The purpose of this Act is mainly to obtain good and stable prices for the fish products, i.e., by directing the catches to certain buyers and to certain uses. The Act provides for the setting up by a majority of fishermen concerned of a sales organisation covering a specific area and one or more specified types of fish. There were in 1964, 15 such sales organisations in Norway which handled over 90 per cent of the weight and value (first-hand sale) of the total Norwegian catch.

Besides the above, there are a number of fish marketing and processing cooperatives unconnected with the statutory marketing organisations. These are local associations, most of them with between 20 and 150 members, voluntary and not integrated in the official marketing scheme. This is true, for instance, of local fishermen's cooperatives between Nordmøre and Finmark. For these cooperatives, the salting and drying of fish used to be of very great importance, but in latter years they have been expanding their activities into other fields, in particular quick freezing of fillets for export.

In Spain, most of the inshore fishermen's cooperatives carry out the sale of fish by auction, some are owners of auction halls and some provide transport from the port to the auction or fish market. It is estimated that about 75 per cent of the first-hand sales of the total inshore catch is made through cooperatives. Cooperatives formed by the traditional fishermen's associations are now expanding their activities into such fields as canning and curing of salted fish. Examples of these activities may be found in Vizcaya and Guipuzcoa. Joint fishing operations are also increasing. In the Canary Islands, 90 per cent of the fishing fleet partake in such joint operations. The trawler owners' cooperatives in Spain, although founded primarily for supply, have developed a marketing service which covers unloading, sorting, weighing, packing and auctioning of fish.

In Sweden, cooperatives marketing fish employ one or more of the following marketing methods, especially when handling more than one different type of fish:

- a** The cooperative may simply negotiate the minimum price agreement with one or more processors or wholesalers and leave members to carry on daily marketing directly with them;
- b** The cooperative may take delivery, sometimes at a fixed price, and resell either by auction or private treaty to wholesalers or private processors.
- c** Most cooperatives themselves act as wholesalers in competition with private merchants. Some of the small organisations also retail fish at or near the point of landing.

Some of those engaged in the wholesale trade have their own salting

houses, filleting factories and freezing plants. Some are principally engaged in processing, others have shares in fish meal factories. In most cases, the prices paid to fishermen are pooled irrespective of the use to which the fish is put. The large wholesale, processing and export organisation, Swedish Cooperative Fish, in Gothenburg, is owned equally by the West Coast Fishermen's Union (non-trading organisation), and the Swedish Consumers' Cooperative Wholesale Society (KF). There is a similar but smaller joint undertaking on the south coast at Blekinge.

On the east coast, in view of the dispersed character of the fisheries and consequent difficulty in marketing, the Government issued a Decree in 1935 by which an association representing 65 per cent of all active fishermen or 75 per cent of the professional fishermen within its area, may be given the sole right to receive and market all Baltic herring landed within the area. The system is supervised by the National Swedish Agricultural Marketing Board. There are at present 10 official sales associations covering the whole east coast except the extreme northern stretch where there are three voluntary cooperatives. The official sales associations have affiliated to them a number of local fishermen's cooperatives. In addition to their statutory activities covering primary sales, the associations are also engaged in home and export marketing and in processing. In 1944, 10 official sales associations set up a central organisation, East Coast Fish, mainly in order to find markets for surplus of Baltic herring.

In 1940, the system of price regulation was revised in such a way as to make it a condition that the fishermen should themselves set up organisations to administer this scheme and to take over and utilise surpluses. East Coast Fish was already performing this function but two new organisations, West Coast Fish and South Coast Fish, were set up by the fishermen's professional unions. The function of these organisations is to take over, at guaranteed prices fixed by themselves, any fish which cannot be sold at the minimum price fixed by the Agricultural Marketing Board. The fish is then sold for export or processing.

### **Cooperative Purchasing**

In Denmark, although cooperatives do not seem to exist for this purpose alone, Dansk Andelsfisk and some of the local marketing cooperatives, purchase supplies for their members. In some places, however, fishermen form purchasing associations which do not themselves, as a rule, operate the stores but arrange contracts on favourable terms with producers and wholesalers.

In France, fishermen's supply cooperatives, often federated in regional unions or federations, have developed their activities considerably in recent years. A number of these cooperatives are engaged in more than one activity: 55 handle bait, nets and other types of gear, etc., and 44 deal in fuel oil. Fish wholesale, management of auctions and other activities are carried on by 18 cooperatives, whereas 5 operate fish canneries. A national union, "Pêcheurs de France", and 3 regional unions have been established by the cooperatives.

In Germany, the cooperative supply of fishery requirements grew up as an auxiliary enterprise for the marketing cooperatives especially after the Second World War, and was instituted with the aim of providing gear, fuel and other fishing requisites at as low prices as possible. Many cooperatives have their own fuelling stations and some cooperatives have their own ice factories.

In Italy, there are about 65 cooperatives principally engaged in supply, of which half are on the Adriatic coast. They provide their members with nets, gear, engines and instruments, fuel and lubricants, and have made a substantial contribution to the mechanisation and technical advances of the fisheries. In Norway, a special cooperative, Fishermen's Bait Supply, was organised in 1941 for the four northern provinces. This cooperative owns cold stores for frozen bait, which is supplied to fishermen in the fishing season. There are several gear manufacturing and purchasing organisations, fishermen's cooperatives, individual fishermen, etc. They are, for example, the Fishermen's Cooperative Gear Factory Organisation in north Norway, and the Fishing Gear Cooperative, which owns its gear factory in south Norway. In Spain, cooperatives for the sale of fishery requirements have developed to a lesser extent compared with those for marketing, and exist principally among deep sea fishermen. Examples are those of Pasajes, Cadiz, Coruna and Marin. A number of inshore fishermen's cooperatives also supply fishing gear and some have their own ice factories or factories for fish boxes.

In Sweden, the total number of cooperatives dealing in fishery supplies is about 50, with about 12,200 members. Cooperation for the sale of fishery requirements began on the west coast in the 1920's with a formation of buying groups which negotiated with oil companies for the purchase of fuel oil at a discount. In the United Kingdom, most fishermen's cooperatives are engaged in the supply of fishery requirements, including gear, ropes, nets, petrol, oil, protective clothing, engine spares, paint, etc.

### **Cooperative Credit**

In France, the Law on Maritime Credit provided, in the first place, for the formation of fishermen's mutual credit societies and for their federation in regional fishery credit banks. Members of local credit societies may be individual fishermen, retired fishermen owning vessels and persons operating fishery installations such as shellfish farms. Membership is also open to fishermen's cooperatives, professional associations, mutual insurance and mutual guarantee societies. Societies may receive deposits from their members and may borrow, for approved purposes, from regional credit banks, which are in a position to rediscount members' acceptances.

Although, in the early stages, regional fishery credit banks received advances from funds made available by the Ministry of Merchant Marine, advances are now made from the Central Cooperative Credit Bank which was established in 1938 for the purpose of making government loans available to cooperatives other than those concerned with agriculture. Government advances and the Central Cooperative Credit Bank provide about two-

thirds of the needs. This proportion, however, tends to diminish as co-operatives' savings and deposits increase. In 1947 the funds advanced by the government to that date were consolidated to form a common fund within the regional fishery credit banks. This common fund may now be considered as permanent and is readily available to the banks when required.

In Denmark, Germany, Italy, Norway, Spain and Sweden, the financing of the fishing industry is only slightly built on cooperation. There exist various financing institutions, which are not themselves cooperatives but which extend loans to the fishing industry sometimes through cooperatives, such as the Industrial Credit Associations, First and Second Mortgage Credit Associations and the Royal Danish Fisheries Bank in Denmark, the Raiffeisen Credit Banks in Germany, the National Fisheries Bank in Norway, the National Reconstruction Credit Institute and the Maritime Social Institute in Spain.

### **Cooperative Insurance**

In Denmark, the insurance of fishing vessels is carried out by mutual insurance associations for fishing vessels which are quite distinct from those engaged in fish marketing. The smaller associations are mostly organised on a local basis and admit only vessels registered in the locality of the association. Accident insurance for fishermen in Denmark, which is now compulsory for all professional fishermen, is carried on through the Federation of Accident Insurance Associations of the Danish Fishing Industry, which is cooperative in character and managed by the fishermen themselves.

In France, fishermen's mutual insurance societies have been formed in close association with fishery credit societies. They are under the supervision of the Ministry of Merchant Marine which provides model rules and may place subsidies at their disposal. Their object is the insurance of fishing vessels, engines and certain valuable items of equipment, especially those on which loans from credit societies have been secured. Life insurance for fishermen is also provided by these societies. In Germany, cooperative insurance is provided by 13 mutual insurance societies formed under a law of June 1931 and comes under the jurisdiction of the Federal Supervisory Office for Insurance. The societies cover 80 per cent of a cutter-fishing fleet and insure both vessels and engines.

In Norway, the Fishermen's Union operates a fishermen's life insurance company and a mutual accident insurance programme. The insurance of vessels is, to a great extent, carried on by local mutual insurance societies which reinsure with the Reinsurance Institute for Fishing Vessels established with the assistance of the government in 1933. During the last 2 decades, a number of small local mutual insurance societies for equipment have been organised and receive aid from the State through government purchase of bonds and reinsurance of policies. In Spain, the principal organisations are the Fishing Boat Insurance Cooperative of Spain with headquarters in Madrid, and the Mutual Aid Insurance Society of Vigo, both concerned mainly with deep-sea fishing vessels and the Mutual Aid Insurance Society

and the Maritime Social Institute which cover small fishing craft and boats in coastal waters.

In Sweden associations for the mutual insurance of fishing vessels in 1962 numbered 16 and they insure fishing vessels and sometimes also gear at a premium of about 1·0—2·5 per cent of the value at a varying maximum for boats and gear. In the biggest insurance association of the Swedish west coast, the maximum is about 400,000 Swedish crowns (vessel and gear) whereas in the biggest cooperative insurance association of the Swedish east coast, the maximum is 50,000 Swedish crowns (only boat: gear cannot be insured with this association). In another association the maximum for gear is 3,000 Swedish crowns. In the United Kingdom, the Fisheries Organisation Society operates a separately registered Fishing Vessels Co-operative Insurance Society, founded in 1924. A similar society covering Cornwall only, was registered in 1915.

### **Training Facilities**

In the countries surveyed above, there are no organisations especially devoted to the training of personnel of fishermen's cooperative. Many of the countries have, however, organised courses on other cooperative subjects. These facilities could be utilised to organise courses and seminars on fishermen's cooperatives for students from developing countries. These courses might be supplemented by visits to fishermen's cooperatives and in certain cases by intensive individual studies of the organisation and operation of successful fishermen's cooperatives.

It should be mentioned that in a few other countries of Europe, fishermen's cooperatives of various types have existed for a number of years, although the scale of their operations is still limited. Cooperative insurance of fishing vessels is well established in Belgium. Fishermen's cooperatives in Ireland supply fishing equipment, and are engaged in marketing of fish; a few cooperatives in the Netherlands are concerned with supply of equipment and marketing of fresh fish.

Although fishermen's cooperatives as such do not exist in Iceland, fishermen in that country often belong to multi-purpose, multi-interest cooperatives established in fishing centres along the coast. The members are farmers, fishermen, workers, etc., and the cooperatives endeavour to cater for the needs of each occupational group. Several Icelandic cooperatives have thus established modern processing centres for drying, salting and curing of fish; they own quick-freezing plants, as well as factories for reduction of fish offal into meal and oil. Some cooperatives are full or part-owners of modern vessels and have participated vigorously in the renewal of the fishing fleet. The export of fish processed by these cooperatives is handled by the Federation of Icelandic Cooperative Societies which has established its own distribution and processing company in the United States where frozen fillets from Iceland are processed further to suit the requirements of the American consumers. A mutual insurance cooperative created by the Federation insures a fair proportion of the Icelandic fishing fleet.



## Chapter VII

# Workers' Cooperative Productive Societies

### **Origins**

The origins of workers' associations for production lie hidden in the mists of time but we do not find true producers' cooperation in the modern sense, organised on the basis of definitive and fixed rules, until the extension of the market economy and the advent of the Industrial Revolution. These two phenomena, which little by little reduced the greater part of the working class to conditions of extreme poverty—both materially and morally—gave rise to a reaction which in time took the concrete form of autonomous workers' productive organisations.

Production for a wider market, instead of just for local or domestic consumption and barter, facilitated the activities of middlemen and money-lenders and separated the productive workers from their sources of supply and their customers, thus reducing their margin of profit and placing them in a position of extreme hardship.

The Industrial Revolution restricted still further the freedom of action of the workers by depriving them of work and concentrating them around the newly-mechanised industries. The accumulation of capital in joint stock enterprises and the rise of ruthless competition between them engendered a suitable climate for the exploitation of the workers, accompanied by the constant reduction of their standard of living. Low wages, a rising cost of living, grinding hours of work for women and children, together with

unemployment and a general state of dejection, brought about a spontaneous search among the workers for a type of association which could act as a counterpoise to capitalist enterprise and whose guiding principle would be not to ensure the best return on capital, but to defend and enhance the value of labour. Just such an organisation was the workers' productive and labour cooperative. In this quest for freedom and redemption, the workers were joined by generous-minded thinkers who foresaw a new age and devoted themselves to the study of problems of a new social order and productive organisation, contributing a wealth of ideas and the support of their own prestige—among others, Owen and Dr. King in England, Fourier, St. Simon, Buchez and Louis Blanc in France, Victor-Aimé Huber in Germany, Luzzatti in Italy.

Thus by the middle of the 19th century, cooperative societies or cooperative movements of producers and workers came into being, which in course of time achieved the following results:

- 1 Transformation of wage-earners into associated entrepreneurs;
- 2 Concentration in each individual of the functions of worker, entrepreneur and capitalist (the means and execution of production);
- 3 Establishment of productive structures of a democratic type, even in industrial production.

The ancillary, but by no means subordinate, aims of this type of organisation were: to foster a sense of responsibility in everyone connected with a productive enterprise; to further the education and development of every individual member; to exercise direct responsibility for provident and social welfare institutions; to popularise cooperative ideals.

These aims were achieved and are still being achieved through: first, the right of cooperative members to subscribe shares and to participate in the benefits of the enterprise, partly according to capital subscribed and partly in proportion to work done; second, the right of members to share in the management of a cooperative enterprise through the general meeting or by holding office.

Notwithstanding many vicissitudes and with varying results, workers' productive cooperation continued to develop, providing the workers with an effective instrument of emancipation, a source of self-employment and a permanent school of democracy, as well as offering society a valuable alternative to capitalist monopoly, whether private or state-controlled—in fact, a form of enterprise both efficient and forward-looking.

In course of time there were formed in France, England, Germany and Italy, as well as in many other countries, the most varied types of productive and workers' cooperatives covering a wide range of productive activities. In Italy and France there are over ninety kinds of specialised enterprises. Major economic and labour crises were almost always accompanied by a cooperative revival in the particular sector in question. After the last war, many new cooperatives were formed by ex-servicemen and the disabled. Today the industry which lends itself best to the formation of workers' productive cooperatives is that of building and public works which can utilise labour of many grades and skills. The present tendency to decentra-

lise and separate the various phases of industrial production in medium-sized units offers opportunities particularly suited to the cooperative form of organisation and management. In Europe, there are many examples of separate decentralised undertakings operating competitively as cooperative societies.

### **Legislative Framework**

The legal regulations governing workers' productive and labour cooperatives vary from country to country, but are based for the greater part on such concepts as will best preserve the mutual and democratic nature of the movement. Legislation exclusively for the cooperative sector studied in this chapter exists in only a few countries. It is not possible to make any detailed comparison of the norms in force in the various countries. We limit ourselves, therefore, to making a comparison of some of the principal rules and procedures governing the societies in certain countries.

*Constitution:* In Italy a cooperative society is constituted by a declaration ratified by the Court. In France, application by a private individual is required and the society must be registered with the Commercial Court. There is a charge for registration. In Great Britain, the constitution and registration of cooperative societies conform to the regulations laid down under the "Industrial and Provident Societies Acts 1893-1965".

*Membership:* One of the rules appearing in the legislation and procedure of almost all countries fixes the minimum number of members and their qualifications required for the constitution of a cooperative productive society. This restriction is intended to ensure that societies shall consist of persons among whom the risks will be shared and who will comprise sufficient labourers, clerks and artisans to ensure that the work is satisfactorily carried out, and that the special characteristics of Cooperation will be safeguarded.

In France the minimum number of members is seven workers and clerks in the trade carried on by the society, or permanent employees of the society. An exception to this rule was introduced in a law of 1936 which admitted members who contributed capital only, the interest on their shares being limited to 6 per cent but payable only in the event of there being a credit balance. In Italy members must be artisans practising the art or trade carried on by the society of which they are members. The minimum number of members is 25 for societies authorised to receive public contracts. Up to 4 per cent of the total membership may consist of technical and administrative personnel. In Denmark only members of societies or other cooperative organisations or of trade unions can become members of productive societies. Individual members are admitted only to artisanal societies or to those societies in the building trade where they are already members of the relevant trade union. Each member has one vote; the associate societies have votes, in proportion to the amount of capital deposited, up to a maximum of 10. In Great Britain persons following the trade carried on by the society, as well as all others which the Board has the right to appoint, may be admitted. Organisations having legal personality (as envisaged in the

Industrial and Provident Societies Acts) may hold a certain number of shares in individual societies.

### **Shares and Share Capital**

In Italy a member may not hold shares to a greater value than 250,000 lire, nor a number of shares of which the nominal value is above that figure. The nominal value of each share may not be less than 500 lire nor more than 10,000 lire. The share capital—the sole purpose of which is to provide additional facilities—shall not be more than 300,000 lire in cooperative societies and 10 million lire in consortia of workers' productive societies. In France members may subscribe as many shares as they wish, but no single share may be higher than 50 francs in value. As a general rule, there is a statutory obligation to pay up in full by the end of a year's paid service. Capital is unlimited, and the admission of a member cannot be made conditional upon subscribing more than one share. In Great Britain the minimum share per individual member is £5 sterling, with a maximum of £1,000; no maximum is fixed for share capital held by a society member.

### **Administrative Organs**

*In Italy the administrative organs of the societies are: the general meeting, the board of management, the college of syndics, the trade council.*

In France they are the general meeting, the board of management, the president-director-general, a non-member committee of administration and a supervisory council for both non-commercial and financial affairs.

In Great Britain the general meeting consists of individual members, and representatives of collective members. The meeting elects the board of management, which in turn elects its chairman and appoints a general manager.

### **Distribution of Surplus**

In Italy 20 per cent of the trading surplus must be put to reserve and interest on shares may not be more than the legal rate of 5 per cent. In Great Britain interest paid on shares may not exceed 5 per cent, but, except by special arrangement, the remaining surplus is divided as follows: allocations to reserve and interest guarantee funds; 2.5 per cent to the education fund; an additional dividend on shares, provided that interest and dividend together do not exceed  $7\frac{1}{2}$  per cent per year; and the remainder to the workers in proportion to work done (and to the customers, in proportion to purchases made). In France there are four rules: 15 per cent of the surplus must go to reserve; the workers (whether members or associates) must receive at least 25 per cent of the surplus. The amount apportioned to capital shall be less than that received by the workers: interest on capital may not be more than 6 per cent. In Denmark the rate of interest on shares may not be higher than 5 per cent. 10 per cent of the surplus must be put to reserves and the remainder may be used solely for the mutual and collective benefit of the cooperators.

## **Prevailing Types of Society**

The workers' productive and labour societies consist of three basic types of association each with its characteristic features:

- 1 independent and autonomous societies;
- 2 mixed societies under trade union direction;
- 3 societies under tripartite management of workers, trade unions and consumer cooperatives.

There are many examples in France, Italy and Switzerland of the first, the independent, type of society, which arose out of the spontaneous initiative of workers who are the joint owners, managers and shareholders. The general meeting is the supreme authority which appoints the managers and takes all fundamental decisions concerning the life of the society. In the early stages of its development, a large part of the surplus is put to reserve to ensure its expansion. This form of cooperative has given rise to a strong, diversified movement which has developed cooperative unions and other ancillary types of cooperative organisation for credit, savings and other essential services; from these in turn have grown highly efficient cooperative enterprises which can compete successfully against the best private undertakings.

