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THE CO-OPERATIVE MOVEMENT IN JAPAN

THE CO-OPERATIVE MOVEMENT IN JAPAN

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PREFACE

I AM one of those who believe that Europe and America —even Great Britain itself—may learn something from Japan. I do not necessarily mean anything to copy; for (as may incidentally be inferred from this volume) one nation can seldom with advantage directly copy from another, either laws or other social institutions. Nor do I mean by way of precept or advice, which Japanese are too polite to proffer, and Britons instinctively too prudent to accept. A wise man once warned me never to take advice; but invariably to listen to it, and to take hints. It is hints and suggestions that we can usefully obtain from the supremely interesting experience of Japan. Unfortunately neither Western Europe nor the United States, neither British administrators, nor in particular, those of the Co-operative Movement, are sufficiently receptive to such hints and suggestions as may be derived from Japan.

This imprudent impenetrability to ideas—an old complaint—is partly due to the fact that neither America nor Great Britain knows anything like enough of the interesting development of Japan, during the past half-century, in nearly all departments of social and economic organization. I do not know whether the British and American "captains of industry" or "merchant princes" have paid more attention than the professors of Political Economy to the lessons to be learnt from this development. I suspect not. And whatever the makers of private profit have done in this direction, I feel sure that the thirty or forty millions of Co-operators throughout the world—even the ten thousand principal Co-operative administrators throughout the world—have hitherto been almost entirely ignorant of Japanese Co-operation.

For this reason I commend Mr. Ogata's detailed and comprehensive study of the Co-operative Movement in Japan, not only to Co-operators everywhere, but also to business men and economic students. Any thoughtful person, even if he is in no way interested either in Japan or in Co-operation, ought to be able, from reading this book, to "take hints."

Consider, for instance, the extent—as it seems, greater than in any European country, and immensely greater than in the United States—to which the people of Japan are bound together in spontaneous and voluntary social organization for various economic purposes. Who, in Europe or America, has taken full account of the fact that practically the whole adult male population of Japan—omitting, perhaps, although of this I am not certain, the few tens of thousands of wealthy people—is found enrolled in membership of one or more of the million and three-quarters of separate Co-operative organizations for economic purposes of one sort or another? Leaving out of view for the moment the magnitude, range and results of the economic transactions of these societies, the sociological student cannot fail to be impressed by the amount of "social tissue" that is implied in their extraordinary development. What is the effect of this ubiquitous network of "Mujins" on national life and character? What invaluable strength may it not give to the nation, and what desirable help and protection to the individual, either in the initiation of new enterprises or by way of succour in distress?

Not less suggestive is the fact that the vast majority of these societies, and those most typical of Japan, are of archaic type, of considerable antiquity, perpetually starting up and running their transient courses, unrecognized by law, and unregulated by the government. To the Englishman it is strange to find in the practice of the Japanese "Mujin" or "Ko" a curious resemblance, duly noted by Mr. Ogata, to the practice of a particular form of terminating building society—the Starr Bowkett—itself of spontaneous popular upgrowth, unpatronized either by law or by academic wisdom. This form of Co-operative credit

society, applied to the purchase or erection of houses, spread all over England during one part of the nineteenth century, although it has escaped any systematic study, and, indeed, has, so far as I know, been barely mentioned in either economic or legal literature.

When we turn from the archaic forms of Co-operation in Japan to those more closely resembling the main Co-operative development of the European world, we may be struck by the promptitude with which the Japanese Government saw the advantage of legalizing the ordinary types of Co-operative effort, and also by some remarkable omissions. The Japanese legislators were eager to obtain for the rice cultivators and the independent handicraftsmen of their country the advantages which Co-operative Credit societies had bestowed upon so many parts of Continental Europe. Yet it seems strange to find these enlightened legislators ignoring the extensive and spontaneous development of the "mujin" and the "hotokusha," which lay before their eyes, in order to introduce, with almost slavish exactitude, the legal provisions under which the Raiffeisen and Schulze-Delitzsch Credit Societies had sprung up in Germany. But we, too, know what it is to seek from foreign models what our own indigenous upgrowth might have more aptly supplied!

The increase in Japan of Co-operative Societies of modern type has been remarkable for the exceptional elaboration, not only of the credit society, but also of the marketing, the purchasing and the machinery societies, none of which have found much development in Great Britain. The "Association of Consumers," in the distributive store (subsequently extending to wholesale distribution, to importing, to manufacturing or growing, and even to shipping, banking and insurance), which now dominates British Co-operation, is only just beginning in Japan.

The second remarkable feature in the patronage accorded to Co-operation by the Japanese Government is the complete omission from its legislation of the very form that has been, in England, France and Italy, the favoured darling of statesmen, of philanthropists and (until this generation)

of economists. The Japanese Co-operative Law deliberately abstains from legalizing the "self-governing workshop" or Association of Producers, which some good people, thinking themselves educated, still fondly imagine to be the Co-operative ideal. I fear that I must not compliment the Japanese Government of 1899 on its uncanny prescience in refusing legislative sanction to a form of Co-operation which, wherever it has been tried, has almost invariably ended either in abandonment of its principles or in commercial failure. I am afraid that the refusal was due to the entirely mistaken assumption that the "self-governing workshop," for three-quarters of a century the favourite of European philanthropists, was a revolutionary device, or at any rate likely to be the progenitor of "dangerous thoughts"—much as old ladies of property in the Britain of 1923 deem the Labour Party to be "Bolshevic," and the Trade Union "a form of Communism." At any rate, whatever may be the cause, there seems to be, amid all the infinite variety of Japanese Co-operation, no representative of the self-governing workshop.

But there is much more in Mr. Ogata's interesting and suggestive volume; and it ought to find a place in every economic as well as every Co-operative library.

This thesis has been approved for the Degree of Doctor of Philosophy in the University of London.

SIDNEY WEBB.

August, 1923.

INTRODUCTION

My primary object in writing this book is to place in the hands of European students of economics in general and of Co-operation in particular, the first complete record* of the Co-operative Movement in Japan.† In order to familiarize the reader with those factors, which have made possible the enormous development of Co-operation in Japan, I give a detailed description of two forerunners of modern Co-operation, viz., the Mujin or Kō, and the Hōtokusha.

* Perhaps the first account of modern Co-operation in Japan, ever published in English, is a small pamphlet, entitled *The Co-operative Societies of Japan*, issued by the Bureau of Agriculture, Ministry of Agriculture and Commerce, 1921. However, this pamphlet only gives a short summary of Japanese Co-operation, or it would be better to say, of Japanese Co-operative Law, and no mention is made of the Mujin and the Hōtokusha. It must also be remembered that it was written from the standpoint of the Government, whereas in the following pages, I endeavour impartially to survey the movement from a disinterested standpoint.

Mention must also be made of Mr. K. Kuwata, a well-known economist in Japan, who wrote a brief outline entitled, "Die Genossenschaftsbewegung in Japan" (The Co-operative Movement in Japan), which appeared in the *Archiv für Sozialwissenschaft und Sozialpolitik*, Vol. 48, No. 3, (pp. 731–747), Tübingen, December, 1921. In this article, besides giving an outline of the modern movement, a description is also given of the Hōtokusha (credit societies) and the Minamisansha (silk-marketing societies), as types of Co-operation of purely Japanese origin. No mention is made, however, by Mr. Kuwata of the Mujin, or of any of the other co-operative and quasi-co-operative organizations treated in the present work.