In the second type, mixed productive societies under trade union direction, which are widespread in Scandinavia, the share capital is mainly contributed by the trade unions, but also to some extent by other cooperatives, and to a very small degree by individual members. Since this branch is due to trade union initiative, rather than to the efforts of individual workers, it is the type which was the first to evolve a system of management. These cooperative enterprises became, in many instances, examples to be followed by all productive undertakings in the country. In Sweden and Denmark this type of cooperative has been very effective in raising the standard of living of the workers.

The third type consists of producers' and workers' societies mostly found in Great Britain. These consist of and are managed jointly by trade unions, consumers' cooperatives and individual workers who are members and shareholders of the cooperative itself. This type, known as cooperative copartnership, which in theory would seem to offer the best security for the various interests of the workers, has not always given good results, and in the last few years has shown definite signs of deterioration as compared with the progress shown by the first type of workers' productive and artisanal society.

The reasons for this are complex. Many of the societies depend upon the market presented by the consumers' societies in which they have to compete against the productive departments of the wholesale societies of the consumers' cooperative movement. This they are able to do successfully when they are well managed. Societies not well managed, which have got into difficulties, have often been glad to save their members' jobs and capital by being taken over by a wholesale society. But a more powerful reason for the decline of the movement is a loss of faith in the value and mission of this

form of Cooperation by many of its adherents who put their trust in trade union action and the politics of the "welfare state".

### **Legislative and Financial Aid by Governments**

For a long time government in the various countries had regarded with a certain diffidence the emergence of the Workers' Cooperative Movement, and in spite of the realisation, in the course of time, of what it could do to raise the standard of living of the most underprivileged sections of the population, to spread and accelerate technical progress, and to increase the productivity of labour, no understanding had been reached in the various countries, nor had mutual relations between government and movement received the seal of recognition and legislative definition.

Legislation governing both fiscal and financial matters was gradually adapted to the mutualist character of Cooperation, expressed through indivisibility of reserves, distribution of surplus to members, limited interest on capital, etc. In many countries, for instance, the share in the surplus which is distributed among the members is not subject to taxation, although sometimes the reserves are. Newly formed societies generally receive some facilities and relief in respect of taxation and certain constitutional formalities. As a general rule, however, when the society has established itself and developed its structure and activities, the facilities allowed by the State tend to be reduced.

*Credit:* In Italy there is in the Banca Nazionale del Lavoro<sup>1</sup> a special section for credit cooperatives, set up under the law of 1947, with its own juridical status, its management and funds being separate from those of the bank. The National Combatants' Service also grants credits, but by way of assistance, to workers' cooperatives of which at least 70 per cent of the total membership consists of workers who are ex-soldiers. There is no national cooperative bank, but various banking institutions grant loans in the usual course of business.

In France there is a central bank for cooperative credit, created in 1938, for medium and long term credit at low rates of interest. Its capital comes in part from the State and in part from cooperatives which have a representative on the board. There is also the bank of the workers' productive societies formed by the cooperatives themselves for the usual banking business. The ordinary credit institutions are also available to the cooperatives.

In Denmark there exists, in addition to the Danish Cooperative Bank with 200 branches, standing fourth in order of size in the country, the workers' bank which serves especially the workers' productive cooperative organisations.

*Execution of Public Contracts.* There are special and important legal provisions designed to ensure at least a share of public works contracts for the workers' productive cooperatives.

In Italy, under the regulations in force, certain options may be granted to administrations, inviting competitive tenders for carrying out public works, to reserve them for cooperative organisations. When these cooper-

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<sup>1</sup> National Labour Bank.

atives are accepted as contractors they are permitted to pay provisional caution money at a reduced rate and to base the definitive caution on the percentage retained at each step of the progress of the work.

In France the authorities are requested, whenever possible, to assign a quarter of their contracts direct to cooperatives at the average price of the other threequarters; moreover the cooperatives, when they compete with private concerns, should have preference in any adjudications where tenders are equal. Finally, the French cooperatives do not have to deposit provisional caution money and benefit by a reduced rate of definitive caution. In order to qualify for these facilities, however, the cooperatives must be registered in a special list published annually in the Official Gazette by the Ministry of Labour.

*Fiscal Legislation.* In Italy workers' productive cooperatives are subject to reduced taxation for all contracts concluded with the State or with organisations under State control. They benefit from similar facilities also for contracts arranged with private concerns, but only if the work to be undertaken does not exceed by twenty times the amount of the capital of the cooperative itself.

In France the workers' productive cooperatives have not enjoyed any particular fiscal privileges since 1935 and the same is true for Great Britain. In almost all countries there are conditions which place the members and employed workers on an equal footing. In France the auxiliary workers enjoy all the welfare and provident benefits accorded to members and also share in the distribution of the surplus. In Italy the wages received by the auxiliary workers must not be less than that of the members, and in both cases it should never be less than the corresponding amount fixed for workers in private enterprises.

## **Development in Different Industrial Sectors**

*Building and Building Materials.* Cooperatives of this type exist in many countries. Their problem is the rapid obsolescence of equipment due to the need to keep up to date with new building techniques. This is a sector which is continually developing and is not usually subject to crises.

In France there are 360 cooperatives working in every branch of the building trade; bricklaying and reinforced concrete, carpentering in wood and metal, heating, painting, etc. As an example may be mentioned the society "L'Avenir"<sup>1</sup> of Lyons. In 1959 it celebrated its 40th Anniversary; it has 800 workmen and in 1958 it carried out contracts worth 4 milliard old francs. The cooperative not only looks after the immediate interests of its working members but also endeavours to prevent the accidents which are so frequent in this industry. The benefits offered by the Pension Fund of "L'Avenir" are available to all personnel, whether workmen or employees without exception, and without charge of any kind, the only condition being that they should be 60 years of age and have been at least 20 years in the society.

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<sup>1</sup> "The Future"

Altogether, the French cooperatives carry out work to an annual value of about 700 million new francs. Recently the "Confédération Générale des Sociétés Ouvrières de Production" has taken steps to assist its member organisations to adapt themselves to present-day economic conditions; for example, it has formed a society to develop workers' cooperatives by providing technical advice and finance, in addition to that available through the Central Cooperative Credit Bank; also a specialised technical service in productivity and technical training courses for new cadres.

In Italy there are 1,500 cooperatives of this type with about 100,000 members. A typically Italian organisation is the "Consortium" which requires a decree by the Head of the State for its constitution, with the status of a civil association, and its activities are supervised by the Ministry of Labour. A consortium must consist of at least five cooperatives with a minimum of 250 members.

Among the largest consortia should be mentioned: the Consortium of Workers' Productive Societies of Reggio Emilia, founded in 1924, a group of 92 cooperatives with 8,500 members and capital of about 3 milliard lire; the Workers' Productive Societies of Ravenna, a group of 24 cooperatives with 2,403 members, capital of 3 milliard lire; the Consortium of Workers' Productive Societies of Verona with 10 societies and 282 members; the Consortium of Workers' Productive Societies of Bologna founded in 1912, consisting of 98 societies with 2,000 members.

In Sweden, as already mentioned, there are twelve societies active in all sectors of the building and public works industry. It should be noted that they do not work solely for the large cooperative housing organisations, but also on projects for the government and private individuals.

In Switzerland, there is a powerful organisation, the ASEC, in which all branches of the building trade are represented from painters to decorators, carpenters to furniture-makers, from plasterers to plumbers. It is a comprehensive organisation of 46 societies with offices in 14 cities. This all-round organisation is competent to carry out work, not only for the State, but also for the private sector and for the construction of dwelling houses.

In Holland the building cooperatives are few but noteworthy. The ACB for instance, founded in 1921 by a mason and six carpenters with only 700 florins of capital, now has 43 members, 230 employees and a capital of 1,000,000 florins. All of this has been achieved without any financial aid from the State or the trade unions.

*Transport and Transport Auxiliaries.* This type of cooperative exists in several industrial countries. It is in Italy above all that we find them in all sectors. For overland transport the Cooperativa Autotrasporti SACA of Pistoia should be noted with 440 members, which provides public transport for passengers and goods under regular concession from the Ministry of Transport; it runs 80 urban and inter-district routes; owns buildings and equipment worth over 800 million lire, has 3 branches, 21 agencies and 30 connections; 130 motorbuses and 12 lorries with heavy tonnage trailers.

There are also taxi cooperatives, cooperative transport for agriculture and river transport. The Cooperative Workers' Productive Consortium of



Reggio Emilia manages three railway lines. In ocean transport the "Gariibaldi" cooperative of Genoa should be noted. It was formed on the 13th September, 1918 as a small business supplying marine equipment and has today become a large navigation company.

In France there is a taxi cooperative and a river transport cooperative and, above all, an important removal cooperative, the "Professionnels Reunis" founded in 1903, is today one of the most important in the industry. It has three large depositories in Paris, Lyons and Tours, and a large number of specially constructed vans; its annual turnover exceeds 600 millions francs, and as it runs its own social institutes it has considerable influence over the whole sector.

*Machinery and Metal Trades.* It is difficult to draw any general conclusions regarding a sector which includes such diverse activities. There is no doubt, however, that Cooperation could hold a much more important position in national productivity, in view of the fact that workers' cooperatives can and will make great progress in this particular sector. The growing importance of technology calls for more specialised personnel which it is not possible to recruit under the usual system of training in workers' productive societies.

It is obvious that the form of workers' productive Cooperation is not applicable to large industrial complexes which call for concentration of technical, financial and human resources, but, as already mentioned, these same large complexes are tending today to become involved in many parallel activities with satellite undertakings which could very well be organised on a cooperative basis.

There are in France 47 cooperatives of a diversely specialised nature. Among the metallurgical concerns attached to the building trade the ETCM should be noted. It has acquired a good name in the international field especially for the construction of grain silos which can be dismantled.

In the optical, electrical, electronic, telephone and radio sectors, the large group is AOIP (Association of Specialists in Precision Instruments); this giant undertaking ranks fifth among the French firms specialising in telephone apparatus and is the only one of this type which is run solely with national capital. Its departments making electronic and atomic equipment, compasses, measuring and precision instruments have developed in a remarkable manner; there are 1,500 people working in its workshops, 800 of whom are members of the cooperative.

In watchmaking and general mechanics the group in Valence has shown notable development in both the home and export field. For heating apparatus, refrigeration, carriage buildings, metal furniture and other types of metalworking the "Famillistère" founded at Guise by Godin, a disciple of Charles Fourier, deserves mention.

In Italy there existed as far back as 1888 nine cooperatives of mechanics; there are now 50 making dental equipment, weighing machines, metal furniture, lifts, machine tools, automatic presses, tractors, etc.

We would mention by way of example the CAIM of Genoa (marine equipment for private enterprises) founded in 1945 to reintroduce to civilian life men demobilised from the navy. On account of the members' pro-

fessional experience, the cooperative is mainly concerned with supplying technical services and equipment; the society has two workshops, one of which specialises in ships' repairs and the other in the making and repairing of nautical instruments.

*Printing and Typography.* In France the typographical trades are among the many activities carried on by the workers' productive cooperatives. There are 60 societies forming a homogeneous group which is continually expanding. Some of the societies (L'Imprimerie Nouvelle, la Lithographie Parisienne, founded in 1886, L'Emancipatrice, founded in 1901 under the patronage of Anatole France) are old but still full of vitality; others like the two which produce regional daily newspapers, "Le Courrier Picard" and the "Yonne Républicaine" are of more recent formation.

In Great Britain seven cooperative copartnership printing societies are doing valuable work; the most important—Leicester Co-operative Printing Society—has 659 members and employs 144 operatives. The whole cooperative printing organisation in Great Britain combines about 2,000 members, 1,000 employees and its annual turnover is about £600,000.

In Italy cooperative printing and typography are represented today by some 30 societies working modern machinery. The STEB (Printing and Publishing Society of Bologna) has 600 members and premises of 7,000 sq.m. The "Farmaceutica" cooperative which publishes the Scientific Dictionary of Ancient and Modern Medicine was founded in 1890.

The chief difficulty in the way of developing this category is the lack of finance to acquire new machinery essential to meet competition. In cases of recent development the problem has been solved through various sources of finance and development is assured for a certain time as a result of such initial impetus.

*Leather, Textiles and Clothing.* In Great Britain the largest group of workers' cooperatives produce footwear and clothing. This represents about one-third of the goods supplied to consumer's cooperative societies, but sales are also made to private concerns.

In Italy the earliest cooperatives of this type were the clothing societies of Bologna in 1868, the wool society in Prato of 1882, and the milliners of Turin in 1884. Today the Italian cooperatives produce stockings, men's hose, dresses, waterproofs, shoes, laces. The majority consists of cooperatives of women working at home.

*Woodworking.* In France there are 48 cooperatives in this sector, ancillary to the building trade (carpentry and joinery), 20 making furniture, others for cabinet making, ships furnishings, pipes and works of art.

In Italy there are about 100 artisans' societies of this type, of which the chief are those making chairs; among them the Consortium of Friuli with 2,170 workmen producing 15,000 chairs a day. This Consortium also does a large export business, operates bulk buying and joint selling, organises exhibitions and makes use of the most up-to-date techniques.

The outlook for this type of society is better than in the past especially for furniture, toymaking and allied products.

*Foodstuffs.* The majority of workers' cooperatives existing today make

bread and pastries; there are also cooperative slaughter houses and sausage factories, more rarely societies for brewing and alcoholic beverages.

### **Labour and Service Contracting Societies**

Cooperatives of this type belong to two large groups: cooperatives of manual workers and those formed by intellectual workers.

The first category is continually increasing since such societies do not require large capital and are based solely on the performance under contract of manual labour. Among them are cooperatives performing auxiliary transport services such as carpark attendants, messengers, packers, airport services, as well as societies of watchmen, woodcutters, station and port cleaners, barbers and hairdressers, street sweepers, salters, paviors, slaughtering and ancillary functions, and societies offering tourist services, recreation, etc.

The very large number of members involved are engaged in many different activities, and of recent years the service cooperatives have become prominent in the workers' productive movement. They could develop even further, if the cooperative system was applied to all the various services required by the population of the great cities and in the country which are today carried on by artisans (plumbers, electricians, etc.) more especially those engaged in repairs.

Cooperatives of porters, loaders and dockers at railway stations and ports are well developed in Italy and France, as are also those of railway and port cleaners, as for instance in Naples.

Among other typical cooperatives are the watchmen who provide day and night supervision on a collective and mutual basis in conjunction with the police.

In Genoa the watchmen's cooperatives, operating mainly in the port, are combined in the "Consorzio Italiano fra le Cooperative di Guardianaggio", whose job it is to help private "vigilance" organisations to safeguard the interests of their own members, indicating the spheres of action of each one, and level up the tariffs and wages of the watchmen.

One of these societies, the "Santa Barbara" of Genoa, undertakes firewatching; another, the "Marinara di Salvataggio" of Cagliari, provides a life-saving service in the ports and bathing stations; a third, "La Ligure" of La Spezia consists of the local divers.

There are also laundries which wash and iron clothes and linen either in their own premises or in the home, and carry out any repairs required.

A new type is that providing service in tourist camps and popular entertainment. These are often of a regional nature and exist in several countries. They arrange exhibitions, popular entertainments, and amusements for children, and manage rest and holiday homes. There are some 5,000 such cooperatives in Italy, one of which, the Cooperative "Albergo Mensa e Turismo" of Bologna, has 2,500 members.

Among the cooperatives providing manual labour there are a great many carrying on slaughtering and allied trades—some 20 in Italy with 2,000

members. They are developing into an all-round type of industrial productive organisation, processing slaughterhouse residues and distributing meat, as in West Germany.

Cooperation in the liberal professions is a formula for the future which promises to make great progress if a favourable climate of opinion can be created. Undoubtedly, the advance of technology is tending towards ever greater specialisation which calls for collaboration and group-work among the various types of specialists, increases the need for continuous postgraduate study to maintain adequate professional qualifications, and the use of increasingly complicated and costly materials and apparatus. In such circumstances, the cooperative formula is the only solution for people wishing to combine efficiency with the personal independence and responsibility characteristic of the liberal professions.

There already exist in France various examples of this type of cooperative; for example, the Accountancy Institute founded in 1901, some 100 doctors' cooperatives, three town planners', six architects', two for surveyors and topographers, three for authors. In Italy there are three architects' cooperatives, ten for actors, two for film actors, five for orchestral musicians and one for film dubbers. All these cooperatives have come into existence during the past ten years.

**Difficulties and Limitations.** It is obvious that any survey of workers' cooperative production in a single chapter must be incomplete. No mention has been made for example of cooperation in the chemical, glass and china industries or in mining and many other specialised fields. It can even be said that today there is hardly any industrial sector in which there is no cooperative activity, although in some cases the desired results have not been fully realised.

There are, in fact, many difficulties, problems and limitations in the way of finding the perfect type of cooperative productive organisation. Moreover, there are many aspects in which workers' cooperative enterprises are unique. Some of the limitations are financial, commercial, social or constitutional, the latter affecting more directly the size of the enterprise and the choice of trade. Such limitations are often more in evidence in the initial stages of any socio-economic organisation, on account of its social function and the wider scope of its activities as compared to those of a purely commercial enterprise.

Great effort is required on the part of workers' productive cooperative societies, for instance, to acquire commercial attitudes uncongenial to a group primarily concerned with finding for social, democratic and production problems solutions which imply the elimination of the private entrepreneur. Such an outlook is all the more essential for workers' productive cooperatives as they encounter—as happens frequently today—difficulties in marketing their products or their services, whether with private concerns, because of obvious hostility, or even, as we have seen, with cooperatives of other types. Only after members have gained some technical and commercial experience, is a cooperative solution to the problem found through the formation of special auxiliary consortia.

Problems of credit and finance can also be solved by the formation of special cooperative credit consortia, cooperative guarantee funds, etc. In this case also the spirit of cooperative solidarity combined with social maturity is essential. It is, in fact, necessary for every member to be prepared to renounce excessive profits in order to build up capital, business and reserves which will serve to prove the superiority of the cooperative system over every other form of enterprise.

Credit, which is today indispensable for every type of industry, can itself offer a means of reaching social maturity, whether it is used for investments with definite productive ends in view or to enable members to participate more or less actively in the administration required by contracts, forecasting and planning. In this way credit supersedes and is better than subsidies from various sources which can hardly be regarded as useful or permanently normal in the life of a cooperative or in that of the society in which it operates.

Social maturity and democracy in the cooperatives to which we have drawn attention, coupled with economic questions of scale, determine the size and field of action of the society and sometimes exclude certain sectors of production; but this varies according to circumstances. The limitation of the field of activity varies also according to the type of activity. In the building, public works, and ancillary trades which, as we have seen, are adapted to workers' productive cooperatives, there is remarkable elasticity in the dimensions of the societies; this is equally true of the constitution of consortia.

In conclusion it may be emphasised that the workers' productive cooperative movement has been able, in a great variety of circumstances, to overcome many obstacles and make great strides in competition with other types of enterprise. This confirms the belief that self-help and democracy applied in the form of cooperative enterprise are factors leading to improved work and productivity.

# Chapter VIII

## Cooperative Housing Societies

### **I. Aims and Structure**

Socially, economically, politically the world is in continual flux. Housing is also involved. It is more than ever necessary to seek and find the right answer to the general human demand for a sheltering roof, adequate room and a comfortable dwelling at reasonable cost.

This is a task which dates at least from the beginning of the industrial epoch. We find efforts already being made in the last century through collective self-help to construct houses which should secure the advantages of being their own landlords to tenants who were often otherwise at the mercy of an evil chance. Numerous examples from many countries can be cited of the construction of settlements and streets of houses which even today, decades and generations afterwards, make helpful and social contributions. It is precisely these positive experiences which suggest cooperative solutions at the present time.

For decades the social need has remained the same: houseroom for everyone, sufficiently large, impeccably hygienic, protecting and fostering the human personality, and safeguarded as much as possible for ever against speculation. The means have scarcely altered either: cooperative self-help, the association of those who hitherto stood alone, the accumulation of a certain common capital, agreement on common rules, which determined the social and democratic character of the association and the observance of sound business principles.

What has changed and of course will continually change is the external setting, the social structure and policy, the requirements of civilised living and, not least, the standards of technical equipment of a dwelling. There have been revolutions in general building techniques, the assumptions of town-planning, the possibilities of finance, the dimensions of the capital required and especially in the structure of the cooperative housing societies which can generally reckon to exercise an effective influence on the market for dwellings only if organised in larger units.