Earlier and crude forms of Japanese Co-operation did not fail to attract the attention of foreign writers. One may find in Mr. Crosthwaite's book, entitled *Co-operative Studies and the Central Provinces System*, 1916, a very short account of the Hōtokusha system; and also Mr. Nicholson, in his pamphlet entitled *Notes on Agriculture in Japan*, 1907, speaks very highly of the genius of the Japanese people in forming fishery associations and other co-operative organizations long before the advent of modern co-operation.

† My observation is confined to Japan *proper*, and does not extend to Taiwan (Formosa), Karafuto (Saghalien), or Chosen (Korea). Although no doubt the Co-operative Movement is spreading in these territories, there is not sufficient material from which to give a trustworthy account of the movement there, nor is there any mention made, in the Report of the Co-operative Union, of these territories.

These two movements, which are entirely native in origin, helped to mould public opinion, so that, when in 1899 the first Co-operative Law was passed, its application was rendered easier and the ground was, as it were, already well prepared for the reception of what was, to all intents and purposes, an alien importation. In the following pages, I will show how Co-operation, as it stands to-day, was imported *in toto* from Germany; German models were employed to evolve this Co-operative Law, mentioned above, and had it not been that, even in the remotest country districts, crude forms of Co-operation had been well known and had been employed for centuries, the modern Co-operative Movement could never have taken such a hold on the Japanese imagination, nor have become the life force which it is to-day.

My interest in Co-operation was first aroused when, as a young student at the Tokio Higher Commercial School, now the Tokio University of Commerce, a book, written by Miss Beatrice Potter, now Mrs. Sidney Webb, entitled, *The Co-operative Movement in Great Britain* (first published in 1891), was recommended to me by Dr. Teijirō Ueda, Professor of Economics at the said University. I studied this book and I must gratefully acknowledge that to it I attribute the deep interest which decided me to make a special study of Co-operation.

Although at first my interest was restricted to co-operative stores, naturally the wider field in which the same principles were applied fired my imagination and enlarged the sphere of my investigations. I turned my attention to the co-operative marketing societies, and in this field I made extensive personal investigations, encouraged by Professor Ueda. I made two tours, through Gumma and Nagano Prefectures, visiting the headquarters of all the principal silk-marketing societies, interviewing directors and other officials, and the result of my research on the first tour was published in *Kokumin-Keizai-Zasshi* (The Economic Journal) in 1918.

I had also made enquiries into the system of Co-operative Rice-Granaries, visiting Yamagata and Kumamoto Pre-

fectures (the stronghold of rice-granaries), and in 1917 submitted to the said University a report of these investigations, entitled, *An enquiry into Beiken-Sōko (or the rice-granary) system in Yamagata and Kumamoto Prefectures, with an outline of a unique method of speculation in rice in Kumamoto as an appendix.*

Ever since I first took up the study of Co-operation, I have kept in constant touch with the leading Japanese economists whose interests lay in the same direction and with officials of the Co-operative Union of Japan, and I have studied both the history and the contemporary literature of Co-operation in the principal European countries.

The difficulty of collecting trustworthy data for this book can only be understood by anyone who has himself undertaken the task of writing a treatise in a foreign country, far from the natural sources of information open to the investigator at home. I can conscientiously say that I have not left unexplored any channel, through which material for my work could be gathered. To a great extent, I had to resort to the mass of data, which I had brought with me from Japan, while the most valuable additions to the facts were supplied to me by the Co-operative Union of Japan through the courtesy of Mr. K. Sengoku. I am also indebted to Mr. B. M. Headicar, Librarian of the London School of Economics, for the special facilities for the use of the library and for his sympathetic help on all occasions.

The author is fully aware of the fact that, as a rule, overloading with statistics and figures tends to make a book dry. Notwithstanding this, every effort has been made to include detailed statistics wherever possible, in order to furnish European readers with actual figures and facts, from which alone, in my opinion, a sound conclusion may be drawn. When we realize that so far no complete treatise on Japanese Co-operation has ever been published, this course becomes almost imperative. Further, the prevalent custom of combining together various co-operative activities in one society, often makes repetition both in description and in statistics unavoidable. Throughout this book I have endeavoured to show, by means of footnotes and other

references, the various points of difference in similar movements in other countries; limited space and the lack of sufficient time have made it impossible for me to enlarge and amplify these further.

In particular did I find most helpful the following books, pamphlets and reports, etc. :—

R. Ikeda: *Mujin no Jissai to Gakusetsu*, 1918 (The Practice and Theory of the Mujin); T. Yoshimoto: *A Peasant Sage of Japan*, 1912; O. Hashimoto: *Hōtokushugi oyobi Hōtokusha no Kenkyū* (The Principle of the Hōtoku and the Hōtokusha); K. Satō: *Shinyō-Kumiai Ron*, 1918 (Credit Societies); The Ministry of Agriculture and Commerce: *The Co-operative Societies of Japan*, 1921; *Sangyō-Kumiai Yōran*, 1922 (Statistics of Co-operative Societies); The Co-operative Union: *Yūryō Sangyō-Kumiai Jirei*, 1920 (Examples of Efficient Societies); S. Motoida: *Shōhi-Kumiai Undōron*, 1921 (The Co-operative Store Movement); The Ōhara Institute of Social Research: *Nippon Rōdō Nenkan*, 1921 (The Japanese Labour Year Book), etc.

Most of all do I wish to express my deep gratitude to Mr. Sidney Webb, whose invaluable help and counsel have made possible the production of this book, and to whom I am more indebted than I can say. Mrs. Webb's sympathetic interest and advice have also been a great spur to me in undertaking this work. My gratitude in no less a measure goes out to Professor Ueda, whom I have already mentioned, and who inspired my earliest efforts. His limitless patience and encouragement are the forces that inspired me and made me strive to become a worthy disciple.

KIYOSHI OGATA.

LONDON, *January*, 1923.

CONTENTS

CHAP.		PAGE
	PREFACE BY PROF. SIDNEY WEBB, M.P.	v
	INTRODUCTION	ix
I.	THE FORERUNNERS OF CO-OPERATIVE SOCIETIES IN JAPAN	1
II.	THE MUJIN	7
	§ 1. General Idea of the Mujin	7
	§ 2. Outline of the Growth of the Mujin	9
	§ 3. The Present Condition of the Mujin	14
	§ 4. Comparison of the Mujin with Similar Organizations	19
III.	THE HŌTOKUSHA—A JAPANESE CO-OPERATIVE CREDIT SOCIETY	25
	§ 1. The Life, Idea and Work of Ninomiya Sontoku	27
	§ 2. The Growth of the Hōtokusha	41
	§ 3. The Organization and Activities of the Hōtokusha To-day	49
	(i) The Objects of the Hōtokusha	49
	(ii) The Structure of the Hōtokusha	52
	(iii) The Financial Organization of the Hōtokusha	57
	(iv) The Management of the Hōtokusha	72
	§ 4. Achievements and the Future of the Hōtokusha	78
IV.	THE MODERN CO-OPERATIVE MOVEMENT OF JAPAN	84
V.	CREDIT SOCIETIES	102
	§ 1. The Development of Modern Credit Societies	102
	§ 2. The Present Position of Credit Societies	111
	§ 3. The Organization of Rural Credit Societies	118
	§ 4. The Business of Rural Credit Societies	128
	(i) Deposits	129
	(ii) Money Borrowed from Outside	135
	(iii) Granting of Loans to Members	137
	(iv) Other Investments	147
	(v) Social and Ethical Activities of Credit Societies	147

CHAP. PAGE

§ 5. The Management of Rural Credit Societies . 149
§ 6. Urban Credit Societies 155
§ 7. Federations of Credit Societies . . . 163
§ 8. The Co-operative Union 171
§ 9. State Aid and Supervision of Co-operative Societies 174
§ 10. The Advantages of Credit Societies . . 178
§ 11. Obstacles to Co-operative Progress in Japan 182

VI. MARKETING SOCIETIES 188
§ 1. Their Development and Present Position in General 188
§ 2. Silk Marketing Societies 195
(i) Marketing Societies for Cultivators of Cocoons or Producers of Hand-reeled Silk 198
(a) Type I or Usuisha Type Societies —The Origin of the Minamisansha Silk Marketing Societies —The Organization and Management of the Minamisansha in their Earliest Stage (prior to the passing of the Co-operative Law)—The Development of the Minamisansha—The Effect of Machinery on the Development of the Societies (the 2nd and 3rd stages of their Development)—The Financial Organization of the Minamisansha . 198
(b) Type II, or Ryūsuisha Type Societies 219
(c) Type III, or Ryūmeisha Type Societies 224
(ii) Marketing Societies for Silk-factory Owners or Yotasha Type Societies. 225
(iii) Other Marketing Societies in the Silk Industry 230
§ 3. Rice Marketing Societies and Co-operative Warehousing Societies 231
(i) The Origin of the Co-operative Rice-granaries 231
(ii) The Rice-granaries in Yamagata Prefecture 232
(iii) The Rice-granaries in Kumamoto Prefecture. 235
(iv) The Rice-granaries in other Prefectures 238
(v) The Passing of the Agricultural Warehousing Act and the Development of Agricultural Warehousing Societies 238

CHAP. PAGE

§ 4. Other Marketing Societies 244
§ 5. The Modes of Operation of Marketing Societies. 246
§ 6. The Advantages of Marketing Societies and Obstacles to their Further Development . 254

VII. PURCHASING SOCIETIES 257
§ 1. Two kinds of Purchasing Societies liable to be Confused 257
§ 2. Their Development and Present Position in General 260
§ 3. The Operations of Purchasing Societies. . 266
§ 4. Advantages of Purchasing Societies and Obstacles to their Progress . . . 272

VIII. MACHINERY SOCIETIES 275
§ 1. The Nature of Machinery Societies . . . 275
§ 2. Their Development and Present Position in General 277
§ 3. Various Kinds of Machinery Societies . . 280
(i) Machinery Societies of the First Type 281
(ii) Machinery Societies of the Second Type 283

IX. ASSOCIATIONS OF CONSUMERS 288
§ 1. Introduction 288
§ 2. Co-operative Stores 292
(i) Various Types of Co-operative Stores . 292
(a) The Co-operative Stores Open to all Classes of People . . 293
(b) The Co-operative Stores open exclusively to Civil Servants . 296
(c) The Co-operative Stores attached to Factories 297
(d) The Co-operative Stores organized exclusively by Manual Labourers 298
(e) The Co-operative Stores organized on the Basis of Common Religious or Social Ties. . 299
(ii) General Features of Japanese Co-operative Stores . . . 301
§ 3. Machinery Societies of Consumers (Building Societies) 308

X. REVIEW OF CO-OPERATIVE PROGRESS IN JAPAN—WITH SPECIAL REFERENCE TO THE FORMS OF CO-OPERATION ABSENT FROM JAPAN . . . 311

CONCLUSION 320
BIBLIOGRAPHY 327
APPENDIX:
Laws concerning Co-operative Societies . . . 337
Table showing position of Co-operative Societies at end of 1921 338
Table of equivalent weights and measures . . . 340
INDEX 341

THE CO-OPERATIVE MOVEMENT IN JAPAN

CHAPTER I

THE FORERUNNERS OF CO-OPERATIVE SOCIETIES IN JAPAN

THE spirit of association is inherent in human nature and is by no means peculiar to any country or continent. If it were my wish to do so, I could point out many organizations of a co-operative nature in Japan, parallel to those that existed in many European countries. For example, the common ownership and cultivation of land was to be found in ancient Japan,* just as it existed in Europe; the manor and the urban guild of later periods† also have their corresponding equivalents in Japan. Some European economists hold that all these systems are the forerunners of the modern Co-operative Movement; because, broadly speaking, these were Co-operative efforts.‡ However, the author is not concerned in this volume with Co-

* For data regarding the common ownership and cultivation of land in ancient Japan, and urban guilds in Japan, the European reader cannot do better than refer to *Gesellschaftliche und Wirtschaftliche Entwicklung in Japan*, by T. Fukuda, 1900, which was translated into Japanese by Y. Sakanishi, under the title of *Nihon-Keizaishiron*, 1907 (Economic History of Japan).

† The reader will also find a very brief history of Japanese urban guilds and of their gradual development into the present-day Trade Guilds, in the book entitled *Jūyōbussan Dōgyō-Kumiai Hō Seigi* (Lectures on the Law Concerning Trade Guilds for Staple Products), by T. Ono and K. Iida, 1918.

‡ The authoritative work on Co-operation in a very wide sense is, of course, *Das deutsche Genossenschaftsrecht*, by Gierke, 3 vols. (1868–1881). The reader may also refer to *Mutual Aid*, by Kropotkin, 1902. For a concise treatment of Co-operation in this wide sense, see, e.g., *Das Genossenschaftswesen in Deutschland*, by W. Wygodzinski, 1911, pp. 8–15.

operation in so wide a sense. This properly belongs to the historian and the antiquary.*

Yet there is plenty of evidence in Japanese history that Co-operation, in the modern sense of the word,† is of ancient origin and was widely practised, although the actual methods employed may seem to us primitive and crude. The origin of the modern Co-operative credit society in Japan may be taken back to a sufficiently ancient system of people's finance known as "Kō," or "Mujin," or "Tanomoshi," which is quite seven or eight centuries old.‡ It is interesting to note that

* "Other historians have pointed to various forms of primitive village communities as prototypes of Co-operation—chief among these communities being the well-known Mir of Russia, where land was owned and cultivated by the community. To cite these as instances of the associative spirit is perfectly legitimate, but to make them types of co-operation is quite contrary to the facts—for in a community of this kind the individual had no option as to whether or not he should become a member of the body corporate—and this is the first essential of a co-operative society. Moreover, these bodies have steadily decreased in number and importance with the development of modern conditions, whereas co-operation, in the sense in which we understand it, has steadily gained ground."—(*Co-operation for Farmers*, by Lionel Smith-Gordon, 1918, pp. 23–24.)

† When I speak of Co-operation "in the modern sense of the word," I have in mind the definitions of the following authorities, which I herewith append:—

1. Mr. C. R. Fay's definition:

"The Co-operative Society is an association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership share in its rewards in proportion to the degree in which they make use of their association."—(*Co-operation at Home and Abroad*, 1919, p. 5).

2. Mr. E. Jacob's definition:

"The Co-operative Society (*Genossenschaft*) is a corporation of persons (*Personalgesellschaft*) based on the equal right of members, formed by an unlimited membership, which aims at furthering the industry and household economy (*Erwerb und Wirtschaft*) of its members by means of a common business to be carried on on the principle of pure self-help, or with the assistance of State-help."—(*Volkswirtschaftliche Theorie der Genossenschaften*, 1913, p. 169.)

3. Mr. T. Ueda's definition:

"The Co-operative Society (*Sangyō-kumiai* or *Kyōdō-kumiai*) is a business organization, formed by working-people, or by small producers, and carried on in common on the principle of self-government and in the spirit of mutual-help, in order to escape the oppression of Capital, or otherwise to ameliorate the conditions of labour, of business pursuit, or of household economy of its members." (*Shōgaku-kenkyu*, Vol. I, No. 1, p. 91).