This in no way prevents smaller organisations from setting to work on a local and regional scale, to satisfy the housing needs of particular groups of consumers. But where the object is to achieve an effective social influence on a national housing market as a whole, this can only be attained through the application of the same business, economic and organisational methods as prevail in the free market, dominated by competition. It is concentration, rationalisation, the consistent use of every method of reducing costs, the elimination of waste in administration, which create the necessary pre-conditions for ensuring that the cost of production of dwellings does not slip out of control.

In recent years in virtually all countries the land question has thrust into the foreground as a particularly stubborn obstacle to socially satisfactory solutions. In the cities and industrial conurbations the price of building land has often reached astronomical figures, with the consequence that the dwellings erected on it, in spite of the shortage, could not be let.

In several countries legislative measures were fortunately adopted to bring about a better harmonisation of land prices with social and economic needs. Especially favourable conditions for building dwellings of reasonable prices prevail where far-sighted cooperative housing societies have succeeded in acquiring building land in good time and so keeping it, now and later, out of speculative hands.

## **II. The many-sided Image of Cooperative Housing Activity**

Corresponding to the numerous possibilities of variation in cooperative activity, the forms of housing cooperatives are numerous also. This makes it difficult, almost impossible, to produce a statistical summary<sup>1</sup> which adequately covers them. This results not least from the variety of objects of cooperative housing societies. Only a few of these differences in cooperative objectives may be mentioned here.

Thus we meet with housing societies which consider their object to be achieved when their houses are built. They are then dissolved, leaving the individual properties—as a rule one-family houses—to pass into the possession of individual members as their personal property.

Further there are handicraftsmen's house-building societies which serve in the first place to provide employment and earnings for skilled workers in the building trade. These sell the houses as soon as they are finished or even before.

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<sup>1</sup> See Table 8 in Statistical Annexe.

House-building societies of a special kind are the productive cooperatives of building workers who have combined on cooperative lines and in the course of decades have built them up into important enterprises in the fields of joinery, plastering, masonry, plumbing and landscape-gardening.

The degrees of State-promotion are very subtly differentiated. They not seldom make it difficult to determine the extent to which self-help led to the foundation of a cooperative.

Those cooperative housing societies whose members lend a hand themselves and more or less erect the projected houses by executing certain kinds of building work are met with less often today than formerly. The agricultural housing cooperatives founded in Switzerland a few years ago work on the same lines as this kind of building cooperative. Their purpose consists in mutual support through collective self-help in the form of labour remunerated at the same rate as in the building trade or of repayment in labour for work done. The cooperative can also undertake the common purchase of building materials and machines or carry out related tasks. As a rule the membership of agricultural housing cooperatives includes whole valleys, larger communities and, in some cases, even small Cantons.

In the middle of 1966 altogether 38 such cooperative housing societies existed in Switzerland. A total number of about 150 building managers were trained, the majority of whom were successful. They began with small projects, but today most of them are capable of carrying out large-scale alterations and even erect new buildings. Comparisons of accounts have shown that the reduction in costs can amount to one-third. This reduction results:

- a From better productivity per unit, because each man endeavours to begin working again as quickly as possible on his own farm;
- b From the difference in labour costs: the society pays only the actual amount of the wages, plus insurance premiums and social welfare contributions (these are equal to about 10 per cent of the cash value of the wages);
- c From cheaper materials because of direct dealing with the wholesalers.

“Building societies” or house-saving banks well known in Great Britain and Germany especially can also work well on cooperative lines. These are, of course, less concerned with the erection and letting of houses than with favourable financing through consistent collective saving and investment in property. The members of these building and saving societies join them as a rule because they are interested in acquiring homes of their own.

The idea of housing cooperatives is not equally well-rooted in all the countries of Europe. It has made a particularly deep impression in the Scandinavian countries, France, Germany, Austria, Italy and Switzerland. It is also advancing strongly in Eastern Europe, where the advantages of personal initiative and responsibility are obtaining more and more recognition and the State can in this way secure useful collaboration. Promising foundations for the development of a system of housing societies—thanks to liberal financial assistance from the government, not least in collaboration with the “building societies”—are being laid in Great Britain.



Internationally accepted norms for a clear distinction between genuine and false cooperative housing societies do not yet exist. For the present that is hardly a matter of decisive importance. What is essential is that the cooperative elements should reveal themselves in practice. Very often not all the requirements of collective self-help are fulfilled. The State and municipalities often persist in intervening for years on end. Nevertheless already a certain measure of self-administration and self-financing justifies the diagnosis that we are dealing with a cooperative housing society. Obviously we have to work for the fulfilment of all the postulates which must be laid down for self-help cooperative housing societies working under conditions of free, independent responsibility.

### **III. The Advantages of Cooperative Housing**

The advantages offered by the establishment of cooperative housing societies are manifold. It may be said without qualification that there is no system to compare with the cooperative. Whereas the private entrepreneur and the individual private landlord are animated by the opportunity and prospect of gaining speculative or excessive profits through the sale and letting of dwellings, a cooperative housing society, because of its inherently idealist attitude and its rules framed to correspond, is obliged to restrain itself to covering the mere costs and to avoid any kind of exploitation.

The advantages of cooperative housing societies make a most imposing list in comparison with State and municipal enterprise, as well as with dwellings erected primarily on a commercial basis. We may cite the following:

#### **1 Economic Advantages**

- a** Housing cooperatives discharge tasks which the public authorities must otherwise undertake.
- b** Housing cooperatives become collectors of capital, which would otherwise not accumulate, in the hands of people with low incomes.
- c** Housing cooperatives assist those seeking a home to find a more effective way of using their weak purchasing power.
- d** Through their existence and growth housing cooperatives develop in the market a countervailing power against capitalistic economic combinations.
- e** The cost of living is influenced in the direction of remaining low and stable.
- f** The deliberate and constant maintenance of the value of important properties, not least through the constant training of the members to take proper care of their apartments and the buildings.
- g** Continual modernisation of dwellings.
- h** Continual testing of new and more rational methods of construction.
- i** Steady downward pressure on the prices of building land.
- j** Speculation in dwellings is eliminated by common ownership.
- k** Establishment of productive enterprises for building materials, prefabrications, etc.

**1** Bulk purchases of building materials and home fittings.

**mA** A powerful influence towards moderate rents and selling prices is exerted by the purchase on a large scale of materials and appliances.

## **2 Financial Advantages**

**a** Collaboration with all branches and sectors of the credit system such as mortgage institutes, savings banks, insurance institutions and house-savings associations.

**b** Surpluses are retained for the promotion of house-building.

**c** Collective self-help is the basis for collaboration, based on trust and confidence, with all the institutions which provide credit for house-building.

**d** Housing cooperatives broaden their capital basis through their own savings funds.

**e** Housing cooperatives' own guarantee institutions increase the opportunities for obtaining capital from external sources.

**f** Collective insurance covers general risks.

**g** Through keeping down administrative expenses, a favourable influence is exerted on rents, thanks to the prevalent system of honorary service in numerous functions.

**h** Strict control of invested funds by cooperatives' own and by external auditors.

## **3 Social Achievements**

**a** Housing cooperatives stand for the idea of social responsibility in the provision of dwellings in the market economy.

**b** The extension of consumer choice in the satisfaction of the need for houses among people with low incomes.

**c** Deliberate promotion of healthy family dwellings that are good value for money.

**d** Security of tenure through long-term leases or the right to a dwelling in perpetuity.

**e** Erection of suitable dwellings for the aged.

**f** Promotion of common ownership of property amongst the people at large.

**g** Generous provision of institutions for social intercourse and for children, such as children's playgrounds; day nurseries for children or working mothers; modern kitchen installations; washing machines; shops; workshops for arts and crafts; collective garages.

## **4 Promotion of Modern Methods of Construction**

Housing cooperatives are naturally inclined to be progressive. Their constant endeavours is to bring about

**a** The reduction of building costs;

**b** The rationalisation of building methods;

**c** The intensive study of prefabrication and new materials;

**d** The far-sighted and generous preparation of housing sites through street and sewer construction, etc.

## **5 Promotion of Democracy in Economic Life**

- a** Democratic administration leads to the participation of many members in the management committees and other organs of the housing cooperatives.
- b** Members of cooperatives have administrative functions, are encouraged to be active and are positively involved in responsibility.
- c** Economic self-responsibility has high value from the standpoint of freedom.
- d** Housing cooperatives diminish social tensions.
- e** Housing cooperatives and their federations take pains to facilitate the cultivation of human and personal relations. Amongst tenants they create understanding for the maintenance of their dwellings and the requirements of a socially-oriented housing policy.
- f** Through meetings, social occasions and lectures, housing cooperatives contribute to the entertainment of their members and their further education.

## **6 The Advantages for the Individual and the Public**

The question may and must be asked: where are all the advantages just mentioned to be found outside the housing cooperatives?

Just as much as the possession of their own home is for innumerable people a goal worth striving for, it is right to take into consideration the fact that nowadays, with the enormous rise in building costs, only association can provide the conditions which enable a growing circle of families to enjoy the advantages of owning their own homes. At the same time the disadvantages of speculative house ownership, the continuous rise in the price of land, the arbitrarily fixed rents and the unhealthy overcrowding in apartments and rooms, and probably even slums, are eliminated.

Cooperation means freedom. It liberates the tenant from a dependence which is often felt in the depths of his personality. Cooperation realises a series of human and humanitarian requirements which are not guaranteed to a man who must accommodate himself and his family under the uncertain conditions of mere tenancy.

From the point of view of urbanisation leading to new social structures, the creation of communities capable of enduring existence, the cultivation of tolerance and mutual understanding, the development of a healthy human atmosphere, the influence of cooperative housing associations is decisive. It is not a matter of indifference to them—to mention only a few practical objectives—how large the rooms are, how apartments are divided or whether opportunities for play and activity are provided for children.

It is advantageous to very many housing cooperatives that their federations have their own technical institutes, their own architects and, to some extent, their own productive enterprises for the supply of tiles, pipes, doors, windows and modern kitchen and sanitary equipment.

It has been demonstrated that housing cooperatives strive for better equipped dwellings and in order to do so they re-invest a great part of the savings they make from rationalisation, based on combined action in the

acquisition of land, planning, purchasing administration, etc., and so bring about an important improvement in housing standards.

#### **IV. Financing**

Correct financing very often determines success or failure in establishing housing cooperatives. Ways and means of assembling the necessary capital are numberless.

The percentage of societies' own capital varies noticeably. It depends on the type of dwelling, whether it is a single-family house or an apartment block, according to the general situation on the money market and the methods of assistance adopted by government authorities.

In principle every housing cooperative should insist that the individual member should make a financial contribution of his own to a greater or lesser amount by subscribing shares. This amount may be 5, 10, 15, 20 or even 30 per cent of the cost of production of a single-family house or an apartment.

Many states have recognised that the encouragement of housing cooperatives brings with it many economies and simplifies many problems for the public authorities. They therefore make contributions and give subsidies in the most varied forms in order to make it possible to fix favourable rents. With this end in view loans are granted at reduced rates of interest, rents are subsidised, land provided for building, loans are guaranteed. Very often, if the free capital market is under heavy pressure, the State becomes financier and provides the necessary funds which can be repaid by the housing cooperative over a longer or shorter amortisation period.

If a housing cooperative succeeds—through fixing an important contribution for its individual members and obtaining the remaining capital on the free market, not regulated by the state—in financing its building projects on its own responsibility, it is also free to make its own dispositions in the choice of tenants, the fixing of rents, the constitution of its administration and the conduct of its business in other ways. However, if it receives public funds of any kind whatever for the discharge of its building tasks, it must as a rule submit to conditions which are burdensome and can endanger its independence. Housing cooperatives range from those which are based entirely on self-help, that is, their own strength and responsibility, to those which are nearly official institutions almost entirely financed by government. These doubtless display various good cooperative features but are decisively restricted in their freedom of action.

For these reasons housing cooperatives do well consistently to strengthen the basis of their own capital and to establish arrangements which help to lighten their financial obligations. In a similar way to the objects of the building societies, especially in Great Britain, housing cooperatives and other housing organisations, which are associated with them, have established their own savings banks and institutes resembling banks in order to increase and employ the capital resources unemployed or invested elsewhere by their members and channel them into their own building operations.

A similar purpose is served by the guarantee associations which housing societies have combined to establish, in order to provide security, through the formation of a joint guarantee fund, for sums borrowed from banks and other sources of finance.

Far-seeing management committees of housing cooperatives fix rents in such a manner that these include a special but modest percentage for the continuation of building with the highest possible proportion of money of their own providing.

Others seek to bridge the wide gap between tenants of old, cheap dwellings and others in new ones, in that they ask a somewhat higher rent of the former in order to fix the often almost impossible rents of new houses a little lower.

From the cooperative standpoint it is also good to impose a solidarity levy on members in rather cheap dwellings—this is done in the Swiss Confederation of Housing Cooperatives—in order to build up a special national fund to provide new housing cooperatives with interest-free loans.

In the same spirit of cooperative solidarity is the relief granted to financially-weak housing cooperatives for the last stage of financing, from the surplus, accumulated over many years, by older cooperatives. These surpluses are lent on favourable terms to those which are still short of finance.

No doubt there exist among the housing cooperatives these and many other possibilities of obtaining liquid capital which are now lying fallow for cooperative house building but which could be utilised for the cause, given imagination and resolution.

Too little use is made of sources of finance in spheres of society which can be won for cooperative building projects and many which are already won. We have only to think of employers, of enterprises which would like to erect dwellings for their staffs; of trade unions which are interested in housing; of municipalities and other official bodies which would like to secure a number of dwellings for their own needs.

Apart from this it is conceivable that, in this age of comprehensive urbanisation and achievements in the sphere of housing policy, the housing cooperatives, with finance obtained in the free capital market or with the help of publicly financed housing, will be able to carry out big projects. What is urgent is the association of different or even many building enterprises in consortiums in which the housing cooperatives can participate by taking over responsibility for a part of the buildings to be erected.

However desirable of course, the financing of housing cooperatives free from all governmental support may be, it seems unavoidable, in view of the pressure on the capital markets of most countries and the high and ever rapidly increasing building costs, which make impossibly high rents inevitable for growing numbers of citizens, that the promotion of cooperative housing through public funds is a decisive condition for a socially satisfactory solution of the housing question.

## V. Town Planning and Housing Policy

Long before town-planning was ever mentioned, cooperative housing settlements have fulfilled functions which fall today within the sphere of a progressive regulation of housing conditions adapted to present and future requirements. They have consistently avoided the social evils of ejecting defenceless tenants from their homes, housing people in overcrowded, unhygienic slums, demanding brutally excessive rents and led the way to a genuine relief of the worst housing evils through the creation of generously designed housing settlements.

Today also the main consideration in town planning is dispersion, the avoidance of agglomerations in which families, children, the healthy growth of the generations are liable to be stifled. In order to make sufficient living space it is necessary that the dwelling shall not be too cramped, that urban units capable of healthy social life—perhaps in the form of satellite towns—should be constructed, somewhat resembling the “cooperative housing units” aimed at in France, which comprise from 1,000 to 2,000 dwellings and which display a degree of human and social integration and correspond to the conditions for a happy and, from the economic, transport, supply and administrative standpoints, satisfactory community.

Look where we will—to Denmark and Finland, to Sweden, where well-developed architects’ departments, working on the most modern lines, are maintained by the Cooperative Federations—everywhere the attitude to the requirements of town planning is seen to be, in the highest degree, positive. Housing cooperatives have retained their pioneer role in this field, and for this reason, that they endeavour to attain through housing estates, decentralised but integrated in the town plan as a whole, as well as low prices of land and rationalised construction methods, the lowest possible rent charges. In this manner, not only ulterior cooperative aims, but also the objects of housing policy in general, such as a healthier mode of living, good air to breathe, more room for the children, closer contact with nature—all these are typical of the purposes of housing cooperatives, which are obviously quite different from the selfish endeavour, only kept within bounds by legislation, to make housing the object of purely commercial exploitation.

## VI. Rationalisation through Concentration and Technique

The coming into existence of large national and international economic areas, continuous progress in technique, the speedy development of pre-fabrication, mechanisation accelerated by the steadily increasing cost of labour and the growing necessity, owing to the rapid growth of population, for efficient building of dwellings which are good value for money, were bound to influence the structure and organisation of the housing cooperative movement. The idea of self-help in its original sense—the association of a group of Cooperators in order to carry out a building project which meets their personal needs, through their own manual labour or through their own financing, together with borrowing on the free-market—can only be, in

rather rare cases, of any tangible significance for the solution of the housing problem of a whole country.

Of course, in every country there are districts where smaller units working under traditional conditions can satisfy the demand for dwellings by making use of all the advantages offered by cooperative organisation. The less developed the building industry of any country is and the stronger the domination of customary methods of construction, the less has centralised industrialisation replaced established hand processes. Moreover, the more building land is available and the simpler the technical requirements of the projected houses are, the more will it be possible to succeed with the long-established organisation and structure and attain the object in view through personal initiative and voluntary labour on the part of the shareholders. The modest groups of 100, 200 or 500 which are constructed in this way are doubtless closest to the original conception of the objects of cooperative housing. We find them and their often exemplary representatives in many European countries where, according to the magnitude of the need for dwellings and of general building activity, they can take credit for a more or less high percentage of newly constructed houses. In recent times especially, we observe in various European countries again a stronger tendency to adopt the cooperative form of housing enterprise.

Nevertheless, in the industrialised regions where the population is rapidly growing, it has been demonstrated beyond question that an effective housing policy, corresponding to the needs of our time, and presupposing the investment of enormous amounts of capital, can no longer be reserved for the initiative of a relatively small and as a rule financially feeble group of building enterprises. It requires deliberate combination and collaboration of all the forces of the housing cooperative movement throughout a city or region or even a country as a whole.

The irresistible demand of the hour is a reduction in building costs. This is not achieved if every cooperative has its own window-sizes or door-measurements and if it refrains from acting in concert with friendly organisations to obtain jointly fittings for kitchens and bathrooms, to agree on certain standards and perhaps to make use of the same building plans. In the standardisation of materials, pipes, tiles; in agreement on a common building organisation; in the purchase in common of cupboards and pre-fabricated elements, enormous economies can be made through the concentration of forces.

It is therefore absolutely necessary that the existing housing cooperatives should always continue their building operations, that they should constantly seek to improve their financial structure, that they should join together to organise common services in the form of architects' departments of their own and institutions for consultation, testing materials and possibly even their own factories. As single entities the housing cooperatives are too weak; in combination, however they are in a position to rival the powerful enterprises of the building industry and, from the social point of view, to surpass them.

The most advanced in this respect are the Scandinavian countries where the housing cooperatives have been developing for many years in the form of mother-and-daughter societies, whereby widespread coordination has been achieved over an entire country and the basis laid for successful production.

Not least, strong foundations have been built in this way for solid savings institutions which can spread the risks; for the construction of a good administrative cadre of full-time employees; for the close observation and scrutiny of all innovations and advances; for the publication of their own journals and brochures; and for influencing public opinion. They are now experiencing a parallel development to the consumers' societies which must work out a well-considered closing of the ranks and concentration of forces on both the national and international levels, and in this way make their message heard. In this connection the idea is quite relevant that the combination of forces must continue beyond the narrower circle of the aims of housing cooperatives and envisage collaboration with other branches of cooperative activity, such as with the consumers', the credit and the agricultural cooperatives, as well as with the building societies. The threads linking the housing and consumers' societies are already numerous.

In harmony with the spirit of the age—and with the necessity to obtain the maximum advantage from technical progress, and because manpower is often lacking, the service of electronics has been enlisted, as, for example, in Germany. Housing cooperatives which wish to utilise electronics can only do so, if they are ready to join in large investments and are agreed on common principles of accounting, the text of forms and the practice of letting. Only thus, can a common urban or regional electronic installation be kept running to the advantage of all the participating cooperatives.

Thanks to the progressive attitude of the Confederation of Non-profit Housing Enterprises<sup>1</sup> there exists in Germany a standardised accounting system for housing management which brings innumerable book-keeping processes under a uniform regulation.

The common ownership of an electronic data-processing machine gives facilities for valuable market-research, for a clearer judgement of development, for comparisons of the efficiency of individual cooperatives, for the assembly of all the information which a housing map should contain and which is required for judging the position of repair work, the general condition of the buildings, the calculation of rents and comparisons with other enterprises.