‡ It is sometimes maintained that the very ancient system of governmental granaries, which appeared much earlier than did the Mujin, and which is believed to have been imported from China, styled either Gisō

this Kō or Mujin, which is entirely native in origin, closely resembles in its procedure, though not its wide range of objects, the nineteenth century English building society on the "Starr Bowkett" system. The Kō or Mujin with its manifold outgrowths of later development, is handed down to this day, as the most popular system of finance among the poorer people throughout the length and breadth of the country. An idea may be gathered of how widespread the Mujin is in Japan, and how overwhelmingly it exceeds every other form of co-operative society, when it is remembered, that, against 9,274 credit societies of the modern type, there were, in 1914, no fewer than 1,600,098 separate groups of Mujins.

The idea underlying the Mujin became more elaborate, and reached a closer resemblance to the modern credit society in the Hōtokusha, founded in 1843, by the disciples of Ninomiya Sontoku (1787–1856), a great scholar and philanthropist, whose name was introduced to European readers by a work, entitled *A Peasant Sage of Japan*, by Mr. T. Yoshimoto, 1912. We shall see later on how closely this Hōtokusha resembles the German Co-operative credit society on the Raiffeisen model. This form of co-operative society, like the Mujin society, is to be found throughout the country, especially in Shizuoka and Kanagawa Prefectures, and the principles expounded by this sage are highly appreciated by the Japanese people. It must be remembered that some of the Hōtokusha societies were reorganized into credit societies of the modern

or Shasō, is the pioneer of the credit society in Japan. In times of distress rice and other cereals (which had been levied as taxes) stored in these granaries, were distributed among the poverty-stricken people, or in some cases, these were loaned to the needy, interest also being charged in kind. As will be easily seen, these granaries were either of a purely philanthropic nature or a compulsory nature, and cannot be held to have any tangible connection with the present Co-operative Movement. It must be remembered, however, that, as I shall in a later chapter fully explain, governmental granaries, established in many parts of the realm for the purpose of storing rice, which was brought by farmers as taxes or tribute in the days of feudalism, unconsciously gave rise to the granary society, called Beiken-sōko, indigenous in origin, which, in my opinion, was the forerunner of the present day Agricultural Warehousing Society. For further particulars of Gisō and Shasō, see *Nihon Shinyō-Kumiai-ron*, 1910 (Japanese Credit Societies), by T. Usami, pp. 45–54.

type upon the passing of the Co-operative Law in 1899; a great number of them are still developing on their original lines, viz., in the form which lays great stress on the moral and ethical elevation of the members.

Apart from these two indigenous co-operative systems, which are undoubtedly the forerunners of the modern co-operative credit society, there have been numberless voluntary associations of a co-operative nature throughout the land, which, in a manner of speaking, gave a prolonged training in Co-operation to the Japanese people. Some of these associations, although held to be outside the Co-operative Movement to-day, are still a strong factor in the farmer's life alongside of co-operative societies proper. Nature herself seems to have driven the Japanese farmers to combine. In consequence of the peculiar geological conditions, the fight against the elements has forced farmers to seek the aid of their neighbours. Floods were of frequent occurrence. Hence the construction of dams and dikes was undertaken co-operatively. The cultivation of rice requires a very elaborate system of irrigation. Here again a combination of labour was imperative, so that we find numerous irrigation societies (Suiri-Kumiai) and associations for the readjustment of fields (Kōchiseiri-Kumiai), etc., which had their origin in very remote times.

The communal use of land, which was undertaken on a purely co-operative basis, has also been known since ancient times. A certain piece of land—in some cases it might be a forest—would be cultivated or used in common. This form of Co-operation still survives to this day. From olden times until comparatively recently there has also existed a tendency to co-operate in fishery, which played a vital part in the economic life of those days. This assumed the form of using boats and nets, etc., in common. This form of co-operation structurally resembles a workers' society (or self-governing workshop), but, being a product of the era of pre-money economy, it is quite a different thing to this workers' society, which is "a protest against the

domination of capitalism."* Of late, this form of Co-operation disappears more and more, in consequence of technical innovations and improvements of fishery, and such co-operative fishing became obsolete, because unable to compete with modern methods. However, at a later stage, another form of Co-operation developed in fishery. I refer to what is now known under the name of Gyogyō-Kumiai (or Fishery Society). In 1919, there were no fewer than 3,647 such societies with an aggregate membership of 459,529, and grouped into fifty federations. These societies, although not registered under the Co-operative Law of 1900, are yet very powerful organizations. Most of these are engaged in numerous co-operative pursuits, such as co-operative marketing, purchasing and experimentation. They receive deposits and grant loans like credit societies; in fact, they are co-operative societies in the strict sense of the word, although not on the lines of a workers' society, of which I have just spoken. These fishery societies must be distinguished from Suisan-Kumiai (or Marine Product Societies), which also have developed in many parts of the country, in that the latter are not co-operative in the strict sense, but simply belong to a category of Dōgyō-Kumiai (or Trade Guilds, *i.e.* non-trading bodies), merely combining for the purpose of improving the technique of fishery (in this case) and of safe-guarding their common reputation. Similar societies, organized for the same purpose, are countless in Japan, and mostly date back very far.

I must not omit mentioning here two further instances of earlier co-operative effort among Japanese farmers, which came to assume an important position in the present Japanese Co-operative Movement. One is the Beiken-sōko (the rice-granary), which, there is every reason to believe, was developed from governmental rice-granaries, established in every part of the country in the period of the Tokugawa

* "The primitive association of fishermen or barge-loaders is indeed structurally a workers' society. The members are grouped together for common work and they assume the functions of the contractor. But such an association lives in an atmosphere very different from those workers' societies which have been called into being by way of protest against the domination of capitalism."—(*Co-operation at Home and Abroad*, by C. R. Fay, 1920, p. 218.)

Shōgunate (1603–1868) and which is the direct predecessor of the co-operative warehousing society of to-day. The others are the silk-marketing societies in Gumma Prefecture, known under the name of the Minamisansha, which latter were inaugurated long before the Co-operative Law came into force, and which have developed into such powerful marketing organizations as are almost unparalleled in the world. But I shall reserve a full description of these two forerunners of co-operative marketing for a later chapter, devoted to this branch of Co-operation.

What I have written so far will show the reader that Co-operation is of very old standing in Japan and that, when the modern co-operative society, which during the last twenty years has attained wonderful power, was introduced to Japan, the popular mind was well prepared for its advent. Hence, in describing the modern Japanese Co-operative Movement, we must lay stress upon its forerunners alike as regards their history, their methods of co-operation, and their present importance in comparison with the co-operative societies proper. It is strange that most of the Japanese works on the co-operative societies have devoted little space to these pioneer societies. The authors of these works seem to be in the same position as the Japanese legislators themselves, who practically disregarding the old and indigenous systems of Co-operation simply imported *en bloc* the forms of the German co-operative societies. It is possible for this reason that our modern co-operative societies are not free from the criticism that they are devoid of the co-operative spirit, which should be the driving force of the whole system.

In the following pages, I shall deal solely with the Mujin and the Hōtokusha, as the only unique forerunners in Japan of modern Co-operation; most of the systems of concerted effort, although having as much bearing as the two systems named, on the evolution of Co-operation, have had their parallel in Europe, and for this reason will not be of interest here.

CHAPTER II

THE MUJIN

§ 1. General Idea of the Mujin.

THE system of mutual finance, known in Japan under various names, such as "Mujin," "Tanomoshi," "Kō," etc., has in the course of time, taken on varying characteristics. To give a general idea of this system, I cannot do better than to quote an extract from *The Foundations of Japan*, written by Mr. Robertson Scott (pp. 184–185).

"A *kō*—it is odd that it should so closely resemble our abbreviation 'Co.'—is simple and effective. If a man is badly off or wants to undertake something beyond his financial resources, and his friends decide to help him, they may proceed by forming a *kō*. A *kō* is composed of a number of people who agree to subscribe a certain sum monthly and to divide the proceeds monthly by ballot, beginning by giving the first month's receipts to the person to succour whom the *kō* was formed. Suppose that the subscription be fixed at a yen a month and that there are fifty subscribers, then the beneficiary—who pays in his yen with the rest—gets 50 yen on the occasion of the first ingathering. Every month afterwards a member who is lucky in the ballot gets 50 yen. The monthly paying in and paying out continue for fifty months and all the subscribers duly get their money back, with the advantage of having had a little excitement and having done a neighbourly action.

"But the *kō*, or *tanomoshi*, as I ought to call it, is not always the innocent organization I have described. There is a tanomoshi system under which, after member A, the beneficiary, has received the first month's subscriptions, the other members are open to receive bids for their shares. That is to say that, when the time comes round for the second paying out of 50 yen, member F, who happens to have become as much in need of ready money as A was, offers, if the month's moneys be handed over to him, to distribute among the members sums up to 20 yen. July and

December, when most people need ready money, are months in which a hard-up member of a *tanomoshi* may sometimes offer to distribute as much as 50 per cent. of what he receives. The result of such bidding for shares is that well-to-do members of a *tanomoshi*, who are the last to draw their 50 yen, receive in addition to it all the extra payments made by impoverished members who took their shares earlier. Benevolence in a *tanomoshi* is not seldom a mask for avarice that the law against usury cannot touch. In truth, the only virtuous part of a *tanomoshi* may be the first sharing out to the person in whose interest it was supposed to be started. It should be added, however, that there is a sort of *tanomoshi* which has no particular beneficiary and is merely a kind of co-operative credit society. In one place I heard of a *tanomoshi* that maintained a large fund for the relief of orphans and the sick."

The foregoing will have conveyed to the reader a clear conception of this system of co-operative credit—in several of its forms. It must be remembered, however, that the forms of Mujin described by Mr. R. Scott, typical as they are, are only a few examples of the manifold aspects of Mujin prevalent at present. The multifarious variety of its objects, its organizations and its methods may be explained after we have surveyed its development.

Many titles are in use to designate this system: Mujin, Tanomoshi, Kō; also Yōkai, Shigi, Moyai, Kōgoto, Tamari, Kakesen, etc. These terms are generally used indiscriminately, although, strictly speaking, there exist some differences between the meaning of these various titles. For example, it is sometimes asserted that the Tanomoshi is older than the Mujin, or that the former is different in nature to the latter; and the term Kō, which literally means association, is sometimes employed in a narrow sense, to designate this system in general or a kind of Mujin. However, for the present purpose, it will suffice to understand the following: *Mujin* is the general title, covering both *Mujin-Kō* or *Tanomoshi-Kō* (Mutual Financing Society), and *Eigyō-Mujin* (Mutual Financing Business, viz., a profit-making concern).

The Japanese books, pamphlets and other essays and articles so far written on the Mujin or Kō are many and various; but there is none to rival in richness of data and excellence

in summarizing of facts, the admirable book entitled *Mujin no Jissai to Gakusetsu* (The Practice and Theory of the Mujin) written by Mr. R. Ikeda. This book was published in 1918 in a provisional form, as presented as his thesis in Keiō University.

In this book, containing nearly 450 pages, Mr. R. Ikeda gives an exhaustive survey of the development and the present condition of the Mujin. The principal chapters are as follows :—

1. Introduction.
2. Definition and Conception of the Mujin.
3. Historical Survey.
4. The Principle of the Mujin—its Economic Nature, Object, Varieties, Organization, Methods, Peculiar Type of Mujins, the Mujin as a Profit-making Business.
5. The Social Value of the Mujin, both of the Co-operative Mujin and the Joint Stock Mujin.
6. Comparisons of the Mujin with the Credit Society, the Pawnbroker, the Usurer.
7. The Government Policy towards the Mujin, the Necessity of Encouraging Same, its Supervision, the Mujin Act, etc.
8. The Future of the Mujin.

I am indebted to the valuable data contained in Mr. Ikeda's admirable book for the following detailed description.

§ 2. Outline of the Growth of the Mujin.

The Mujin, sometimes called "Tanomoshi" or "Kō," unlike the Hōtokusha, was not founded by the efforts, and in accordance with the precepts, of any one person, but has been a spontaneous growth among the people as a method of mutual finance. Dating probably seven or eight centuries back, its birth is lost in antiquity. There is much diversity of opinion regarding the date of its first appearance in Japanese history. Mr. Ikeda asserts, on the strength of trustworthy records, that this system was already in existence in 1275, the epoch known as the Kamakura period.*

* To be exact this system appeared as "Tanomoshi"; and the "Mujin" came into existence about 1387. Mr. Ikeda says that the Mujin differs from the Tanomoshi in nature in that the Mujin is the fusion of the Tanomoshi and the pawnbroking business in that period, but they are practically the same in nature and method. One writer speculates that the whole system was imported from China, but this is denied by Mr. Ikeda.

In the earliest stage of its development (say from 1275–1600) the Mujin was purely a mutual aid society,* mainly formed for raising funds for domestic use or for the repairing of, or pilgrimages to, temples, in almost the same manner as described in the preceding pages. The gatherings were often held in temple-buildings, as is sometimes still the case. The meeting was held once or twice a year; sometimes such a Mujin had a beneficiary, and sometimes there was no beneficiary. In short, the Mujin was carried on in nearly the same manner as the typical Mujin of the present day. However, in the course of time, some Mujins, which so far had been purely on a mutual basis, partook, in some degree, of the speculative element, as manifested in a sort of Mujin, in which the member who drew a prize was sometimes no longer obliged to pay in his subscription.

From the beginning of the Tokugawa period (1603–1868) the speculative element already lurking in the system grew to such dimensions, that a number of the societies became mere lottery or even gambling clubs. The Torinoke Mujin (or "retiring Mujin"), in which the member who drew a prize was no longer under obligation to subscribe to the society, was the most prevalent form in that period. The Tokugawa Government often issued edicts prohibiting such clubs. However, the mutual aid Mujin was prospering in spite of the severe supervision of the Government. The Mujin, both in the purely mutual form and the speculative form, reached the flood-tide of its prosperity between 1751 and 1771. People became obsessed with the desire to win prizes, and hundreds of people lost all their scanty possessions through making contributions without drawing a prize. During this period, there was hardly any change in the organization and methods of the societies, but they were carried on as they stood, without modification or improve-

* About 1430, the "Kō," usually bearing the title of some temple to which pilgrimages were made, had made its appearance. In this society the member who drew a prize made a pilgrimage to the temple just as in the Tanomoshi. The origin of the Kō is very old, dating back to the beginning of Japanese history. It was at first purely a religious meeting for reading the "sutra" (a book of Sanskrit aphorisms for Buddhists), but, being influenced by the Tanomoshi, it passed into the form of the Kō above described.

ment. A new type of Mujin, however, made its appearance in which goods were distributed among the prize-drawing members instead of money, and there appeared various quasi-Mujins (as Mr. Ikeda calls them) under various names, such as the Naimitsu-Kyūjo-Kō (Domestic Aid Kō), the Jihi-Mujin-Kō (Charity-Mujin-Kō), the Tsumitate-Kō (Accumulation-Kō) and the Mujō-Kō (Death Benefit Mujin-Kō). These societies bear a closer resemblance in their nature to the Hōtokusha as it stands to-day. Below I give a brief outline of these societies:—

1. The Naimitsu-Kyūjo-Kō (Domestic Aid Kō) was formed by villagers, with the village mayor as a supervisor, and with prosperous villagers on the administrative staff. Villagers brought their crops to the Kō; the Kō sold these by tender to the highest bidder, and the money thus realized was advanced to members against the security of land or houses.