We may briefly describe such an accounting centre, the *Düsseldorfer Rechenzentrum GmbH*. This society has, according to its rules, the function of promoting non-profit housing undertakings through the operations of a central electronic data-processing installation. The unit is adapted specially for carrying out large-scale continuous or rush jobs, for difficult or comprehensive accounting work and for the preparation of statistics which can be analysed and evaluated from many different standpoints. The

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<sup>1</sup> Gesamtverband gemeinnütziger Wohnungsunternehmen



main body of work is day-in, day-out, concerned with the keeping of rent-books. It is only in this sphere that the non-profit housing societies build up the mass of work which is necessary for the economical operation of an electronic installation. The periodic entry of rent-books will not completely match the capacity of the machine, so that further tasks can be undertaken, as follows:

- a Member administration with lists of members, keeping of share-capital accounts, dividend calculation and payment.
- b Property-accounting with inventory and calculation of depreciation.
- c Subsidiary accounts for operational and maintenance costs, giving immediately utilisable management information for each economic unit. Statistics of dwellings with particulars of equipment.

In addition to the normal programme a great variety of individual jobs are carried out which the scope and nature of the work make suitable for centralised data-processing. These are mainly the working out of rent increases from the calculation of the amount per dwelling, the automatic changes of liability to the communication to the tenant.

In July 1966 some 166,000 rent-accounts for 52 housing enterprises were being processed. The largest enterprise had about 20,000 dwellings, the smallest 120. The processing charge amounts to DM. 3,75 per rent-account per year. This covers the actual cost; there is no idea of making a profit.

Detailed cost analyses in different housing enterprises have shown that the costs for the work transferred from the individual undertaking were substantially higher, so that after a certain transition period the management costs in the undertaking will diminish. There is also the possibility of obtaining relief to a considerable extent from the ever-increasing pressure of staff shortages.

There is also a housing accounting centre in Berlin. The associates are the six urban or mainly urban housing enterprises. The object of the association is the execution of book-keeping, accounting and other administrative tasks for the non-profit housing associations of Berlin. From 1967 the association will be in a position to carry out a wide range of tasks for other housing associations and cooperatives.

Thus the housing cooperatives are involved in manifold ways with the changing world. It will be only to their advantage when, if in every country—according to the prevailing circumstances—they keep pace with such progress.

## **VII. National and International Consolidation**

It is in the nature of Cooperation to proceed from the association of single persons in a collective personality, the joining together of individuals in an organisation for those in a weak position, in order that, through the combination of their means and power, they can use them to better advantage. What applies to the individual applies to the association itself. For by itself alone, the single cooperative society is too weak. On its side it joins with other cooperatives in regional and national federations or unions, and these

in their turn join in international organisations to spread the good cause effectively throughout the world.

The national federations take over tasks which affect the common interests of all housing cooperatives. They are responsible for advice, the audit of annual balance sheets, the publication of journals and other literature, the promotion of educational activity, public enlightenment, the representation of opinions regarding economic policy, the testing of new building methods, the erection of manufacturing establishments, and foreign contacts.

The recognition that housing can be considerably furthered by international association finds expression in affiliation to various international organisations and collaboration with them. The ICA has always given special support to the aims of housing cooperatives. Within its world-wide organisation a committee on housing was set up, on which all cooperative housing organisations and undertakings promoting cooperative housing, so far as they are affiliated to the ICA, are represented.

The Housing Committee of the ICA plays its part in all the tasks of the housing cooperatives which can be assisted internationally, not least through the publication of appropriate literature. It is especially active in the promotion of housing cooperatives in the developing countries.

The ICA takes its share in international efforts for the solution of the housing question through active participation in various committees of the United Nations. It is one of the non-governmental organisations which have valuable consultative relations with the UN Economic and Social Council and its Regional Commissions. The ICA also enjoys opportunities to collaborate actively in housing problems with the International Labour Office. The universal applicability of the cooperative idea opens for the housing cooperatives a particularly fruitful field for international collaboration.

# Chapter IX

## Cooperation and the State

In the history of Cooperation the relations between the Cooperative Movement and the State is already a long-standing question. Of course, it did not arise when the movement first appeared. The first cooperatives represent a reaction away from resignation towards self-help, a determination to escape from poverty. They were, as Charles Gide said, children of necessity and the State had nothing to do with their origin. On the contrary, their founders were their own legislators, drafting their own laws, which were the rules of their societies.

Nevertheless, when the celebrated society of the Equitable Pioneers of Rochdale had worked out theirs, incorporating in them the rules for which they are renowned, it was still necessary to register the society for it to be invested with legal personality. There was no choice but to fit it into a pre-existing legal framework, which was that of the Friendly Societies Act of 1793. Obviously, on the basis of this fact, we could not yet speak of relations between Cooperation and the State, but this very need to adopt a form of association recognised by the law already revealed one of the aspects in which these relations were to be established later.

In any case the State was very quick to display its interest in Cooperation in every country where the Movement developed. It could not remain indifferent as soon as Cooperation tended, through the numbers of its adherents and the power of its enterprises, to occupy an important place in

the economic life of the nation. Moreover, for their part Cooperative Movements were not backward in approaching the State to offer advice or to press for decisions favourable to their expansion or the interests of their members or conforming to their view of the interests of the nation as a whole.

Links were thus forged, the primary purpose of which was to oblige the State to determine the legislative framework within which cooperative societies would develop their activities. In fact it was rapidly seen to be necessary that cooperative societies whose original features, in comparison with other undertakings, were undeniable, whether these undertakings were capitalist companies or public enterprises, should be given their appropriate legal status. Only in this way could the genuineness of co-operatives be guaranteed and organisations prevented from assuming the mantle of Cooperation which in reality were not pursuing its ends. Only thus could real cooperatives obtain a juristic status corresponding to their needs and aspirations. This is why in most countries, although to very different degrees and in very diverse ways, special legislation on cooperatives is to be found. This is particularly true of the States of Western Europe.

The action of the State, however, was not always limited to establishing the legislative framework of cooperative activity. From legislation restricted to the definition of the characteristics of cooperative societies, State intervention has often become administrative and more direct. Administrative intervention has assumed various aspects. It has frequently taken the form of measures of encouragement to cooperatives because the Cooperative Movement itself attracted the concern of the State, for reasons of course more often political than economic. At other times, on the contrary, it has imposed restrictions and constraints. It has found expression, if not in direction, at least in control or supervision by the State, which regarded its mission to be, among other reasons or pretexts, to see that cooperative principles were maintained in their purity and to calm the fears of private trade.

Such, briefly summarised, are the different tendencies at work in contemporary relations between State and Cooperation. We now pass to the study in greater detail of these relations, basing our enquiry on the laws in force in the States of Western Europe and limiting it to them.

## **I. The Legislative Framework of Cooperative Activity**

The first measure taken by the State in the field of cooperatives consisted in providing legal regulations for them. The usefulness of this has not become apparent to an equal degree in all countries. In some of them, such as Belgium and Luxembourg, no legislative framework yet exists for cooperative activities as a whole. But usually they recognise today that they ought quickly to make good this deficiency and that they form an exception. Very generally, the State has acted, often at the request of the Cooperative Movement itself, to establish a specific framework and to provide, at the same time as a discipline for the Movement, legal recognition for cooperative societies and their protection under the law.

This determination of the legal status of the cooperatives has given rise to very diverse solutions according to the country and the epoch, but the problems to be solved are everywhere the same. The first is a problem of method: how and by whom are the legal rules applicable to cooperatives to be drawn up. The basic problems are the following: to define the field of cooperative legislation and to decide on its fundamental character. There would be no others, if the question had not been brought up recently whether it was not desirable to pass beyond the limits of the State and draft a system of international regulations for cooperative societies.

### **Methods of Preparing Cooperative Legislation**

At first sight, this question may cause surprise, or at least the answer may appear self-evident. In substance, laws intended to govern cooperative societies do not constitute a separate category. They derive from the same public authority as all the others and in consequence pass through the same processes according to the constitutional rules in force in the country in question. This answer is obviously correct, but it does not concern the drafting of the law in the strict sense. In its conception and in the preparation preceding the intervention of the legislative power, variations can appear.

It so happens that, whereas in some countries there are no special authorities to which this preparation would be entrusted, in others such exist, and it is their task to draft the texts on Cooperation which will ultimately be submitted to Parliament. Their existence is very often a sign of the interest felt by the State in having the collaboration of the Cooperative Movement when drafting the texts which are intended to support it and guide its development. A notable example is Italy, where Law No. 1577 of 14th December 1947 set up, in Art. 20, a Central Commission for Cooperatives which functions in connection with the Ministry of Labour and Social Welfare, and assigned to it the task of studying the organic reform and coordination of laws concerning Cooperation. In France also there exist two bodies, which, because they are jointly constituted, reveal a clear intention to associate cooperative organisations (usually through their unions or federations) with the drafting of Bills. First there is the Supreme Council for Cooperation, established by a decree of 22nd February 1918 and governed today by decree No. 59-665 of 25th May 1959. This Council is entrusted by the Prime Minister with studying and keeping in touch with all questions relating to Cooperation, with proposing useful measures with a view to facilitating the development of various cooperative institutions and with maintaining permanent liaison between the various forms of cooperative activity. It consists in approximately equal numbers of representatives of the government departments and parliamentary commissions interested and of delegates from the most widely representative cooperative organisations. There is also a special body, the Supreme Council for Agricultural Cooperation, which is consulted by the Minister of Agriculture on all questions of interest to this form of Cooperation which he considers he should submit to it for study (Decree No. 59-286 of 4th February, 1959,

Art. 49). This also comprises representatives of government and of agricultural cooperative societies.

It is evident that such councils or commissions have no more than consultative functions and, in the last analysis, it is always the organs of the State which make the law. But their establishment ought to be encouraged and become general, for they enable the legislative authorities to be better informed on problems regarding the Cooperative Movement with which only too often they are too little acquainted.

### **The Field of Cooperative Legislation**

Cooperative societies aspire, as we have already said, to be provided with special legal regulations; they could, of course, work them out themselves in their own rules, but, left to themselves in this manner, they feel they have not the power to contend with possible deviations and they also experience some discomfort when, in order to acquire legal personality, they are obliged to take on a form of association of a different character. For all these reasons, they appeal to the law and the coercive power of the State.

A problem then arises for the latter, and that is to know exactly for what societies it is to legislate. This is an important problem since it determines the field in which the special regulations it intends to promulgate shall be applicable. It is also difficult because it calls in question the very notion of a cooperative society and the boundaries of cooperation are unsettled. To examine it as a whole here is out of the question, for such a study would extend far beyond the scope of the relations between the State and the Cooperative Movement. We must limit ourselves to ascertaining what solutions have been found from the strictly legislative standpoint.

1 There is generally no hesitation in subjecting to cooperative legislation those societies which, applying the principles indicated by the doctrine founded on the famous Rochdale rules and which have been expressed in the law itself, have as their object the supply of goods or the rendering of a service and therefore mainly economic activity. Here in fact is Cooperation's favourite sphere and consequently that of cooperative legislation, which will be concerned with consumers', agricultural, workers' productive and artisans', credit, housing cooperatives, etc.

The only uncertainty relates to organisations of a public character, often called cooperative public services.\* They also supply a product e.g. electricity, or provide a service e.g. credit, but they are public enterprises in form or carry on public services and it is this circumstance which provokes doubts about including them under cooperative legislation, even if they observe traditional cooperative principles. The question is all the more delicate since they exist above all in Belgium where there is almost no cooperative legislation and where, as a result, no decisive answer can be given. Moreover, it would seem that no single solution is possible and it is necessary to take into account the form of the enterprise. Whether it is a public undertaking, like the Port of London Authority, or a company with a mixed membership, like the National Company of the Rhône in France, by reason

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\*In French "régies coopératives".

of its form it cannot be treated as a cooperative and placed under the same system of regulation. If, on the contrary, we have to deal only with private organisations providing a public service under a concession, general cooperative legislation will be naturally applicable. This is the case in Sweden with the cooperatives for distribution of electric power, which are governed by the Law on Cooperative Societies of the 1st June, 1951.

2 On the other hand hesitations are, by contrast, greater and solutions more variable according to the country, when the society in question does not intend to supply goods or services but to protect its members against certain risks (fire, hail, sickness, unemployment, etc.), and thus aims at objects which are more social than economic. The legal position of such associations, which are known under various names—mutual benefit societies or friendly societies—in relation to cooperative societies in the strict sense is vaguely defined. From an historical standpoint, there is no doubt that the first cooperative societies were treated juristically as a variety of mutual benefit society. In Great Britain they were in fact registered under the Friendly Societies Act of 1793, as amended in 1834 and 1846. But, because of the restrictions imposed by this law on their activity (prohibition on purchasing real property or working with non-members) they requested and quickly obtained suitable legislation. This was the object of the first "Industrial and Provident Societies Act" of 1852. Legislatively speaking, they were thereby detached from the mutual benefit societies.

There was a parallel evolution in other countries. Thus in France the mutual benefit societies have a different system of regulation from that of the cooperatives: they are subject to an Ordinance of 19th October 1945 (incorporated in the Mutual Code) and have nothing to do with cooperative legislation, even if they observe certain essential cooperative principles. The same applies to the mutual assurance societies in Spain. Again, the German Law of 1st May 1889, defining in Art. 1 a cooperative society as one which has as its object the promotion of the production or consumption of its members through a common enterprise, excludes all assurance or mutual benefit associations. By contrast, there is no doubt that in Italy an undertaking for mutual benefit can be constituted as a cooperative society; that is actually what is expressed in set terms in Art. 2511 of the Civil Code. But generally a mutual benefit society is not considered to be an enterprise and is consequently not subject to cooperative law. Nevertheless a distinction is justly drawn between such a society and a mutual assurance society which engages in industrial activity and which, being manifestly an enterprise, closely resembles the cooperatives and could be described as a security cooperative.

This distinction reveals the direction which evolution should take. There would be nothing but advantages in extending the application of cooperative legislation to societies which practise mutual aid on a plane mainly economic and, more especially, the mutual assurance societies. On the other hand, it is more justifiable not to subject to it associations which have purposes rather social than economic and whose action takes place more on the human and family than on the material level, such as mutual

benefit societies in the strict sense of the term. It is essential, in the last analysis, to recognise that the general tendency in the positive law of the majority of Western European countries is more restrictive and that cooperative legislation covers only societies whose object is to supply goods or render services other than assurance or the prevention of social risks.

### **Fundamental Characteristics of Cooperative Legislation**

In the field, in the end rather indefinite, which is assigned to it, cooperative legislation displays certain features which are also the subject of controversy. Thus divergent solutions may be seen on the two following main points: 1. Should cooperative legislation be independent or should it be grafted on to the general regulation of civil or commercial associations? 2. Should this legislation be mandatory or should cooperatives be allowed, on the contrary, to exempt themselves from it by adopting one of the ordinary company forms?

### **Independent or Dependent Cooperative Legislation**

In a number of European countries the system of co-operative regulation is found under a section or a chapter heading in general company legislation. This is the case in Belgium (Commercial Code of 1873, section 9), in Italy (Civil Code of 1942, section VI), in Holland (Law on Companies and Associations, 1855). In others, alongside of the regulations incorporated in texts relating to all companies, there exist distinct laws applying to all cooperatives (France, Law of 10th September, 1947; Spain, Law of 2nd January, 1942) or certain kinds of cooperatives; and in others again only specific laws applicable to cooperatives, (e.g. the Industrial and Provident Societies Acts 1952-1965 in Great Britain and the Law of 1st May, 1889 in Germany).

These differences are not only matters of form; they reflect divergent conceptions of the character of the cooperative laws themselves. It seems, in fact, that in certain countries these laws are not independent, in this sense, that cooperatives are not exclusively regulated by them, but that, on the contrary, in others, they are self-sufficient and that in consequence, societies are not obliged to be constituted in one of the ordinary forms of civil or commercial association.

One of the best examples of the first tendency is French cooperative law. This did not create a new type of company, but it had no other purpose than to permit the specific principles of cooperation of economic and social origin to operate on the juristic plane. The result has been that in France cooperative societies are obliged to assume the form either of civil associations (agricultural cooperatives) or of commercial companies. And most often they choose that of the joint-stock company (consumers' and workers' productive societies).

This system is at the present moment keenly criticised by the French cooperative organisations. The latter deplore that their societies are subject to the law on joint-stock companies when the spirit in which they operate is entirely different and their aim is to eliminate capitalistic profit on which



the others are based. Hence their efforts to obtain an amendment of the Law of 10th September 1947 on the status of cooperation so as to bring French law into the group of legal systems which have established a new form of association, the cooperative form.

This group tends to grow. Whereas formerly it included hardly any but Great Britain, Germany and Sweden, others belong to it today. Thus, in the Italian Civil Code of 1942, a cooperative society can no longer be considered as a "superstructure" of an ordinary company but it has acquired its own physiognomy and an independent system of regulation.

This evolution deserves to be encouraged, but it must be borne well in mind that it implies respect for a preliminary condition, namely, that the special regulation for cooperative societies should be sufficiently developed so that it should really determine the organisation and functioning of these societies and ensure their proper conduct. It should further be noted that it will always entail certain limits: in the first place, this statute will be almost unavoidably inspired, on its technical side, by rules based on joint-stock company experience; in the second place, it will be necessary always to provide for reference to general principles of association to fill any eventual gaps left by the legislator.

### **Obligatory or Optional Cooperative Legislation**

Whether it be independent or grafted upon ordinary company regulations, cooperative legislation gives rise to another question which relates to its obligatory character. It is necessary to ascertain if a society observing cooperative principles is obliged to submit to it under penalty of dissolution or other sanctions or if, on the contrary, it may take shelter under the common law governing civil and commercial associations.

Curious though this may seem at first sight, no legislation can lay a strict obligation on cooperatives to conform to laws drafted specially for them or would expressly pronounce a cooperative null and void if it had not observed them. Cooperatives are permitted to form and register themselves according to the general laws regulating civil and commercial associations. Thus in Great Britain, if the majority of cooperatives are registered under the Industrial and Provident Societies Act of 1965, they may also, strictly speaking, do so under the Companies Act of 1948. Moreover, in other countries certain cooperatives, notably consumers' societies, prefer to be subject to the general laws governing commerce. This is especially characteristic of Denmark and it is also found, for example, in the Netherlands.

In the ordinary way in such cases the societies will not be able to benefit from any favours granted by the State to cooperatives registered as such. They will also be prohibited from adopting the cooperative title. This is the case in France. Article 28 of the Law of 10th September 1947 stipulates that organisations calling themselves cooperative must correspond to the requirements of the law or abandon the use of the term "cooperative" or any expression capable of causing confusion, and Article 24 provides penalties for the abusive employment of the term or expression.

Hence it follows that in this country the cooperative statute has an obligatory character for societies which approach the public under the cooperative label, which is protected by the penal law. But it cannot be asserted that a society calling itself cooperative but not respecting the provisions of the statute would be declared null. Of course it would have to give up any use of the cooperative name, but it could always continue to operate as an ordinary company. Although no precise guidance is available on this point, it would appear that in other countries this is the general solution. It shows that cooperative legislation as a whole is only optional in character and that it is offered to societies above all in order to enable them to benefit from a juristic status in harmony with their spirit and their aims.

### **Attempts at International Regulation**

The variety of solutions which have been adopted in different States for the problem of the legal regulation of cooperative societies, and which we have just examined, presents serious disadvantages at a time when the international activity of these societies is developing. This activity is hindered by existing disparities and often by the ignorance of the cooperatives themselves concerning their rights and obligations in a foreign country.

The radical remedy for such a situation would obviously be the adoption of uniform international legislation by means of a multilateral diplomatic convention. Although it would not be impossible, having regard to the universality of cooperative principles, to conceive the substance, it must be recognised that the conclusion of such a convention lies still in the very distant future and, some would say, is utopian.

Nevertheless the efforts made within the limited sphere of the European Economic Community to find remedies to an increasing degree for the disadvantages mentioned above, should not be passed over in silence. In this connection may first be cited Art. 58 of the Rome Treaty which permits cooperative societies to benefit from the right of establishment in favour of the nationals of a member state in the territory of another member state and which will consequently enable them at the end of the transition period to set up agencies, branches or subsidiaries. But we must also mention Article 57, section 2, which makes it a duty of the Council of Ministers of the ECE to issue directives for the co-ordination of the legislative and administrative provisions and regulations of member states relative to this establishment and Article 100 inviting the Council to issue directives for the harmonisation of legislative, regulatory and administrative provisions of member states which bear directly upon the establishment or functioning of the Common Market.