2. The Jihi-Kō (Charity-Kō) was invented by Miura Baien, a famous economist of the period. In this Kō, money or rice was accumulated by the voluntary contribution of villagers; and this fund was used in time of bad harvest to alleviate the distress of poverty-stricken members, precedence being given to the most needy. Such assistance, however, was not a free gift, but a loan; and interest had to be paid when the harvest was good.

3. The Tsumitate-Kō (Accumulation-Kō). In this Kō the young men of the village contributed the proceeds of the work of their leisure hours to a common fund; and advances were made out of this fund.

4. The Mujo-Kō (Death Benefit Kō). This was a form of mutual insurance, where the distribution of funds was made only on the death of a member.

At the time of the Restoration (1868), the Mujin seemed to regain its former sound nature; but after the Civil War of 1877 the mania for speculation produced again a great boom of unsound and purely gambling Mujins. A certain "retiring Mujin" in Tōkiō, the hotbed of these unsound institutions, once counted as many as 20,000 members, with subscriptions totalling more than Y300,000. Since 1896, in consequence of the strict supervision of the Govern-

ment, all Mujins were thoroughly inspected, and unlawful clubs were dissolved. After the stabilizing brought about by this "clean-up" of shady Mujins, there was an upward tendency, and as the time called for a handy system of popular finance for the middle and lower classes, the number of Mujins increased by leaps and bounds, and they came to fulfil the true function of credit societies. We must remember that, in 1900, the newly-imported co-operative credit societies, under the ægis of the Government, came to compete with this system. In spite of this competition, the progress of the Mujin societies was extraordinary. In 1910 they numbered no fewer than 300,000. This is one of the proofs that they met the need of the hour.*

From about 1901, the Mujin, so far organized on a mutual aid basis, came to be made use of as a profit-making concern. This is the same evolutionary movement as occurred when mutual insurance was taken up by joint stock companies. The first profit-making Mujin company, called Yamato & Co., was established in March, 1901.

The exact mode of operation adopted by Yamato & Co. was as follows:—

A Mujin was formed by 150 members, each contributing Y5 at each meeting, and the meetings were held every twenty days. The advance to be made to a member at the first and second meetings was decided by auction bidding among the members. The company charged Y25 as commission to each member who received an advance, and also 30 per cent. of the difference between the total moneys paid in and the actual amount of the advance made. (In the ordinary mutual aid Mujin the whole of the difference between the money paid up and the money advanced is distributed without deduction among the members themselves.) The advances at the third and fourth meeting were decided by drawing (by ballot), and Y25 was paid by a member who drew a prize. Thus advances by bidding and drawing were made alternately—the first two by bidding and the next two by drawing, and so on, until the last meeting. Immovable property was required by the company as security against advances. All legal expenses were borne by the company.

It must be remembered in this particular type of Mujin, the

* During this period the principle of the Mujin came to be very widely practised in the sale of goods by instalments.

subscription was always fixed at a definite figure, such as Y5, but in some cases the subscriptions of individual members might be made to vary at different times; thus it might be more or less after a member had received an advance.

When the company system was first introduced into the Mujin, people welcomed it like flowers in May, and company after company was established. 1913 was the year of high watermark of prosperity of the Mujin profit-making enterprise, the number of undertakings reaching 1,115. The reasons for such an extensive development were :—

1. The form was simple, and easily understood by people, (herein not differing from the mutual aid Mujin).

2. A financing organization for the poorer class was lacking.

3. The company assumed all responsibility for the risk arising from a non-payment of subscriptions.

The speculative element inherent in the system grew to vast dimensions when taken up as a business enterprise. Many abuses and evils sprang up, alike in connection with the company and among the members themselves, and in a small way, this mad fever for speculation resembled the "South Sea Bubble," which, when it burst, caused such widespread ruin. How unsound were some of these Mujin companies will be seen from the fact that according to Mr. Ikeda, some of them were promoted by the shadiest of characters, who, after receiving the first subscriptions, simply absconded; whilst in some instances the address given as the office of a company did not even exist. Further, he says that out of 160 collectors in employment in one Mujin company twenty-five were ex-convicts.

In view of these facts, it is not surprising that the Government began to exercise a strict supervision over these companies, and in 1915 a law relating to Mujin business was passed. These Government measures were effective, the number of such companies decreasing to 100 in 1916, as against 831 in 1915; and wasteful competition among them came to an end. Thus the Mujin system was once more put on a solid foundation, upon which it could fulfil its proper function.

§ 3. The Present Condition of the Mujin.

This brief review of the growth of the Mujin system in Japan will have shown how deeply it is rooted in the Japanese mind. With all its drawbacks and possible abuses, it is one of the greatest powers in the world of finance. Especially is it an indispensable organization for the people of the lower and middle classes. In 1915, according to the estimate of Mr. Ikeda, there were in existence about 1,600,098 Mujins (both mutual and profit-making).*

In the course of its growth, the Mujin system blossomed forth in many directions. Before I give a detailed explanation of how the Mujin is carried on in practice at present, it is necessary to make a few preliminary remarks on its various aspects.

1. Mujins are usually formed for raising capital sums required for business or for private expenditure. By the term private expenditure, we are to understand household expenses (which include taxes, marriage expenses, social gatherings, school expenses, etc.), repayment of old debts, pilgrimages to temples, and holiday trips, etc.

However, some Mujins are started to raise funds for particular public purposes, such as the repair of school or temple buildings, bridges, or roads, or for some charitable institution. Others are formed for furthering thrift, and others again for purchasing houses or land. We shall see that most of these objects are the same as those pursued by the modern credit societies.

2. Most of the Mujins aim at providing their members with cash advances, but some aim at providing their members with goods, such as clothing. In the latter case the Mujin is a form of purchase by easy instalments.

3. In Mujins there is sometimes a first beneficiary, for whose special benefit the society is formed, and who receives the subscription at the first meeting, as an advance without

* Compare this figure with those of analogous financial organisations. Co-operative credit societies (exclusively) in the same year numbered 3,015, and credit societies, which were carried on in conjunction with other types of societies, 6,723, and profit-making pawnbroking businesses 28,551. See also the statistics on p. 146.

interest, or even as a free gift, in return for which he must undertake the collection and administration of subscriptions while the Mujin continues in existence. This means, in effect, that the subscriptions of one meeting are given to him to alleviate his distress. On the other hand, many Mujins are purely mutual finance organizations, without any special beneficiary.

4. The Mujin is also limited in duration. The length of one series of Mujin varies from ten months to fifty years, according to the membership and the frequency of the meetings, three to six years being the most usual, but each series may be repeated when the first one is ended.

5. Subscriptions are usually paid in cash, but sometimes in kind, or even in labour.

6. One of two forms of security is required in cases where the Mujin makes advances; either personal guarantors or the mortgage of real property.

7. One share in a Mujin may be in the names of two or more persons, or one member may hold more than one share.

8. The total amount to be drawn usually ranges from Y100 to Y300, but it may be sometimes as little as Y5, and sometimes as much as Y10,000.