It is against this background that studies have been undertaken at Brussels of the position of company legislation in member states and especially of that for agricultural cooperatives. It appears that they would guide the community in the direction of creating a cooperative society of a European type, the status of which would be adopted by those whose activity goes beyond the limits of the nation but which would not be a

substitute for forms already existing. This solution, the success of which is of course very uncertain, would merit being realised, for it would mark a very important stage on the road to the "Europeanisation" of the law on cooperative societies.

## **II. Direct State Intervention in Cooperative Activity**

It is somewhat rare for the interest taken by the State in the Cooperative Movement to be limited to the establishment of their legal status. The countries are numerous where its concern for the Movement is expressed by financial aid or by privileged fiscal treatment. On the other hand, it is no less frequent—if only in order to ascertain what is done with this aid—that the cooperatives are subject to control or supervision by the administration. The interest expressed by the State, if in the first case it can obviously be regarded sympathetically, has in the second case inherent dangers for the future of the Movement and the purity of its basic principles.

### **Fiscal Treatment and Financial Advantages**

#### *a Special Fiscal Treatment of Cooperative Societies*

One of the chief causes of jealousy of private trade in regard to cooperatives arises from the fiscal exemptions enjoyed by the societies. This jealousy is hardly justified, for it would be mistaken to believe that the societies really benefit from a privileged fiscal status. Without ignoring the variations which can exist from one country to another, it is possible to lay down the principle that cooperatives should be subject to the ordinary fiscal system. Two qualifications may be made to this principle: one concerns the taxation of dividends (or patronage refunds), the other concerns agricultural cooperatives.

1 Among the payments a cooperative society makes to its members, it is necessary to distinguish those which represent interest on capital invested in the undertaking in the form of shares and those which are based on the transactions of each member with the society. The first are included in taxable profits and the rules of ordinary profits taxation apply to them. The second, the dividends or patronage refunds, are on the contrary, generally deducted from these profits, for they consist of the refund of an over-charge by the society. This is the case notably in Germany, Belgium, Denmark, France and the Netherlands. This is the solution ordinarily adopted, whether the payment is made before the end of the annual balancing period or whether it is held back, in which case the amount of the dividend is carried to an open account in the member's name and he becomes a creditor of the society to that amount. On the other hand, if profits made from transactions with non-members were distributed to members—a solution contrary of course to cooperative principles—they would be subject to the common practice and would not be deductible from taxable revenue.

2 The preceding rules are rules of general application in the sense that they apply to all categories of cooperatives. But in the majority of countries they are accompanied by special provisions for agricultural cooperatives. These enjoy more generous fiscal exemptions than other kinds of cooper-

atives in virtue of the support which the State willingly grants to agricultural activities. This means, of course, that advantages are granted to agricultural cooperatives not because they are cooperative but because they are organisations related to agriculture. French practice in this respect is significant. In France, in fact, agricultural cooperatives only enjoy fiscal exemptions when their activity can be regarded as an extension of the specifically agricultural operations of their members. If, on the other hand, they carry out industrial operations for the processing and preparation for market of their members' crops, they will be taxed on the same basis as industrial or commercial undertakings, apart from the exemption relating to patronage refunds. Some such system seems to be applied in the majority of Western European countries. Thus the general impression gained is one of the very restricted scope of the fiscal privileges granted to cooperatives as such, even the agricultural societies.

#### **b** *Financial Advantages granted to Cooperatives*

These advantages take mainly two forms: either state subsidies or the establishment of a special credit system intended to facilitate the finance of cooperative investments.

1 Notwithstanding the concern which the State in most countries displays for the Cooperative Movement, it would be a mistake to believe that it has set up any general system of subsidies to the Movement. The aid supplied under this head is always selective and is most often reserved for certain categories of cooperatives, such as those established by workers or artisans and, more particularly, agricultural cooperatives. Thus in France, Article 40 of Book II of the Labour Code provides that the workers' cooperative productive societies may receive special encouragements in the form of subsidies. Similarly, agricultural cooperatives may, with the approval of the Ministry of Agriculture, obtain premiums for their initial operations and for the later execution of their projects for investment in real estate (Decree of 17th March, 1964). The Italian State also subsidises the investments in real estate of agricultural cooperatives and similar measures are known in other countries, such as Germany, but it should be noted that they are not concerned specially with cooperatives; the latter benefit when they are carrying on activity in a sector where the State wishes to encourage development.

2 In addition, it frequently happens that the public authorities facilitate borrowing by cooperatives. Thus, in Italy, they act within the field defined by Law No. 454 of 1961 to approve loans from public funds at low interest rates and assist with the payment of interest due to private lenders. In the same country, as well as in France and Luxembourg, State support may also take the form of guarantees or part payment for certain materials purchased by cooperatives, particularly agricultural.

The establishment of organisations specially for credit to cooperatives must also be mentioned. They exist in Italy (Joint Banking Guarantee Fund established under Law No. 454 of 1961) and in France. In the latter country, a Central Bank for Cooperative Credit was established by a Decree-law of

17th June, 1938. This operates as a union of cooperative societies and, thanks to its own resources and loan issues approved by the Treasury, grants long-term or medium-term loans to cooperatives or acts as guarantor for loans contracted with public institutions or private undertakings. If the Central Bank provides cooperatives with cheap credit, this is not only due to financial help from the State, but because it functions as a cooperative and is not animated by the profit motive.

### **State Control and Supervision of Cooperatives**

In most countries—it would seem without exception, unless that be the Netherlands—cooperatives are subject to State supervision. This supervision is not exercised in any spirit of hostility to the Cooperative Movement. It was so, of course, under the fascist and national-socialist governments, one of whose chief concerns was to restrict or even suppress Cooperation in every form. Today in the Western democratic countries and even in an authoritarian country like Spain, the action of the State and its administration aims at encouraging the development of the Cooperative Movement and to ensure that cooperatives do not abandon their specific sphere of activity. The only serious risk that the Movement still runs is that of integration into a system of economic planning which would deprive societies of their autonomy in management and would make of them, as frequently happens in Eastern European countries, instruments for realising the plan. This danger does not appear serious, however.

#### **a *Organs of Supervision and Control***

In every country except Holland, cooperation is the concern of Ministerial authorities and it is these which watch over the Movement at the highest level. The Ministries involved vary according to the States and according to the categories of cooperatives. Thus in Germany they are the concern of the Federal Ministry of Economy and the Ministries of Economy of the \*Länder, but the agricultural cooperatives depend also on the Federal Ministry of Agriculture in matters of agricultural policy. In France the system is still more diversified since there are five Ministries which need to be informed on cooperative activity: the Ministry of Labour for consumers' cooperatives and the workers' productive societies; the Ministry of Agriculture for agricultural cooperatives; the Ministry of the Merchant Marine for fishery cooperatives and their credit institutions; the Ministry of Finance for cooperative credit and the Ministry of Equipment for housing cooperatives.

It is very rare, apart from these Ministries and the specialised directions which issue from them, for the supervision of cooperatives to be exercised by specialised organisations. The Councils of Cooperation which exist in different countries are not actually responsible for the discipline of the Movement but are only consulted by the public authorities which then reach their own decisions. The only exception, it would seem, is Spain. In this country, the syndical organisation, which is regarded as the political form of the national economy, considers that cooperatives are an important

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\*States of the Confederation.

instrument of economic and social policy and should therefore be supervised by itself. It has accordingly established a specialised department which is responsible for the supervision and control, as well as the protection of cooperatives.

### **b** *Scope and Methods of Control*

The control of the administrative authorities over cooperative societies is exercised primarily at the time of their establishment, but it sometimes extends to their functioning.

1 At the time of their establishment control may take a variety of forms. Often it is exercised through registration of the society—a registration which is necessary in order that the society may exist at all and exist as a cooperative. This is the British system, according to which cooperatives are enrolled in the Register of Industrial and Provident Societies, and it is also the system in the Federal German Republic, where cooperatives are registered at the district courts. Control is then exercised by the official who keeps the register.

In other countries cooperatives may not be formed as such before they have obtained the approval of the administrative authority. In Spain, this is required for all cooperatives but it may only be withheld in cases of failure to observe the legal rules. It is thus a check on the legality not the expediency of the formation of the cooperative. In France, approval is only required for agricultural cooperatives; there is no longer any legal check, generally speaking, in this country. Nevertheless there is a supplementary requirement, namely, that an agricultural cooperative has drafted its rules in conformity with the model rules prepared by the administration. In addition, the latter may withhold its approval if two societies with the same objects already exist in the area where the new society proposes to operate. This is the only case, apparently, where the State can refuse formation to a cooperative on grounds of expediency. Apart from this, control has no other purpose than to verify that a society is genuinely cooperative.

2 It is even rarer for the functioning of cooperative societies to be subject to supervision. This is, however, the case in Spain, France, Great Britain and also in Sweden. In these countries, control still has no other purpose than to ascertain whether a society calling itself cooperative and appearing to be such from an examination of its rules, is not in fact carrying on a purely commercial activity and animated by a capitalistic spirit. More generally the inspectors, as Art. 23 of the French Law of 10th September 1947 says, only enquire if the cooperative is working according to law.

The sanction for this control also varies a great deal. In France it is not very clear, except for the agricultural societies for which approval can be withdrawn and which in this event become ordinary civil associations. In Sweden, on the other hand, the dissolution of the society may be ordered by judicial authority. Similarly, in Great Britain a request for dissolution may be made by the Registrar when it appears that the society is not a *bona fide* cooperative society or that it is in the interest of the members or of third parties that it should be dissolved.

Finally, it seems that control by the administration is not exercised in a spirit of suspicion or ill-will in regard to the Cooperative Movement. Its chief object is to unmask false cooperatives and to maintain the Movement in its integrity. But it is quite another question whether administrative control is in principle expedient and whether it would not be preferable that cooperative discipline should be upheld by the unions, federations or other central institutions of the movement. This solution would be doubtless preferable, but it presumes that these organisations are keenly aware of the need to maintain discipline in their movement. It should not prejudice the right to call in judicial authority to decide in the ultimate analysis conflicts which might arise—a right which, on any hypothesis, ought to be preserved.

# Chapter X

## Cooperative Education and Training

Taking for granted that the dependence of the Cooperative Movement, in all its branches, on education and training is well known and understood, the present chapter describes the activities and institutions in these fields characteristic of cooperative organisations in the European market economies today. In doing so it will include, besides academic study and teaching as usually accepted, other organised methods of learning and gaining experience which promote the intellectual and moral growth of the individual Cooperator and the development of his talents.

It will not, however, deal at length with the unorganised education, none the less valuable because often unconscious, which many people derive from their efforts to meet and discharge effectively the responsibilities placed upon them by their participation in cooperative societies, nor will it draw fine distinctions between education and training, because these two need, in any case, to be combined and balanced for practical cooperative purposes. Finally, it will also take for granted that much cooperative education necessarily includes an element of propaganda, in the sense of advocacy and persuasion to adopt cooperative doctrines and modes of action. There must also be, however, types of cooperative education which are not propagandist but scientific, although all cooperative propaganda ought to be educational, in the sense that it appeals to people's better, not their baser motives.



In Europe, as elsewhere, in order to develop a Cooperative Movement with any hope of continuing success, three great obstacles have to be overcome by education. The first is lack of knowledge, for both the idea and the practice of Cooperation are new and strange to large sections of the public. Amazing errors and superstitions still prevail even among people to whom Cooperation is fairly familiar. The second is lack of technical skill, not only in business organisation, but also in democratic procedures, among the humble consumers, industrial workers and peasants who constitute the bulk of cooperative membership. The third is the lack of social discipline, by which is meant the sense of solidarity, the fidelity to principle and the loyalty to neighbours or fellow-workers, which hold cooperative societies together in time of difficulty or adversity.

These obstacles were rendered more difficult to surmount by the disabilities under which working people laboured in the Movement's pioneer era, a hundred or more years ago, in those countries where a national system of public instruction, with compulsory attendance at the primary school at least, had yet to be fully developed. Without the ability to read, write and do simple calculations, the members could hardly exercise effective control over their societies' affairs. Cooperative societies which took education seriously, like the Rochdale Pioneers, had therefore to help their members to overcome illiteracy, in other words, to acquire the instruments of learning, before their cooperative education in the proper sense could advance very far. In time, of course, the development of state educational systems enabled cooperative societies to divest themselves of this and a number of other educational functions they formerly undertook, such as the maintenance of libraries of general literature, and to concentrate on forms of education which directly promote efficient cooperative practice and which no other agency than cooperative organisations can so effectively carry on.

### **The Pioneer Epoch**

It will be evident from the foregoing that in the movement's pioneer stage much depended upon the spoken word. The members' meeting was the chief, even the only educational medium. It served to spread reliable knowledge and information, at least among those who attended, especially if its agenda was not limited to the society's report and balance sheet and time was reserved for addresses or lectures with a wider purview. In the general meeting the members also served their apprenticeship to democracy and learned the arts of discussion and debate, weighing policies, proposals and the merits of candidates for office, as well as taking decisions and learning to abide by the consequences. Inevitably, in the course of these debates, the principles of Cooperation would be invoked and judgements formulated on right or wrong conduct or attitudes from a Cooperative standpoint.

There was at this period already a small amount of cooperative literature in the form of journals, tracts, pamphlets and a few books. For the most part these were individual efforts, like Dr. William King's little 4-page monthly tract "The Cooperator", the copies of which would be passed

from hand to hand and later bound together to make a volume. More often there were no specially cooperative journals but journals of certain schools of thought, like the Saint-Simonians or the Fourierists or others of an indefinitely progressive or socialistic tendency, would publish articles on Cooperation. Newspaper articles could be collected and republished in book form, like those on the Rochdale Pioneers which George Jacob Holyoake wrote for the London "Daily News" and afterwards re-edited as his "History of the Rochdale Pioneers". This book was later translated into every important European language and serialised in workers' journals, thus becoming one of the chief media through which knowledge of the Rochdale system spread from England to the continent.

### **The Rôle of the Unions**

The regular publication of periodical and other literature by cooperative organisations dates generally from the formation of unions and federations, as the primary societies of various types felt the need of a common organisation for representation, defence and the execution of essential tasks beyond the means of all but the very largest societies. Education was one of these tasks. In addition to the meetings of societies' members, conferences of societies' delegates within a given region or over a whole country grew in importance as media for the spread of information and the formulation of opinion and policy. Under the leadership of great personalities like Schulze-Delitzsch and Raiffeisen the unions acquired unquestioned authority and through their supervision and instruction and those of the regional sub-unions, cooperative practice became more and more standardised on sound lines. The influential rôle of the cooperative journals, like the German "Blätter für Genossenschaftswesen" and the British "Co-operative News" and "Scottish Co-operator", founded in the third quarter of the 19th century, can scarcely be overestimated.

The fundamental problem at this stage was to ensure the stability of cooperative institutions in order that they might serve their members for an indefinite time ahead in an environment not changing too rapidly for people to take account of what was happening and act accordingly. Even so, the growth of the movement's educational activities and the apparatus required to carry them on was, in all branches, less rapid than the expansion of its business organisation and commitments. With the last quarter of the 19th century the British Co-operative Union began to publish textbooks on the history and principles of Cooperation and to encourage local co-operatives to organise adult classes. These societies, however, were never more than a small minority and the teachers were mostly self-trained volunteers. In the same voluntary spirit dedicated leaders formed guilds in order to encourage and train women to play an active part in the consumers' societies. Not, however, until the last years of the 19th century did the Co-operative Union set up a special education committee to promote and coordinate the various kinds of educational work then recognised as necessary by the progressively-minded societies. It was almost a quarter of a century later before the Union established its permanent college, and

that was largely because the Movement's own growth had directed attention away from the education of its membership as a whole towards the urgent need for training the rapidly increasing numbers of its employees.

### **Educational Organisation**

The initial successes of the Cooperative Movement introduced in nearly all countries a period of rapid business expansion in which the societies found themselves obliged to engage employees who were already technically trained, by 19th century standards, in salesmanship, shop and warehouse management, book-keeping, and office organisation, or else to provide training or facilities for young assistants who had recently left school. In either case the societies had to take responsibility for making clear to their employees what kind of organisation they were working for, what were its immediate and ultimate aims and why its policies and methods so often differed from those of private or capitalist enterprises. Even if they could get their employees trained technically in public educational institutions, they could not do the same with the specifically Cooperative part of their education. The societies were, of course, helped by the unions and federations, some of which published books or conducted correspondence courses or organised longer or shorter training periods in hired or temporary premises. Sooner or later the unions came to realise that, if this sector of their educational work was to be properly organised, they must undertake it themselves in their own permanent and properly equipped schools.

### **Central Colleges and Schools**

Cooperative education and training thus entered a new phase with the establishment in the early 1920's of the British Co-operative College (then in Manchester) and central cooperative schools by the Central Union of Consumers' Societies in Hamburg, the Swiss Union of Consumers' Societies at Freidorf, near Basle, and the Finnish Cooperative Wholesale Society, SOK, at Helsinki. These institutions worked on a small scale at first. With the exception of the Swiss, they were accommodated at the headquarters of their present unions and it was only many years later that they acquired separate premises where the students could reside and live a full community life, besides studying together. For the most part, in their curriculum, methods and organisation the schools resembled the systems of technical training then prevailing in their respective countries, apart from the specific instruction given on cooperative history, principles and organisation. The establishment of the school of the Swedish Consumer's Cooperative Union at Saltsjöbaden under the direction of Harald Elldin marked, however, a departure from tradition. Elldin's policy was to dispense with all methods which were not directly useful for the purpose of the school and to substitute for them methods based on firsthand knowledge of the students who came for training, their previous education and business experience, and the jobs they would have to do after their courses were completed.

The first consequence was the disappearance from the programme of lectures as a regular method of instruction and the substitution for them

of work in groups through which the students learned to gather information for themselves and their group from the available sources, to acquire proficiency in practical jobs under the observation and criticism of the other members, and to use planned and prepared discussion as a means of defining and systematising their ideas. There is no space here to go further into details. The essence of Elldin's methods is to demand and promote the greatest possible activity and cooperation among the students in their training, so that they become at once more independent intellectually and more capable of working effectively with one another. Moreover, as time passed, short intensive courses of precise and limited scope tended to be substituted for long general courses, both for pedagogic reasons and to minimise the dislocation caused by students' absences from their regular work. An employee's training would thus be spread over several years during which he would attend a number of specialised courses at the school and simultaneously study certain subjects by correspondence. The influence of the school at Saltsjöbaden on similar institutions set up by European consumers' cooperative movements would be difficult to exaggerate, for, since the second world war, their directors have been holding biennial conferences for the exchange of information and ideas and the comparison of methods and results.

### **Management Training**

In the 20 years between the world wars systematic training was for the most part concentrated, in the consumers' cooperative movements, on the lower grades of cooperative employees—the sales staff, the store managers, inspectors and departmental specialists in the trading sphere, the bookkeepers and clerical staff in the administrative sphere. Some training for general management was provided, not always of a very high standard. Management was something to be learned the hard way in the school of experience, in the general opinion. In Sweden, a preparatory stage for management at a high level, first arranged by Mr Elldin, consists in the selection of a small number of outstanding students to stay at the school for longer or shorter periods after the conclusion of their regular courses, in order to serve as assistants. They divide their time between acting as leaders and guides for working groups of younger students and pursuing advanced studies, singly or in groups, with particular reference to the development problems of consumers' societies under contemporary conditions. These studies are not done in the abstract; they are based on concrete situations which arise in particular societies which are willing to supply the students with information and to give facilities for on-the-spot investigation.

Nevertheless, after the second world war, as the revolution in distribution forced structural reorganisation upon the consumers' cooperative movements, it became clear, even in Sweden, that the increased quantity of highly qualified managing ability needed could not be supplied solely from the movement's own training systems. Trainees would have to be recruited from higher scholastic levels, that is from universities and technological colleges; the training would have to reach much higher standards than ever

before; and the inducements offered in the form of salaries and prospects of rapid promotion would have to be comparable with those offered by the movement's competitors. The situation presented a complex of problems which the societies could not attempt to solve without the leadership of their national unions, or the unions tackle without being assured of the support of the societies, especially in regard to finance. Closer collaboration in working out national plans for management training, with much more influence by the unions over the administration of the societies and their manpower policies, became inevitable as for example in the Federal German Republic, Finland and Switzerland.

### **Agricultural Cooperative Education**

The preceding paragraphs have been written with special regard to the consumers' cooperative movements, but the other main branches of Co-operation—the agricultural, the artisanal, the workers' productive co-operatives and the housing—have been obliged to follow similar patterns as may be seen from the directory of schools and educational institutes in Appendix II. It will no doubt be useful to cite a few outstanding examples here.

In the agricultural cooperative movement it is to Sweden again that we turn for a remarkable central cooperative college established by the Federation of Farmers' Associations at Sånge-Säby, in 1944. The College's purpose is to raise the standards of efficiency in the agricultural cooperatives and the central organisations operating in the specialised branches e.g. dairying, through intensive training of their administrative officers and executive staffs. There are, as usual, two broad categories:

- 1 farmer-members who are elected to boards of management, about 1,500-2,000 in number and
- 2 responsible employees numbering between 4,000 and 5,000.

Besides courses for those already serving in numerous capacities, there are courses for candidates for office or promotion in both categories. Supplementary to the regular curriculum there are so called "contact" courses in which Cooperators take part with students from other schools, some agricultural some from other spheres. The courses themselves for the most part range in length from a few days to several weeks. As a result, premises built to accommodate just over 100 participants in courses can be used in the course of one year by approximately 3,000 persons.

The constitution and administration of this college are not the least remarkable of its features. Although the Federation owns the land and buildings, the college is run by a company of which the Federation, the Farmers Union and 7 specialised central organisations are members. It has three administrative organs: the executive board, which deals with finance: the curriculum committee, which is responsible for the study programme: the board of teachers, responsible for organisation and methods of study and all purely pedagogical matters. Such a combination of cooperative business leaders with professional educators ensures that the work of the school is done in close contact with the present realities of cooperative

economic activity, that the training given directly enhances the efficiency of the trainees, and that there is no cleavage between education and business which can be so harmful to both. The permanent academic staff consists of the Rector and three professional teachers who are mainly organisers and guides of the different courses. A considerable part of the instruction is given by specialists in different branches of business who come and go as required. The courses for candidates form an exception, in that they are of 4 months' duration and provide an all round basic training for participants over 20 years of age wishing to qualify either for full-time employment in the agricultural societies or for membership of management committees. Probably the most convincing proof of the success of the college is that, although in its first 20 years it received some financial support from the State, it decided in 1964 to do without it. The College is financed entirely by the income derived from the courses, the sponsoring organisations paying, for the students they nominate, fees which altogether cover the costs of tuition and residence.

A remarkable educational and training system on rather different lines has been developed by the agricultural cooperative movement in France. The specialised national federations joined together to establish a National Centre for Agricultural Cooperation with a variety of educational functions. Its headquarters at Paris serves not only as a study-centre, where courses are held and from which correspondence and tuition is conducted, but also as an editorial office for the publication of an illustrated monthly review and an unending series of brochures, guides and text books covering every important aspect of the business activity of every type of agricultural cooperative. The courses are, however, not concentrated at Paris: they are very largely decentralised and conducted in conjunction with the cooperative organisations of the regions and localities, with a consequent saving in expense and the time of the farmer participants. The National Centre also has an information division, which provides a research and documentation service, and a business economics division which arranges consultations on management problems and conducts efficiency audits.

In the Federal German Republic the system of organisation is different again from the Swedish and the French. Here the regional unions of agricultural cooperatives, which because of their auditing functions, possess an intimate knowledge of the standards of efficiency of their affiliated societies, have established training schools of their own, where the societies' employees, and also their elected officers, can be brought together for short-period courses. In Austria the central school of the agricultural cooperative movement at Vienna provides a basic course for full-time employees of Raiffeisen Banks and also makes its premises available for the regional and specialised organisations to hold courses for their officers and officials.

### **Education of Members and the Public**

The greater part of the work of the central cooperative schools, it will have been observed, is concerned with persons in various grades of full-time employment in cooperatives and their federations. Most of them also make

room in their programmes for the training of elected officers, more particularly lay members of management boards and supervisory councils. The education of members who are neither office-holders nor candidates for office is left largely to the primary societies, except in so far as the general membership may be reached by cooperative journals specially edited to attract its interest. For the most part these journals are of two types: some like "Le Coopérateur de France" resemble newspapers in their format and typography, others like the Swedish "Vi" are illustrated reviews or magazines. In all countries more or less they have to circulate and find readers in competition with the reviews and magazines published by private enterprise and deriving the bulk of their income not from sales to the public but from advertising revenue. It is rarely possible for cooperative journals to be financed on these lines and most of them are financed by collective subscriptions paid by the societies for copies distributed, sometimes gratis, to their members. The financial difficulties of keeping cooperative journals technically abreast of their competitors thus cause continued anxiety and demand some sacrifice but, despite the universal extension of such mass media as radio and television, the cooperative popular journal remains an indispensable medium of communication between the Movement and its members. It goes without saying that the contents of these journals do not consist exclusively of news and information about Cooperation. While maintaining a cooperative viewpoint, more particularly in their comment and editorial columns, their outlook embraces the whole world and what happens in it of significance for the common people.

With the expansion of the Cooperative Movement its adherents are numbered in millions and are mostly indistinguishable from the public at large. The Movement thus finds itself compelled, in order to maintain communication with them, to employ the mass media to the extent that it can afford to do so. Once again cooperative organisations are at a disadvantage in comparison with their enormous capitalistic competitors and their contact with the public by these means is occasional rather than continuous. Probably only the English CWS is able to buy time regularly on commercial television in order to advertise its products. An alternative is obviously to do things, like erecting conspicuous buildings, which are worth reporting as news by the mass media and which the public is bound to notice. The annual celebration of International Cooperative Day or some other notable anniversary offers opportunities of reminding the membership and the public of what the Movement stands for and what it has achieved, especially if it can be shown, as when the Swiss Consumers' Movement collected money from its members in order to present a helicopter to the Alpine rescue service, that the Movement is animated by public spirit and not merely self-regarding motives. More and more the European Cooperative Movements are realising that cooperative education in the form of true information about Cooperation begins with the public which does not yet participate in cooperative societies and that it must be taken to the public (and the membership) in a manner that cannot be ignored.

Within the general public are groups and classes of people for whom Cooperation can be presented in special ways. There are notably children of school age and students who can be introduced to Cooperation, not as a matter of book-learning, but as a practical means of solving their own problems. In France for example, there are the cooperatives formed by pupils in primary and secondary schools under the guidance of their teachers. These may cheapen the cost to the pupils of their school requisites or help to raise funds for some large piece of equipment for common use in the school. A National Federation with headquarters in Paris provides various common services and issues reports and other publications. Students' Cooperatives usually adopt the consumer pattern, helping to reduce the cost of books, stationery and sports gear or organising clubs and canteens.

The cooperative movements of adults here and there make special appeals to youth with the object of encouraging their participation and recruiting candidates for elected offices in the societies. Special organisations for young Cooperators have existed for many years in the consumers' cooperative movements of Great Britain, Austria and Switzerland. Elsewhere, as in the Scandinavian countries, efforts are made to bring Cooperation to the attention of youth associations already existing and to attract young people to cooperative membership by arranging sections of department stores for them to buy the kinds of clothing, sports equipment and musical instruments which appeal to them more than the older generation. In recent years increasing consciousness of consumers' common interests has given opportunities of approaching housewives whose curiosity can be aroused, not only about new commodities and their treatment, but about the role and advantages of Cooperation. The need to provide for the succession to present leaders and administrators is widely recognised among the agricultural cooperative movements also, and it has led them to organise special study sessions, seminars, tours and visits for young farmers and students in agricultural colleges.

### **Group Activities**

A noteworthy attempt to draw teachers from all grades of the educational system and public officials into collaboration with active Cooperators and the technicians of cooperative organisations is being made by the French Institut des Etudes Coopératives<sup>1</sup>. This is an institution, formed jointly by the central federations of all branches of the Cooperative Movement, for the promotion of the study of Cooperation in all its aspects, and the publication of a review "La Revue des Etudes Coopératives"<sup>2</sup>. One of its aims, which is already in a large measure achieved, is to cover the whole country with a network of groups comprising, as indicated above, Cooperators, educationists and public officials and each with a département as its area of operations. The groups have freedom in choosing what they can do best out of an ambitious programme which includes research and documen-

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<sup>1</sup>Institute of Cooperative Studies.

<sup>2</sup>Review of Cooperative Studies.



tation; information and discussion within the group and the maintenance of a wide range of external contacts with cooperatives of all types in the département; contributions to the local press, radio talks, lectures and talks in teachers' training colleges and other educational establishments; participation, along with other groups, in meetings arranged on regional or national bases by the Institute. This effort springs from the recognition that the great body of cooperative members, even if they are in some degree informed, remain an inert mass unless they can be stimulated to work together in groups for clear and attainable objects, and once they have been brought together, held together by the cooperative spirit generated within them.

The same idea underlies the group system built up over the last forty years in the Swedish Consumers Cooperative Movement. Its inspiration came originally from the voluntary guilds of active Cooperators which were already half a century old in the British Movement. The distinguished Swedish Cooperator, who was then general secretary of the Cooperative Union, Kooperativa Förbundet, perceived that the guilds constituted a dynamic element in the societies. Without copying their structure, he set about creating in Sweden a group system which would serve a similar purpose. The value of group discussion as a method of learning was coming to be recognised among adult educationists in Sweden and with some help from them, Kooperativa Förbundet established a special department of its secretariat, not merely for the organisation of local groups under the auspices of the primary societies, but also for the preparation of study guides, manuals and other material and for the supervision of the studies undertaken by the groups. This was arranged by a system of correspondence through which the groups submitted their answers to certain questions in writing for the comments of the specialists in various subjects engaged by the department. The evolution of this group system cannot be described here, but the groups today exceed 4,000 in number with an annual participation of over 40,000 members.

### **Cooperative Studies in Universities**

An element of growing importance in cooperative education is the teaching, study and research carried on in universities or institutes of advanced technology of equivalent rank. From the days of Lujo Brentano, Leon Walras and Alfred Marshall in the third quarter of the 19th century to the present time Cooperation has always attracted the interest of individual economists and social scientists whose vision ranged beyond the special concerns of their professorial chairs. Within the last thirty years or so, however, Cooperation has been judged sufficiently important for a place to be officially assigned to it in the academic curriculum and special departments or institutes established in several countries to provide the necessary facilities for students who wished to include it in their study programmes. There are two main reasons for this. One is that Cooperation has become a large and permanent feature of the economic and social landscape. The differences between it and its economic environment give rise to a number

of problems justifying scientific enquiry and invite an impartial assessment of its objects, modes of operation and achievements under varying conditions of competition and monopoly. Another is that the Movement has built up a superstructure of national and regional federations which require to be manned by personnel educated in the law or some other liberal profession or possessing a high degree of training in the techniques of industrial and commercial organisation. In other words, the Movement constituted a market attractive to young men or women of ability seeking a career in a sphere where social service was at least as strong a motive force as profit.

Germany is one country in which these conditions appeared at a fairly early stage. Over thirty years ago the universities, one after another, began to permit students in economics, sociology or law to choose Cooperation as an optional subject in their diploma examinations or to prepare a cooperative theme for a doctor's dissertation. Even before the Federal Republic was founded in 1949 the Universities of Munster, Erlangen, Hamburg and Frankfurt/Main had established institutes of cooperative studies and since then the number of institutes has doubled, to say nothing of the universities in which individual professors may give courses or include Cooperation in courses or seminars on sociology or economics. The institutes are usually directed by a professor of political, social or business economics assisted by a small staff of graduates, and they are equipped with a specialised library and housed in their own premises. In addition to arranging their own courses and seminars they sometimes organise them in conjunction with the apex or regional cooperative unions or central organisations like the Bank for Cooperatives. In addition to publishing in book or brochure form the results of their research work, they contribute to a common quarterly review, the *Zeitschrift für das gesamte Genossenschaftswesen* devoted entirely to cooperative topics.

Similar Institutes to the German are at work in the universities of Austria and Finland. In Switzerland the universities of Basle, Berne, St. Gallen, Geneva and Lausanne all arrange regular courses directed by professors or by lecturers with long or highly specialised experience in Cooperation. In France the Collège Coopératif, which is attached to the High School of Advanced Technology of the Sorbonne, prepares students, mainly from French speaking countries overseas, for university degrees. In Great Britain the University of Nottingham, working in collaboration with the Cooperative College, permits students of the College to follow courses and sit for examinations leading to its Diploma in Social Studies. In a number of other universities members of the teaching body, notably in extra-mural departments, work with cooperative organisations in the field of adult education. It is the desire of a number of the professors and of leading Cooperators that this collaboration should develop in order to raise the standards of cooperative management and administration.

### **Cooperative Education and the Promotion of Cooperation Overseas**

If the present handbook is to achieve its primary aim as a useful guide to European cooperative movements for students from other continents,

this chapter cannot conclude without some reference to the institutes which are organised specially to provide for the educational needs of students preparing for cooperative work in the newly-developing countries—not so much those who propose to undertake technical assistance missions as those who wish to play a useful role in building up the economic and social structures of their own native countries. The following remarks, taken in conjunction with Appendix II may be of some value as pointers. For details readers are kindly referred to the prospectus issued by the institutions themselves.

To begin with the oldest, the British Co-operative College, it may be said that this college has made provision for students from overseas ever since its foundation in 1919. For many years English-speaking students from abroad, and principally from the developing countries have constituted about one-third of the students enrolled for any one session, which lasts from October to the end of June. A special course has been devised for their needs, with some tutors with long experience of cooperative promotion in other countries than Great Britain. As a number of the students are or intend to be officers of Ministries or Departments of Cooperation, particular attention is devoted to law on cooperatives and the function of government as promoter of cooperative organisations.

The Plunkett Foundation for Cooperative Studies located in London is an independent institution closely associated with both agricultural and industrial Cooperation in the British Isles, which perpetuates the name of Ireland's greatest cooperative pioneer. It possesses a comprehensive library on Cooperation and, on the basis of experienced tuition by correspondence of candidates for the management of agricultural cooperation in the United Kingdom, organises correspondence tuition in English for overseas students. The Foundation has also done valuable work in running courses and seminars in different parts of Africa, in conjunction with the British Ministry of Overseas Development.

In France the Collège Coopératif already mentioned is making a great contribution to the knowledge of Cooperation available in the French-speaking countries. Apart from the teaching it gives in Paris it has sponsored the foundation of cooperative schools in Africa. For students who are not interested in academic courses, but who need training for practical management and administration in the field of agricultural cooperation, there is the École Coopérative Supérieure Internationale de la Coopération, which is an outgrowth from the Centre Nationale de la Coopération Agricole. Its sponsoring organisation is the Institut Français d'Action Cooperative, a special institution for technical assistance, which has the combined support of all branches of the Cooperative Movement in the country. The courses, arranged by this school for French speaking students from overseas, include both theoretical construction at Paris and periods of observation and practical work in the agricultural cooperatives of different regions of France.

In Germany there is the Research Institute and College, attached to the University of Marburg, which has been established to meet the particular

needs of students from the developing countries. It offers a three or four years course which begins with tuition in the German language.

Finally, the Swedish Cooperative Centre is an institution for cooperative studies, established jointly by the central organisations of the agricultural, consumers' and housing cooperative movements as a contribution to the national effort to provide aid for the developing countries. Its studies are concentrated in an annual seminar lasting three months. It works in close collaboration with the Education Centre of the International Cooperative Alliance at New Delhi and the institution more recently established at Moshi, Tanzania, by the Scandinavian cooperative and adult educational movements.

# Appendix I

## Directory of Cooperative Organisations

### **International**

United Nations Organisation,  
Palais des Nations,  
GENEVA,  
Switzerland.

United Nations Organisation,  
Economic Commission for Europe,  
Palais des Nations,  
GENEVA,  
Switzerland.

International Labour Office,  
Cooperative and Small Industries Division,  
CH - 1211 GENEVA 22,  
Switzerland.

Food and Agriculture Organisation,  
1. Rural Institutions and Services Division,  
Cooperative Section,  
*and*  
2. Fisheries Division,  
Institutions and Enterprises Section,  
Via delle Terme di Caracalla,  
ROME,  
Italy.

**International cont.** United Nations Educational, Scientific and  
Cultural Organisation,  
Place Fontenoy,  
PARIS 7e,  
France.

International Cooperative Alliance,  
11 Upper Grosvenor Street,  
LONDON, W.1.  
England.

International Federation of Agricultural Producers,  
1, Rue d'Hauteville,  
PARIS,  
France.

International Federation of Agricultural Producers,  
Via Yser 14,  
ROME,  
Italy.

European Confederation of Agriculture,  
Pestalozzistrasse, 1,  
BRUGG,  
Aargau,  
Switzerland.

International Centre for Research and Information  
on Collective Economy,  
Quai de Rome, 44,  
LIÈGE,  
Belgium.

Nordisk Andelsforbund  
*and*  
Nordisk Andelsexport,  
3, Axeltorv,  
COPENHAGEN,  
Denmark.

International Cooperative Bank Co. Ltd.,  
Aeschenvorstadt 75,  
4002, BASLE,  
Switzerland.

## **Austria**

Österreichischer Raiffeisenverband,  
Seilergasse 16,  
VIENNA, 1.

Österreichischer Genossenschaftsverband,  
Peregringasse, 4.  
VIENNA, 9.

Österreichischer Verband Gemeinnütziger Bau-,  
Wohnungs- und Siedlungsvereinigungen,  
Bösendorferstrasse 7-11,  
VIENNA, 1.

Konsumverband, Zentralverband der Österreichischen  
Konsumgenossenschaften,  
Theobaldgasse 19,  
VIENNA, VI.

“GÖC” Grosseinkaufsgesellschaft Österreichischer  
Konsumvereine,  
Theobaldgasse, 19.  
VIENNA VI.

Zentralkasse der Konsumgenossenschaft,  
Theobaldgasse 19,  
VIENNA VI.

Bank für Arbeit und Wirtschaft A/G,  
Seitzergasse 2-4,  
VIENNA, 1.

## **Belgium**

Belgische Boerenbond,  
Minderbroedersstraat, 8.  
LOUVAIN.

Société Générale Coopérative,  
Rue Haute 26-28,  
BRUSSELS, 1.

Fédération Nationale des Coopératives Chrétiennes,  
Rue de la Loi 141,  
BRUSSELS.

L'Economie Populaire,  
30 Rue des Champs,  
CINEY,  
Namur.

OPHACO (Office des Pharmacies Coopératives de Belgique),  
602, chaussée de Mons,  
BRUSSELS.

Société Coopérative d'Assurances "La Prévoyance Sociale",  
P.S. Building,  
151, rue Royale,  
BRUSSELS.

Coop Depots,  
Rue Haute 26-28,  
BRUSSELS, 1.

Institut Provincial de Coopération Agricole,  
42, Rue des Augustins,  
LIÉGE.

## **Denmark**

De Samvirkende Danske Andelsselskaber  
(Andelsudvalget),  
Hans Christian Andersens Boulevard 42,  
COPENHAGEN, V.

Det Kooperative Faellesforbund i Danmark,  
Frederiksborggade 50,  
COPENHAGEN S.

Faellesforeningen for Danmarks Brugsforeninger,  
Roskildevej 65,  
ALBERTSLUND.

Andelsbanken,  
Axelborg,  
COPENHAGEN, V.

## **Finland**

Pellervo-Seura,  
(Central Organisation of Farmers' Cooperatives)  
Simonkatu 6,  
HELSINKI, K.

Suomen Osuuskauppojen Keskuskunta (S.O.K.)  
(Finnish Cooperative Wholesale Society),  
Vilhonkatu 7,  
HELSINKI, 10.



Yleinen Osuuskaupojen Liitto r.y. (Y.O.L.)  
Vilhonkatu, 7,  
HELSINKI, 10.

Kulutusosuuskuntien Keskusliitto (K.K.) r.y.,  
Mikonkatu 17,  
HELSINKI.

Osuustukkukauppa (O.T.K.)  
Hämeentie, 33,  
HELSINKI, 50.

## France

Confédération Nationale de la Mutualité, de la  
Coopération, et du Crédit Agricoles,  
Maison de l'Agriculture,  
129, Boulevard St. Germain,  
PARIS 6e.

Fédération Nationale de la Coopération Agricole,  
129 Boulevard St. Germain,  
PARIS 6e.

Fédération Nationale du Crédit Agricole,  
Boulevard St. Germain 129,  
PARIS 6e

Caisse Nationale de Crédit Agricole,  
91-93 Boulevard Pasteur,  
PARIS 15e.

Fédération Nationale des Coopératives de  
Consommation (F.N.C.C.),  
89 Rue de la Boétie,  
PARIS 8e.

Société Générale des Coopératives de  
Consommation,  
61 Rue Boissière,  
PARIS 16e.

Banque centrale des coopératives,  
31 rue de Provence,  
PARIS 9e.