9. The amount of one share usually ranges from Y5 to Y30, but sometimes subscriptions are as low as 10 *sen* and sometimes as high as Y100. When the subscriptions in Mujins are rather high, payment may be arranged by instalments, in which case a special collector is employed to go round and collect such instalments.

The Mujin-Kō is usually formed by from thirty to fifty persons (sometimes by less than ten, sometimes by more than five hundred), living in the same street, or following the same trade, or worshipping at the same temple or shrine. The meetings are usually held at a beneficiary's or founder's house, or at the temple, or at a restaurant, such meetings taking place as frequently as twice a month or as rarely as twice a year. Usually at the first meeting rules are drafted; the administrative staff are elected (in a small Mujin a beneficiary himself undertakes all the duties connected

therewith) or are appointed by the beneficiary or the founder. In big Mujins, auditors may also be elected to supervise the administration. In some prefectures the Mujin has to obtain the permission of the Local Government.

Sometimes light refreshments are served at the meetings, formerly in order to promote conviviality; but now this is done deliberately, in order to induce attendance, the expenses being deducted from the advances made at such meetings.

When there is a special beneficiary, the first subscriptions are advanced to such beneficiary without interest, or given to him as above stated. In the first case, the beneficiary has to pay his subscriptions from the second gathering onward like all other members, but sometimes at only a half of the rate of other members, or even as little as only from 5 to 8 per cent. of the sum originally advanced to him. But in the second case, i.e. that of a charitable donation to the beneficiary, he has nothing whatever to pay, and usually in return attends to the business of the Mujin.

From the second meeting, or in cases where there is no special beneficiary, from the first meeting, the paying out to members begins (1) by drawing (ballot), or (2) by bidding (auction), or (3) by both.

When the method of drawing is adopted, the actual payment made to a member who has drawn a prize may amount to the total subscription minus the various expenses of the meeting.*

It is plain that there would be a certain unfairness to those members who draw the prizes towards the end of the series of Mujin meetings, i.e. where there are say fifty members, it is manifestly a hardship that after waiting forty-nine drawings, the fiftieth member should draw nothing but the bare money he has paid in week by week, or month by month, or as the case may be. Therefore, in order to correct this unfairness, up to say about half the number of drawings, a percentage at a *decreasing* ratio is deducted from the prize-money; and after half of the members

* Such expenses include remuneration to the beneficiary or founder for the work entailed.

have drawn their money, this small percentage is added to the prize money in an *increasing* ratio, for example, the prize drawers Nos. 1, 2 and 3, etc., would receive their money minus say 3 per cent., 2 per cent. and 1 per cent., the biggest deduction being made for the first drawer and the deduction being proportionately smaller for the second and third drawers, etc. After 50 per cent. of the members have been so dealt with the sums deducted from these prize drawings are added to the advance made to the other 50 per cent. of members, the last member receiving the largest addition to his prize.

Advance by ballot is fairly widely used. Bids are accepted either in writing or orally. The mode of bidding is as follows:—

Let us suppose the membership to be 100, and the subscription Y1; and consequently the total amount to be drawn Y100. Those members in need of ready cash compete for the advance, in that they state their willingness to accept so much below the total amount. Let us assume member D, F, G, each desires the advance. D is willing to accept Y90, F Y85, G Y80. Naturally G's bid, being the lowest, is accepted; and for his accommodation he must sacrifice Y20, i.e. 20 per cent. of what he would eventually pay in, and if he could wait, receive back.

The difference between the accepted bid and the total amount of subscriptions is used as follows:—

1. The expenses of the meeting are paid out of this money.

2. A portion of the remaining sum is equally divided either among all the members, excepting the successful bidder, or among all those members who have not yet obtained an advance.

3. Another portion may be used to give consolation prizes to those whose bids were closest to the successful bids.

4. The remainder is distributed *by drawing* among all the members present at the meeting, excepting the successful bidder, or among those who have not obtained an advance. This minor lottery provides a spice of excitement at the meetings.

When the money collected at a meeting is advanced by

drawing, the foregoing only applies in so far as expenses are deducted and the minor lottery is instituted to provide consolation prizes to those who have not been successful, and also to provide a little excitement for all.

Thus, as an organization of finance, the Mujin seems to fail on two points, firstly where the member urgently requires to be accommodated on account of financial embarrassment, and bids for the advance, he is forced to accept a sum considerably below the total due to him, were he able, or willing, to wait; consequently he perhaps pays a very high rate of interest indeed for his accommodation. Where the prizes are drawn by lottery it is pure chance to whom the money will go, and he who may require it most urgently may have to wait the longest.

Mr. Ikeda mentions many other peculiar types of Mujin, to go into which would take up too much space, and they are not of great interest.

The foregoing, of course, refers exclusively to what may be termed the mutual Mujin. There is, however, another type which may be termed the business Mujin (or profit-making Mujin), the differences from the former being as follows:—

1. In the business Mujin the promoter draws a profit out of the Mujin.

2. There is no mutuality among the members, and each member has only to deal with the promoter, not with his fellow members.

3. The length of one series of business Mujin is limited by law to five years.

4. Whereas the business Mujins are subject to the Business Mujin Law, there is no special law relating to the mutual Mujins, and consequently the latter are only protected under the Civil Law Code. Thus, much inconvenience is felt in consequence of their unsatisfactory legal position, and the mutual Mujins, in a great measure, have to rely on the good faith of their members.

From what has been said regarding the Mujin of Yamato & Co., it would be fairly clear to the reader in what manner such a business is conducted. However, should further

details be desired, I would refer the reader to the law relating to business Mujins (which came into force in 1915), and also to Mr. Ikeda's book entitled *The Practice and Theory of Mujins* before-mentioned.

It is a noteworthy fact that the business Mujins prosper in cities and towns rather than rural districts; in these the mutual Mujin is favoured. The number of business Mujins, which now come under the supervision of the Ministry of Finance, is estimated by Mr. Ikeda as follows:—The business Mujins, newly authorized to open their business under the Business-Mujin Act, numbered on May 15, 1917, 158, with an aggregate subscribed capital of Y8,354,000. Joint-stock company Mujins predominated, numbering for the same year 99 out of 158, with a total subscribed capital of Y7,042,500. Moreover, there existed 2,226 business Mujins, which, although not authorized under this Act, were allowed to continue their business, until the completion of the Mujin agreement entered into before the passing of the new Act between such profit-making Mujins and their clients. Of 2,226 of the latter Mujins, those that were carried on by individual profit-makers numbered more than half of the total, viz. 1,702, with an aggregate subscribed capital of Y127,068.

§ 4. Comparison of the Mujin with other Similar Organizations.

The reader will have been struck by the ingenuity of the Mujin as a primitive organ of finance; it is entirely the outcome of Japanese thought, and as such deserves a place in the history of Japanese Co-operation. Doubtless, the Mujin, which depends on the good faith of its members, unconsciously fostered that spirit of concerted action, that mutuality, which is the life-blood of true Co-operation; and it moulded public opinion for the reception of the co-operative credit society as it exists to-day. True, the credit society is an importation from abroad, yet had this alien form of finance been introduced to the simple mind of the uneducated farmers or small artisans without

its forerunners in the shape of the Mujin, it is greatly to be doubted whether the co-operative credit societies would have gained the ground that they have gained, or made the progress that they have made, during recent years.