Confédération Générale des Sociétés Coopératives  
Ouvrières de Production de France et de l'Union  
Française,  
88 Rue de Courcelles,  
PARIS 8e.

Banque Coopérative des Sociétés Ouvrières de  
Production de France,  
88 Rue de Courcelles,  
PARIS 8e.

Fédération Nationale des Sociétés Coopératives  
Ouvrières de Production, du Bâtiment, des Travaux  
Publics et des Matériaux de Construction,  
88 Rue de Courcelles,  
PARIS 8e.

Fédération Nationale des Coopératives Artisanales,  
Rue de Lisbonne,  
PARIS 8e.

Centre pour le Développement de la Coopération,  
38 Avenue Hoche,  
PARIS 8e.

Fédération Nationale des Sociétés Coopératives  
d'Habitations à Loyer Modéré,  
Foyer Coopératif,  
17 rue de Richelieu,  
PARIS 1er.

Confédération des Coopératives de Construction et  
d'Habitation,  
"L'Habitation",  
31 Avenue Pierre 1er de Serbie,  
PARIS XVI.

L'Association Bâticoop,  
6 rue Halévy,  
PARIS 9e.

Caisse Centrale de Crédit Coopératif,  
18 bis, Avenue Hoche,  
PARIS 8e.

Confédération des Organismes de Crédit Maritime  
Mutuel,  
18 bis, Avenue Hoche,  
PARIS VIII.

Institut Français d'Action Coopérative,  
14 Rue Armand Moisant,  
PARIS 15e.

**Germany (Western)** Deutscher Raiffeisenverband e.V.,  
Koblenzerstrasse 127,  
BONN.

Deutscher Genossenschaftsverband, e.V.,  
Siebengebirgsstrasse 5,  
BONN.

Gesamtverband Gemeinnütziger Wohnungsunter-  
nehmen,  
Breslauer Platz, 4.  
KÖLN. (22a).

Zentralverband Deutscher Konsumgenossen-  
schaften, e.V.,  
Besenbinderhof 43,  
HAMBURG 1.

Grosseinkaufs-Gesellschaft deutscher  
Konsumgenossenschaften m.b.H.,  
Besenbinderhof 52,  
HAMBURG 1.

“Alte Volksfürsorge” Gewerkschaftliche-  
Genossenschaftliche Lebensversicherungs A.G.,  
An der Alster,  
(2) HAMBURG I.

Deutsche Sachversicherung,  
“Eigenhilfe”,  
Steinstrasse 27,  
(2) HAMBURG I.

Bank für Gemeinwirtschaft,  
Kaiserstrasse 31.  
6000 FRANKFURT/MAIN.

Deutsche Genossenschaftskasse,  
Taunustor 3.  
6 FRANKFURT/MAIN.

Raiffeisendienst Versicherungsgesellschaften,  
Sonnenbergerstrasse, 2,  
WIESBADEN.

Co-operative Union Ltd.,  
Holyoake House,  
Hanover Street,  
MANCHESTER 4.

Co-operative Wholesale Society Ltd.,  
1 Balloon Street,  
MANCHESTER 4.

Scottish Co-operative Wholesale Society Ltd.,  
95 Morrison Street,  
GLASGOW C5.

Co-operative Insurance Society Ltd.,  
Miller Street,  
MANCHESTER 4.

Co-operative Productive Federation (C.P.F.)  
138 Charles Street,  
LEICESTER.

Co-operative Permanent Building Society,  
New Oxford House,  
High Holborn,  
LONDON W.C.1.

Co-operative Press Ltd.,  
418 Chester Road,  
Old Trafford,  
MANCHESTER 16.

Co-operative Party,  
158 Buckingham Palace Road,  
LONDON S.W.1.

Federation of Agricultural Co-operatives,  
10 Doughty Street,  
LONDON W.C.1.

Agricultural Co-operative Association,  
Agriculture House,  
25-31 Knightsbridge,  
LONDON S.W.1.

Scottish Agricultural Organisation Society,  
28 Rutland Street,  
EDINBURGH 1.

**Great Britain cont.** Welsh Agricultural Organisation Society,  
8 Brynawel,  
ABERYSTWYTH,  
Cardiganshire, Wales.

Ulster Agricultural Organisation Society,  
16 Donegal Square South,  
BELFAST,  
N. Ireland.

**Iceland** Samband Isl. Samvinnufelaga,  
REYKJAVIK.

**Ireland (Republic of)** Irish Agricultural Organisation Society Ltd.,  
84 Merrion Square,  
DUBLIN 2.

Co-operative Development Society Ltd.,  
35 Lower Gardiner Street,  
DUBLIN.

**Italy** Associazione Generale delle Cooperative Italiane,  
Via Milano 42,  
ROME.

Confederazione Cooperative Italiana,  
Borgo Santo Spirito 78,  
ROME.

Lega Nazionale delle Cooperative e Mutue,  
Via Guattani 9.  
ROME.

**Malta** Farmers' Central Cooperative Society Ltd.,  
12 Middleman Street,  
MARSA.

**Netherlands** Nationale Coöperatieve Raad,  
Groenhovenstraat 3,  
THE HAGUE.

"CO-OP Nederland",  
Coöperative Vereniging U.A. Centrale der  
Nederlandse Verbruikscoöperaties,  
Vierhavensstraat 40,  
ROTTERDAM 7.

**Netherlands cont.**

Association of Enterprises on a Cooperative Basis,  
Bloemgracht 29,  
AMSTERDAM.

Coöperatieve Centrale Raiffeisen-Bank,  
St. Jacobsstraat 30,  
UTRECHT.

Coöperatieve Centrale Boerenleenbank,  
Dommelsstraat 9,  
EINDHOVEN.

Coöperatieve Centrale Landbouw In-en  
Verkoopvereniging,  
Eendrachtsweg 20,  
ROTTERDAM 2.

Nationale Coöperatieve Aan-en Verkoop-Verenig-  
ing voor Landen Tuinbouw g.a.,  
"CEBECO",  
Blaak 31,  
Postbus 182,  
ROTTERDAM 1.

**Norway**

Landbrukets Sentralforbund,  
(The Federation of Farmer Cooperatives)  
Inkognitogaten 2,  
Postboks 7042,  
OSLO H.

Norges Kooperative Landsforening,  
Organisasjonsavdelingen,  
Kirkegaten 4,  
OSLO.

BBL A/L Norske Boligbyggelags Landsforbund,  
Trondheimsveien 84-86,  
OSLO.

**Sweden**

Sveriges Lantbruksförbund,  
(Confederation of Swedish Farmers' Cooperative  
Associations)  
Klara Östra Kyrkogata 12,  
STOCKHOLM 1.

Kooperativa Förbundet,  
STOCKHOLM 15.

Folksam Insurance Group,  
Folksam Building,  
Bohusgatan,  
STOCKHOLM 20.

Kooperativa Kvinnogillesförbundet,  
STOCKHOLM 15.

Hyresgästernas Sparkasse- och Byggnadsförenin-  
gars Riksförbund (H.S.B.),  
Fleminggatan, 41,  
STOCKHOLM 18.

Svenska Riksybgen,  
Box 19028,  
STOCKHOLM 19.

## **Switzerland**

Verband Schweiz. Konsumvereine (V.S.K.),  
14 Thiersteinallee,  
CH 4002 BASEL.

Genossenschaftliche Zentralbank,  
Aeschenvorstadt 71,  
BASLE.

CO-OP Lebensversicherungs-Genossenschaft  
Basle,  
Aeschenvorstadt 67,  
BASLE.

Verband Ostschweiz Landwirtschaftlicher  
Genossenschaften (V.O.L.G.),  
Schaffhausenstrasse, 6,  
WINTERTHUR

Schweiz. Verband Sozialer Baubetriebe (S.B.H.V.),  
Postfach Sihlpost,  
ZURICH 1.

## Appendix II

# Addresses of Cooperative Educational Establishments

### **International**

Collège Coopératif,  
7, Avenue Franco-Russe,  
PARIS, 7e,  
France.

École Supérieure Internationale de la Coopération,  
14, Rue Armand Moisant,  
PARIS, 15e,  
France.

Forschungsinstitut und Studienkolleg für  
Genossenschaftswesen in Entwicklungsländern an  
der Philipps-Universität Marburg,  
Gutenbergstrasse 18,  
355 MARBURG/LAHN,  
Germany.

Co-operative College,  
Stanford Hall,  
LOUGHBOROUGH,  
Leics,  
Great Britain.



**International cont.** Plunkett Foundation for Co-operative Studies,  
10, Doughty Street,  
LONDON, W.C.1.  
Great Britain.

Swedish Cooperative Centre,  
Kooperativa Förbundet,  
STOCKHOLM, 15.  
Sweden.

**Austria**

Bildungsheim des Konsumverbandes,  
Hohe Warte 50-54,  
VIENNA 19.

Dr. h.c. Rudolf Buchinger Schule der landwirtschaftlichen Genossenschaften in Niederösterreich,  
Landstrasse Hauptstrasse 138,  
VIENNA 3.

Institut für Genossenschaftswesen an der  
Universität Wien,  
VIENNA 1.

**Belgium**

Université de Liège,\*  
Faculté de Droit,  
7, Place. du XX août,  
LIÈGE.

Institut des Hautes Études de Belgique,\*  
65 rue de la Concorde,  
BRUSSELS 5.

Université catholique de Louvain,\*  
Faculté de Droit,  
Place Mgr. Ladeuze,  
LOUVAIN.

Institut Coopératif,  
4, Thier de la Fontaine,  
LIÈGE.

**Denmark**

Den Danske Andelskole,  
MIDDELFART.

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\*Note: This institution has a Professor of Cooperation.

**Denmark cont.**

Landboskolen med Middelfart,  
Den danske Fjerkraeskole (Poultry Co-operatives),  
Grovvareskolen (Feed and Fertiliser Co-operatives)  
MIDDELFART.

Hovedstadens kooperative Handelsskole,  
COPENHAGEN.

FDB's B-kursus,  
Sletten,  
HUMLEBAEK.

Landbrugets Oplysnings- og Konference-  
virksomhed,  
Axelborg,  
COPENHAGEN V.

**Finland**

K.K. Cooperative College,  
Roihuvuori,  
HELSINKI.

Finnish Cooperative College,  
Jollas,  
HELSINKI 85.

Institute of Cooperation,  
University of Helsinki,  
HELSINKI.

**France**

Bureau d'Études Coopératives et Communautaires,  
87, Avenue du General Leclerc,  
GIF-SUR-YVETTE.

Centre Nationale de la Coopération Agricole,  
14, Rue Armand Moisant,  
PARIS, 15e.

Collège Coopératif,  
7 Avenue Franco-Russe,  
PARIS, 7e.

Institut des Études Coopératives,  
7, Avenue Franco-Russe,  
PARIS 7e.

**France cont.**

École Technique,  
Fédération Nationale des Coopératives de  
Consommation,  
89, rue de la Boétie,  
PARIS, 8e.

**Germany**

Institut für Genossenschaftswesen der Freien  
Universität Berlin,  
Ehrenbergstrasse,  
BERLIN 33.

Institut für Ausländische Landwirtschaft der  
Fakultät für Landbau an der Technischen  
Universität,  
Podbielskiallee, 64,  
BERLIN — DAHLEM.

Forschungsinstitut für Genossenschaftswesen an  
der Universität Erlangen - Nürnberg,  
Krankenhausstrasse 1-3,  
8520 ERLANGEN.

Institut für Genossenschaftswesen an der  
Universität Frankfurt,  
6, FRANKFURT/MAIN.

Institut für Genossenschaftswesen der Universität  
Hamburg,  
Von-Melle-Park 9,  
2 HAMBURG 13.

Seminar für Genossenschaftswesen,  
Forschungsstätte der Universität zu Köln,  
5 KÖLN - LINDENTHAL.

Institut für Genossenschaftswesen an der Philipps-  
Universität Marburg,  
Gutenbergstrasse 18,  
355 MARBURG/LAHN.

Institut für Genossenschaftswesen an der  
Westfälischen Wilhelms-Universität Munster,  
Universitätsstrasse 14-16,  
44, MUNSTER (Westfl).

- Germany cont.** Schule der Konsumgenossenschaften,  
Saselbergweg 63,  
2 HAMBURG-SASEL.
- Landwirtschaftliche Genossenschaftsschule,  
7, STUTTGART-HOHENHEIM.
- Great Britain** Co-operative College,  
Stanford Hall,  
LOUGHBOROUGH,  
Leicestershire.
- The Plunkett Foundation for Co-operative Studies,  
10 Doughty Street,  
LONDON, W.C.1.
- Iceland** Samvinnuskólinn,  
Bi-fröst,  
BORGARFJORDUR.
- Italy** La Scuola di Cooperazione,  
Borgo Cioffi,  
EBOLI,  
Salerno.
- Centro Studi Cooperativi,  
Via A. Gramsci 14,  
ROME.
- Netherlands** CO-OP Nederland,  
Afdeling Vorming Training en Opleiding,  
Postbus 6008,  
ROTTERDAM-7.
- Stichting "Op 't Veld",  
Huis 't Veld,  
WARNSVELD.
- Norway** Samvirkeskolen,  
Gjettumveien 66,  
SANDVIKA,  
Norway.
- Sweden** K.F.'s Studieavdelning,  
Vår Gård,  
SALTSJÖBADEN.

Jordbrukets Föreningsskola,  
(Sveriges Lantbruksförbund),  
Sånga-Säby,  
SVARTSJÖ.

HSB-Skolan,  
Södra Kungsvägen 254,  
LIDINGÖ.

**Switzerland**

Genossenschaftliches Seminar,  
Seminarstrasse 12-20,  
MUTTENZ b/BASLE.

# Appendix III

## Reading List

*This selected list contains only original work in English and translations into English current at time of writing*

### **International**

#### **SMITH (L.P.F.)**

*The Evolution of Agricultural Cooperation*. Intro. Margaret Digby. pp xii (2) 216; index. Oxford, Basil Blackwell, 49 Broad Street; 1961.

This book is in three sections: the first dealing with cooperation in the field of processing, marketing and purchasing, etc.; the second describes the integration of cooperatives with each other and with the State, and the third section is a "theoretical analysis of the social and economic aims of cooperatives and of some economic theories applied to agricultural cooperatives".

#### **RUIZ LUJAN (Samuel)**

*Housing Cooperatives* (International Labour Office Studies and Reports New Series No. 66) pp vii, 154; tabs. Geneva, International Labour Office; 1964. Price \$1.75; 12/6

This study described "how some of the principal cooperative housing schemes came into being and are operated in certain countries".

#### **ODHE (Thorsten)**

*Scandinavian Cooperative Wholesale Society 1918-1958: the History of Nordisk Andelsforbund—Scandinavian Team-work through forty years in the service of the consumers*. Pref. Director I.C.A. pp (6) 159; photos; col. plates; tabs. Copenhagen, Nordisk Andelsforbund, Det Danske Forlag; 1960.

The author describes the development of the Scandinavian Cooperative Wholesale Society and its constituent movements, stressing the international importance of Scandinavian cooperative collaboration.

## **LAMBERT (Paul)**

Studies in the Social Philosophy of Cooperation, with, in appendix, the fundamental texts; 'The Statutes of the Rochdale Equitable Pioneers' Society (1844), Buchez' article of the worker producers' cooperatives (1831). pp (7) 309; notes to chapters, index of names quoted. Publishers: Cooperative Union Ltd., Manchester.

An English edition of Professor Lambert's well known standard work which aims at a general definition of Cooperation in its multiple aspects.

## **DAVIDOVIC (George)**

The Structure of Cooperative Unions and Central Cooperative Organisations in Various Countries: 1. Great Britain, 2. Finland, 3. Norway, 4. Sweden (2), 5. Switzerland, 6. United States; Variousy paged (mimeographed) Ottawa Cooperative Union of Canada, 111 Sparks Street; 1965.

A review and description of organisations similar to the Cooperative Union of Canada doing comparable work in a number of countries.

## **Denmark**

### **GORST (P.G.)**

The Structure of Agricultural Cooperation in Denmark. pp 44; tabs (mimeographed). Occasional Paper No. 16. London, W.C.1., Plunkett Foundation for Cooperative Studies, 10 Doughty Street; 1957.

The only up to date account of the Danish agricultural cooperative movement available in English.

## **Federal German Republic**

### **BRAUMANN (Franz)**

A man conquers Poverty: The Story of Friedrich Wilhelm Raiffeisen. pp 162. Madison P.O.B. 431 Wisc., U.S.A. Credit Union National Association Inc: 1963.

The moving life-story of Raiffeisen, the great pioneer of Cooperative Agricultural Credit.

## **DEUTSCHER RAIFFEISENVERBAND**

Sie helfen sich selbst. Ein dokumentarisches Bildwerk über die Ländliche Genossenschaften. pp 236 (1); photos; drawing; charts; maps; text in German, English, French and Spanish, Hanover; Steinbock-Verlag, 1965.

An illustrated account of "the history, the tasks and the accomplishments of the German Raiffeisen organisation".

## **WILLSON (Peter)**

The Cooperative Movement in West Germany (Plunkett Foundation Occasional Paper No. 13) 2nd ed. rev. pp (2) 26 (1); statistics; charts; bibliography; (mimeographed). London W.C.1. Plunkett Foundation for Cooperative Studies, 10 Doughty Street, 1965. Price 5/-.

Recently revised edition of an earlier paper dealing with all aspects of the cooperative movement in Germany, including its history and general economic background.

## **HASSELMANN (Erwin)**

Consumers' Cooperation in Germany. pp (4) 71; chronology. Hamburg, Verlagsgesellschaft deutscher Konsumgenossenschaften, Besenbinderhof 43; 1961.

Contains up-to-date facts and figures concerning consumers' Cooperation in Germany and explains the changing attitude of the Movement to conform with recent economic and social developments.

In the Tide of Times. The German Consumers' Cooperative Movement and its problems past and present. pp (2) 24. 2000 Hamburg 1, Verlagsgesellschaft deutscher Konsumgenossenschaften, Besenbinderhof 43; 1962.

A paper prepared for a seminar for students from developing countries, surveys the historical facts and factors which determined the course of German cooperative history, and explains the present position of the German consumers' cooperative movement.

## **Finland**

### **DIGBY (Margaret)**

The Structure of the Cooperative Movement in Finland (Horace Plunkett Foundation Occasional Paper No. 17). pp 34 (mimeographed). London W.C.1., Horace Plunkett Foundation, 10 Doughty Street; 1958. Price: 5/-.

A survey of the cooperative movement in Finland demonstrating its importance in Finnish national life.

### **SUOMEN OSUUSKAUPPOJEN KESKUSKUNTA**

SOK To-day. pp 93; map; photos; charts. Helsinki, Yhteiskirjapaino Oy, Vilhonkatu 7; 1963.

A comprehensive history of the Cooperative Wholesale Society SOK published to commemorate its 50th anniversary which the present publication, celebrating the sixth decade, brings up to date.

### **KULUTUSOSUUSKUNTIEN KESKUSLIITTO**

The Finnish Cooperative Movement; unpag; brochure; photos; col. plates; separate chart. Helsinki, KK:n Laakapaino, Mikonkatu 17; 1965.

An illustrated brochure outlining the origin, development and activities of the progressive Finnish Cooperative movement.



## **HEIKKILÄ (Raimo)**

Finland—the land of cooperatives. pp. 64; photos; appendix. University of Helsinki, Institute of Cooperation; 1963.

A concise picture of the background, the extent and organisation of the Finnish Cooperative Movement.

## **France**

### **GORST (S.M.) and WILLSON (P)**

*The Structure of the French Cooperative Movement* (Occasional Paper No. 10) 2nd ed. rev. pp 32 (2); charts; tabs; bibliography (mimeographed). London W.C.1., Plunkett Foundation for Cooperative Studies, 10 Doughty Street; 1965.

A comprehensive review of all the various types of cooperatives in France brought up-to-date in 1965.

### **TERRE ET FAMILLE and COOPÉRATION ET FAMILLE**

Illustrated brochure (unpaged), photos, col. plates, plans. Trans of French text in Eng. Ger. and Russian. Paris, 1960.

An account of the work of housing cooperatives in France with special reference to the activities of "Terre et Famille" and "Coopération et Famille".

## **Great Britain**

### **BAILEY (Jack)**

*The British Cooperative Movement* (2nd, ed. rev) Hutchinson, 1960. Price 15/-.

A short, simply written outline with a discussion of contemporary problems.

### **BONNER (Arnold)**

*British Cooperation: The History, Principles and Organisations of the British Cooperative Movement*. pp 540; appendices IX incl. biographical dictionary; index. Manchester, 4, Co-operative Union Ltd., Holyoake House, Hanover Street; 1961. Price 17/6.

A comprehensive work on the history and activities of the British Cooperative Movement as seen from within. Useful appendices give original sources for further study.

### **KNAPP (Joseph)**

*An Analysis of Agricultural Cooperation in England*. pp (4) 242; appendices A-D. London S.W.1., Agricultural Central Cooperative Association Ltd., 25-31 Knightsbridge; 1965. Price 12/6.

A study of the agricultural cooperative movement in England, including recommendations for improving its methods and its form of organisation in the light of present development and probably future demand for cooperative facilities.

**DIGBY (Margaret) and GORST (Sheila)**

*Agricultural Cooperation in the United Kingdom.* Blackwell, 1956.  
Price 15/-.

A short survey of the history and principal types of agricultural cooperation in Great Britain.

**POLLARD (Sidney)**

*The Cooperatives at the Crossroads.* (Fabian Research Series No. 245)  
pp 44. London S.W.1., Fabian Society, 11 Dartmouth Street; 1965.  
Price 4/-.

The author examines the economic position also the ideals and purposes behind the Movement.

## **Iceland**

**ODHE (Thorsten)**

*Iceland: the Cooperative Island.* pp (10) 115; photos map. Chicago, Illinois 60605, Cooperative League of U.S.A. 59, East Van Buren Street; 1960. Price Paperbound \$2.00, hard cover \$3.50.

The development of the cooperative movement described in relation to the historical background and the present economy of the island.

## **Ireland**

**KNAPP (Joseph G.)**

*An Appraisal of Agricultural Cooperation in Ireland* pp (6) 115; appendix (Pr. 7467) Dublin 1, Government Publications Sales Office, G.P.O. Arcade; 1965. Price 5/-.

A general appraisal of the agricultural cooperative movement in Ireland, and recommendations with a view to further strengthening the movement and increasing its influence.

## **Italy**

**MacGREGOR-HASTIE (R.)**

*Signor Roy. An Englishman brings prosperity to a peasant community in Italy.* pp (6) 255. London, E.C.4. Frederick Muller Ltd., Ludgate House, 110 Fleet Street; 1965. Price 25/-.

The story of a young Englishman who settled in a peasant community in North-West Italy, where he formed the first agricultural producers' cooperative in the area.

## **Netherlands**

**NATIONALE COÖPERATIEVE RAAD**

*The Cooperative Movement in the Netherlands: an analysis.* 3rd ed.; (3) 115; maps; photos; appendix; The Hague, Groenhovenstraat 3; 1964.

An account of the Cooperative Movement in the Netherlands, with a chapter on Dutch cooperative legislation and an appendix giving relevant extracts from the new civil Law Code.

## NATIONALE COÖPERATIEVE RAAD

Cooperation in the Netherlands. pp 47 (1); photos; statistics. The Hague, Nationale Cooperatieve Raad, Groenhovestraat 3; n.d.

An illustrated short guide on all aspects of the Dutch Cooperative Movement, with particular reference to the agricultural and horticultural cooperatives.

## MULLICK (M. A. Hussein)

Agricultural Credit Cooperatives in the Netherlands. pp 26; tabs; maps (mimeographed); Occasional Paper No. 21. London W.C.1. Plunkett Foundation for Cooperative Studies, 10 Doughty Street; 1962.

A detailed analysis of the agricultural credit cooperative movement in the Netherlands.

## Norway

### ROYAL AGRICULTURAL SOCIETY OF NORWAY—*The Co-operative Committee.*

Cooperative Organisations in Norway: A General Survey. pp 69; photos; tabs. Oslo, 1960.

An outline of the Cooperative movement in Norway primarily intended as a guide for foreign students.

## OVESEN (Liv)

Consumers' Cooperation in Norway. pp 32; photos. Oslo 1, Norges Kooperative Landsforening, Kirkegt. 4; 1964.

A pamphlet on the Norwegian Consumers' Cooperative movement, intended primarily for visitors to Norway and to the N.K.L.

## Sweden

### JENKINS (Dafydd)

Agricultural Cooperation in Sweden (Plunkett Foundation Occasional Paper No. 23) pp. 54; charts; tabs; index; English/Swedish terms; bibliog (mimeographed) London, W.C.1. Plunkett Foundation for Cooperative Studies, 10 Doughty Street; 1964.

A comprehensive account of agricultural cooperatives in Sweden based on the study of written material, visits to the country and oral information.

### LUNDBERG (John)

In our own hands. pp 42; photos (5th ed.) Stockholm, KF, 1963.

The fifth revised edition of a widely-circulated booklet on the consumer Co-operative Movement in Sweden.

### SVENSKA RIKSBYGGGEN

Facts and Figures. The story of a housing cooperative pp 29; photos; charts; Stockholm, 1964.

A booklet describing the activities of the cooperative Building Organisation founded by the Swedish Building Trade Unions in 1940.

## BONOW (Mauritz)

The Cooperative Movement; a Period of Trial. (Information from the Secretariat of K.F.) pp 23 (Multilith) Stockholm, K.F. 1965.

An outline of the structural changes within the Swedish Cooperative Movement necessitated by the changing economy.

## SVERIGES LANTBRUKSFÖRBUND

Farmers' Cooperation in Sweden. pp (4) 68 plus fold. chart; photos Stockholm C, Klara Östra Kyrkogata 12; 1962.

A brochure describing the activities of the Federation of Swedish Farmers' Associations.

## AMES (Jack)

Cooperative Sweden Today, pp 198; photos; tabs; diagrs; graphs; charts. Manchester, Co-operative Union, Holyoake House, Hanover Street; 1956. Available free of charge from the Secretariate of K.F. Stockholm. New edition now being prepared.

A comprehensive guide to Swedish Cooperatives, consumer, agricultural, housing, credit, and insurance with chapters on education and recent developments.

## VÅR GÅRD

Illustrated brochure. (Editions in English, French, German and Swedish). Stockholm, K.F.; 1962.

A brochure describing the history and present day activities of the Cooperative School established by Kooperativa Förbundet at Saltsjöbaden.

## HYRESGÄSTERNAS SPARKASSE— OCH BYGGNADSFÖRENINGARS RIKSFORBUND— National Association of Tenants' Savings and Building Societies (HSB)

Housing Through Cooperation. pp 32; col. plates; charts; illustrs; Stockholm 18; Fleminggatan 41; 1966.

More than 160,000 flats have been built through HSB; this pamphlet is a guide to all its activities.

## Switzerland

### VSK/USC

Miteinander: Ensemble: Tutti Uniti: Together. pp 88; letterpress in German/French/Italian/English; col. plates; photos; graphs; tabs. 4002 Basle, VSK/USC, Thierseitnerallee 14; 1965.

A pictorial record of the growth of the Swiss cooperative movement published to commemorate the 75th jubilee of VSK/USC.

## Periodical and Serial publications

Annals of Public and Cooperative Economy (quarterly)

Publisher: CIRIEC,

45, quai de Rome,

Liège, Belgium.

Annual subscription: £2.0.0. (In U.S.A. and Canada \$10).

(Also published in French and German).

Cooperative Information (not published regularly).

Publisher: International Labour Office (I.L.O.).

Geneva, Switzerland. (Also published in French and Spanish).

Co-operative Review (monthly, published in the Co-operative News).

Publisher: Co-operative Union Ltd.

Holyoake House,

Hanover Street,

Manchester 4.

Review of International Cooperation (bi-monthly),

Publisher: International Cooperative Alliance,

11 Upper Grosvenor Street,

London, W.1.

Annual subscription: £1. 0s. 0d. (Also published in French and German).

International Cooperation—Report on the Activities of National  
Cooperative Organisations (in five volumes)

Publisher: International Cooperative Alliance,

11 Upper Grosvenor Street,

London, W.1.

Price: Vol. V. (1949/57) £1.15s. 0d.

Year Book of Agricultural Co-operation,

Editors: Plunkett Foundation for Co-operative Studies,

10 Doughty Street,

London, W.C.1.

Price: £2. 5s. 0d.

Cooperative Housing Bulletin.

Publisher: International Cooperative Housing Committee,

P.O.B. 18029,

Stockholm 18, Sweden.

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# Cooperation in European Market Economies

## **Statistical Annexe**

The purpose of the statistics assembled in this Annexe is to convey a broad impression of the extent of cooperative enterprise in the countries of Northern, Central, Western and Southern Europe. They are based on the returns made annually to the International Cooperative Alliance by its affiliated organisations but they also include, whenever it has been possible to obtain them, statistics relating to unaffiliated organisations. Difficulties of collection, however, make it impossible to achieve absolute accuracy, completeness or uniformity. The figures collected refer mainly to the year 1964, but in certain cases it has been necessary to use those for 1963 or 1965. As statistics inevitably become out of date, sometimes before they can be published, it was decided not to include any in the descriptive chapters, but to publish a periodic annexe in which the figures could be brought up-to-date and their presentation improved in other ways.

**General Notes** 1 The sign ? indicates that cooperatives exist but figures are doubtful.

2 Membership figures, especially in agricultural movements, usually exceed the total numbers of households or agricultural holdings, because of the variety of special purpose societies.

3 Values in national currencies are reduced to the common denominator of the £ sterling



**Table 1**  
**TYPES OF COOPERATIVE SOCIETIES**

- Notes**
- 1** The division between marketing and supply societies is no longer strictly maintained and the numbers of general purposes societies tend to increase in many countries.
  - 2** Rural general purposes societies which normally supply consumers' goods and often market fish products.
  - 3** Include societies of retailers as well as handicraftsmen.
  - 4** Include labour contracting societies.
  - 5** Cooperative pharmacies.
  - 6** Transport cooperatives.

Country	Agricultural <sup>1</sup>		Industrial		Thrift and Credit		Fishery	Consumers'	Housing	Other
	Marketing and Processing	Supply and Service	Artisanal <sup>3</sup>	Workers' <sup>4</sup> Productive	Rural	Urban				
Austria	2,223	17	?	—	1,748	?	—	63	318	—
Belgium	340	—	—	12	831	—	—	49	?	32 <sup>5</sup>
Denmark	2,550	3,593	—	133	57	—	34	1,870	357	—
Finland	252	—	—	—	493	—	—	450	37	—
France	19,000	—	130	534	189	?	138	480	1,446	112
Germany (Fed. Rep.)	11,054	—	1,179 <sup>3</sup>	—	9,944	746	27	221	2,201	71 <sup>5</sup>
Great Britain	470	—	—	35	—	—	74	730	3	4
Greece	5,387	—	—	—	—	—	—	—	—	—
Holland	1,927	—	—	12	1,305	?	—	75	?	—
Iceland	57 <sup>2</sup>	—	—	—	—	—	—	—	—	—
Ireland (Rep.)	338	—	—	—	—	—	—	—	—	—
Italy	5,507	—	3,616	—	858	?	519	5,869	2,754	884
Norway	300	—	—	—	?	—	40	954	89	—
Sweden	557	—	—	—	545	22	45	365	3,413	—
Switzerland	1,100	—	—	43	—	—	—	862	336	?

Table 2

## MEMBERSHIP BY TYPE OF SOCIETY

Country	Agricultural <sup>1</sup>	Industrial	Thrft and Credit	Fishery	Consumers <sup>1</sup>	Housing	Other
Austria	757,257	—	618,386	—	442,098	107,667	—
Belgium	99,000	1,000	45,000	—	754,046	—	—
Denmark	739,934	—	17,180	1,410	659,000	141,350	—
Finland	378,638	—	310,257	—	1,071,060	—	—
France	1,800,000	34,710	1,510,000	29,524	3,437,555	331,275	?
Germany (Fed. Rep.)	4,573,243	?	4,616,257	—	2,514,766	1,256,011	—
Great Britain	402,131	—	—	4,095	13,247,107	656,197	7,377
Greece	547,103	—	—	—	—	—	—
Holland	508,480	300	481,000	—	382,841	—	—
Iceland	—	—	—	—	31,163	—	—
Ireland (Rep.)	121,088	—	—	—	—	—	—
Italy	1,080,772	283,667	401,224	55,404	1,973,514	317,730	?
Norway	450,520	—	?	2,043	338,301	187,650	—
Sweden	1,096,774	—	181,698	—	1,297,898	312,541	46,000
Switzerland	32,795 <sup>2</sup>	2,130	?	—	842,815	70,000	—

Notes 1 See General Note 2.

2 German-speaking areas only.

**Table 3****AGRICULTURAL SOCIETIES (NON-CREDIT)**

Country	Number of Societies	Individual Membership	Annual Turnover in £'000s
Austria	2,240	757,257	244,529
Belgium	340	99,000	500,000
Denmark	6,143	739,934	433,604
Finland	252	378,623	319,160
France	19,000	1,800,000	723,380
Germany (Fed. Rep.)	10,913	4,573,243	2,043,636
Great Britain	470	402,131	256,354
Greece	5,837	547,103	26,366
Holland	1,927	508,480	?
Iceland	57	31,136	18,940
Ireland (Rep.)	338	121,038	83,275
Italy	5,507	1,980,772	14,021
Norway	300	450,520	150,557
Sweden	551	1,096,774	614,344
Switzerland	368	32,795	149,045

Table 4

## INDUSTRIAL SOCIETIES

Country	Artisanal			Workers' Productive and Labour		
	Societies	Members	Annual Turnover in £000's	Societies	Members	Annual Turnover in £000's
Austria	?	?	?	—	—	—
Belgium	—	—	—	12	1,000	1,071
Denmark	—	—	—	133	—	29,366
France	130	?	?	534	34,710	54,827
Germany (Fed. Rep.)	1,179	2,600,000	1,409,999	—	—	—
Great Britain	—	—	—	35	111,078	7,347
Holland	—	—	—	12	300	?
Italy	3,616 <sup>1</sup>	283,667	?	?	?	?
Sweden	—	—	—	12	—	—
Switzerland	43	2,130	4,296	—	—	—

Notes 1 Includes artisanal and workers' productive societies of one national confederation only.

**Table 5****FISHERY SOCIETIES**

Country	Number of Societies	Individual Membership	Annual Turnover in £000's
<b>Denmark</b>	<b>34</b>	<b>1,410</b>	<b>6,515</b>
<b>France</b>	<b>122</b>	<b>29,524</b>	<b>9,077</b>
<b>Germany (Fed. Rep.)</b>	<b>27</b>	<b>1,494</b>	<b>3,168</b>
<b>Great Britain</b>	<b>74</b>	<b>4,095</b>	<b>231</b>
<b>Iceland</b>	<b>20<sup>1</sup></b>	<b>?</b>	<b>4,015<sup>2</sup></b>
<b>Italy</b>	<b>519</b>	<b>55,404</b>	<b>13,384</b>
<b>Norway</b>	<b>40</b>	<b>2,043</b>	<b>2,062</b>
<b>Spain</b>	<b>161</b>	<b>68,950</b>	<b>?</b>
<b>Sweden</b>	<b>45</b>	<b>13,000</b>	<b>?</b>

**Notes 1** General purposes cooperatives handling fish products.

**2** Fish sales, mainly exports, of National Cooperative Federation SIS.

**Table 6****THRIFT AND CREDIT SOCIETIES**

Country	Rural		Urban	
	Societies	Members	Societies	Members
<b>Austria</b> .. . . .	<b>1,748</b>	<b>618,386</b>	?	?
<b>Belgium</b> .. . . .	<b>831</b>	<b>45,000</b>	?	?
<b>Denmark</b> .. . . .	<b>57</b>	<b>17,180</b>	—	—
<b>Finland</b> .. . . .	<b>493</b>	<b>310,257</b>	—	—
<b>France</b> .. . . .	<b>189</b>	<b>1,510,000</b>	?	?
<b>Germany (Fed. Rep.)</b> .. . . .	<b>10,784</b>	<b>2,463,257</b>	<b>746</b>	<b>2,153,000</b>
<b>Holland</b> .. . . .	<b>1,305</b>	<b>481,000</b>	—	—
<b>Italy</b> .. . . .	<b>858</b>	<b>401,224</b>	?	?
<b>Norway</b> .. . . .	?	?	—	—
<b>Sweden</b> .. . . .	<b>545</b>	<b>181,698</b>	—	—

Table 7

## CONSUMERS' SOCIETIES

Country	Population in 000's	Societies	Members	Per 1,000 of Population	Turnover £000's		Retail Turnover as % of Nat. Income <sup>1</sup>
					Retail	Wholesale	
Austria	7,215	63	442,098	61	43,080	21,077	2.0
Belgium	9,378	55	754,046	80	58,893	8,437	1.5
Denmark	4,720	1,870	659,000	140	162,703	66,239	4.9
Finland	4,580	450	1,071,060	234	360,257	193,744	19.6
France	48,417	480	3,437,555	71	229,018	118,829	1.2
Germany (Fed. Rep.)	56,097	221	2,514,766	44	328,640	170,335	1.4
Great Britain	54,213	730	13,247,107	244	1,068,695	582,218	4.8
Holland	12,127	75	382,841	32	34,901	20,661	0.7
Iceland	185,000	57 <sup>2</sup>	31,163	168	?	15,201	?
Italy	51,090	5,889	1,973,514	39	101,123	2,857	1.0
Norway	3,694	954	338,301	91	91,375	29,286	5.5
Sweden	7,661	365	1,297,898	169	323,288	238,766	6.7
Switzerland	5,874	862	842,815	144	176,480	122,251	4.1

**Note 1** To obtain the ratio of cooperative trade to national retail spending these figures should be approximately doubled.

**Note 2** See table 1, Note 2.



**Table 8****HOUSING SOCIETIES**

Country	Societies	Members
<b>Austria</b>	<b>318</b>	<b>107,667</b>
<b>Denmark</b>	<b>357</b>	<b>141,350</b>
<b>Finland</b>	<b>37</b>	<b>?</b>
<b>France</b>	<b>1,446</b>	<b>331,275</b>
<b>Germany (Fed. Rep.)</b>	<b>2,201</b>	<b>1,256,011</b>
<b>Great Britain</b>	<b>1</b>	<b>656,197</b>
<b>Italy</b>	<b>2,754</b>	<b>317,730</b>
<b>Norway</b>	<b>89</b>	<b>187,650</b>
<b>Sweden</b>	<b>3,413</b>	<b>312,541</b>
<b>Switzerland</b>	<b>386</b>	<b>70,000</b>

**Table 9**  
**CENTRAL COOPERATIVE BANKS**

**Notes 1** With governmental participation, administrative or financial.

**2** Includes transactions with consumers' cooperatives.

	Consumers'		Producers'			
			Rural		Urban	
	Turnover £000's	Total Balance Sheet £000's	Turnover £000's	Total Balance Sheet £000's	Turnover £000's	Total Balance Sheet £000's
<b>Austria</b> Bank für Arbeit und Wirtschaft Zentralkasse der Konsumg. Genoss. Zentralbank	2,216,745 154,000	56,230 8,722	2,054,941	79,541		
<b>Belgium</b> Coop Depots	194,612	12,490				
<b>Denmark</b> Andelsbanken Arbejderens Landsbank			8,973,808	83,810	803,411	35,556 35,556
<b>Finland</b> O.K.O.			1,646,750	93,833		
<b>France</b> Banque Centrale des C. Banque Coop. des SCOP Caisse Nat. de Credit Agricole Caisse Centrale de Crédit Coop. <sup>1</sup>	948,596	8,885	10,324,972	1,935,601	179,251 19,813 <sup>2</sup>	4,643 27,618
<b>German Fed. Rep.</b> Deutsche Genossenschaftskasse <sup>1</sup> Bank für Gemein. wirtschaft	4,303,188	391,001	397,000	375,000		
<b>Great Britain</b> C.W.S. S.C.W.S.	7,951,009 531,109	171,872 14,998				
<b>Norway</b> Samvirkebanken	182,909	4,017				
<b>Sweden</b> Sver. Allmänna Hypot.			—	10,577		
<b>Switzerland</b> Genoss. Zentralbank	1,078,025	73,385				

Under the Editorship of Mr. W. P. Watkins, '**Cooperation in the European Market Economies**' has been written and produced as an introduction to the study of the cooperative movement in that area of the world.

The aim of this book is to help the student of Cooperation, during travel, through direct observation or through more extensive reading of the subject, to find out what is significant for him or her in the cooperative movement of the market economy countries.

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