On the point of its diffusion among the middle classes and lower classes, there is no popular finance organization in the world that can claim such power as the Japanese Mujin. Although of purely Japanese origin, it is by no means the only system of its kind. The reader may notice that the Mujin bears a very strong resemblance to some of the building societies, especially to those on the "Starr Bowkett" system, as established in Great Britain.*

In the Starr Bowkett Building Societies, the allocation of the common fund, contributions to which are usually very small, is made either by ballot or by sale, and without any calculation of interest (this "sale" corresponds to what I term "bidding" in the Mujin); and in cases where the latter method is adopted, the interest paid by the member (although not called interest) takes the form of discount from the amount advanced, exactly as we have seen in the Mujin;

* Until the system of Permanent Building Society, as it exists to-day, was introduced about 1846, all building societies in Great Britain were terminating, i.e. the society ended when all members had received the amount agreed upon as the value of the shares. These earlier societies were known under various titles, such as "Accumulating Fund," "Savings Fund," "Investment Association," etc., until the distinctive name of Benefit Building Society covering all these societies was introduced in 1849. These terminating societies were conducted on similar methods to the Mujin, an outstanding difference being that the former worked on the scientific basis of compound interest. It must be noted, however, that the Act of 1836 limited the amount of each share to £150, while no limitation was made regarding the number of shares a member might hold, so that if the amount of one share, say £60, was not big enough to buy or erect a house, a member could hold more than one share. The Starr Bowkett Building Society, or Mutual Society, as it was sometimes called, was a modification of the Benefit Building Societies mentioned above, and is said to have at one time flourished considerably, and more than 1,000 societies were established on this plan. We still find to-day many building societies bearing this title. These Starr Bowkett Societies differed from the ordinary societies in that the contribution of a member who had received an advance was much smaller, while the advance was much larger, say £300, and no interest was levied on advances. However, when later granting loans by sale was introduced, the interest was paid in reality in the form of discount or premium, thus coming back again to the ordinary system. (For details, see *Encyclopædia Britannica*, p. 767, and *Dictionary of Political Economy*, edited by R. H. Ingris Palgrave, 1901, Vol. I, pp. 188–190; and also *A Treatise on Benefit Building Societies*, by Arthur Scratchley, 1848.)

thus, while in the ordinary Benefit Building Society, the interest to be paid on an advance is fixed by a rule of the society on the scientific basis of compound interest, in the Starr Bowkett Society, as in the case of the Mujin, such interest depends on the amount of competition at the bidding. There are three points of difference between these two systems (viz. the Starr Bowkett Society and the Mujin), which are as follows :—

1. Whereas the Starr Bowkett Society is started primarily to furnish the members with a lump sum necessary for acquiring a house, the objects for which the Mujin is started are manifold, such as we have seen above.

2. Whereas in the Mujin the subscriptions of members are allocated at each meeting, either by drawing or bidding, we find in the Starr Bowkett Societies that these subscriptions are left to accumulate, until a certain sum is reached, say £300, sufficient to enable one member (in those days) to erect or to buy his own house.

3. In the Starr Bowkett system there is no special beneficiary for whom such a mutual society is started, as we generally find in the Mujin system.

As Mr. Ikeda points out in his book (pp. 357–363) a certain financing system called "Chigri" or "Kitsu" in Chosen (Korea), the Société d'épargne et de capitalisation in France, and the Certified Loan Society in Great Britain, seem to bear some resemblance to our Mujin, but I do not propose to discuss these societies in this volume.

As already mentioned, there is good reason for believing that the Hōtokusha, founded by the disciples of Ninomiya Sontoku, was evolved from the Mujin system. In the Hōtokusha, the system of mutual finance took on a more solid and more permanent form, and became more and more like the modern credit society. As to these points, a detailed explanation will be given in the following chapter. Here I shall only refer to some of the differences between the Mujin and the Hōtokusha, as we find it to-day :—

1. Whereas the Mujin is purely an association for economic purposes, the Hōtokusha lays great stress on the moral and ethical mission of the society.

2. Whereas the Hōtokusha chiefly draws its funds from the voluntary as well as compulsory contributions of members, and advances are made to any member who can show good and sufficient reason, and, in some cases, even to those who are not necessarily contributors to the society's funds, in the Mujin, the duty of paying in subscriptions and the right of obtaining advances are inseparable.

3. Whereas there is no interdependent relationship among Mujins, the Hōtokusha has, apart from its elaborate internal organization, a most efficient Federation, which is the central source of funds and the office for propaganda, just as we see in the case of modern credit societies.

Although we find hardly any similarity between this Mujin and the credit society, as it is to-day, except that both are organizations for popular finance and that the latter sometimes allows the repayment of advances by instalments, we cannot deny that there is a kinship in ideas between the two. We may speculate as to whether, had our modern credit society system not been imported, the Mujin might not have evolved into something resembling it. The nearest approach to this evolution of the Mujin into something resembling the credit society may be observed in the Hōtokusha, of which I shall speak in the next chapter. However, I do not agree with some Japanese writers who maintain, that the Mujins, as we find them to-day, tend to become credit societies.

I will discuss in passing the comparative advantages and drawbacks of the Mujin as an organ of popular finance, as compared with other similar organizations.

The whole idea and working of the Mujin, from its establishment to the repayment of advances, is not at all elaborate, and it easily appeals to the most uneducated and simple-minded people. This is, no doubt, one of the greatest advantages that the Mujin possesses over the Hōtokusha, the co-operative credit society, and other elaborate organizations, and is also the reason for its astonishing spread among the middle and lower classes.

In the Mujin system, all members are entitled *ipso facto* to advances, without any of the formalities that we see in credit societies. In the latter, advances are subject, firstly, to the judgment of the Appraising Committee, and, secondly, to the discretion of the President, or the Board of Directors, who might in some cases deal unfairly with particular applicants, and such applications might be declined or not dealt with to such members' satisfaction.

In the Mujin the repayment of advances is always effected by easy instalments, and as a result of it being based on the good faith of members, advances are, in most cases, made on personal security.

The rate of interest on advances (although it is not styled interest) is comparatively low in the case of Mujins. When the method of drawing is adopted, there is hardly any interest at all to be paid, but what each member foregoes is interest on his subscriptions. When the method of bidding is adopted, at first sight it would appear that the member obtaining the advance was unfairly penalized by the possibly heavy sacrifice he had to make when bidding for such an advance, i.e. instead of 100 per cent. of the subscriptions, he might possibly take as little as 70 per cent.; against this, however, one must remember that this discount, 30 per cent. in the case stated, is distributed, less a small deduction for expenses, among the rest of the members, so that what the borrowing member may lose through this deduction is to some extent offset by the money distributed to him at all the other meetings when other members obtain the prize. According to Mr. Ikeda's calculation, the average rate of interest of the Mujin does not exceed 20 per cent. per annum, whereas the pawnbrokers in Japan charge 30 per cent. on an average, and the usurers 90 per cent. On the other hand, the average rate of interest in the co-operative credit society ranges from 8 per cent. to 12 per cent. only.

The Mujin, however, has many drawbacks in the form of its organization. Firstly, the Mujin is a temporary organization and is in a constant state of fluidity, whereas the credit society grows and waxes strong. Moreover, the Mujin is always carried on as an isolated unit, without any inter-

dependent relationship with other Mujins. Naturally the amount of advances is limited by the number of members and the amount of the periodical subscription, and both the membership and the amount of subscription are generally very small. In this respect the Mujin is no rival to the co-operative credit society, which has risen to the height of an elaborate federation of unit societies, as we shall see presently.

The whole working of the Mujin, especially of the mutual Mujin, depending as it does on the goodwill of the members, has no special legal provision. In the case of the evasion of payment of subscription or repayment of loans, the only possible remedy is an ordinary civil action. However, in the business Mujin, the loss arising from such evasion is provided for by special legislation, and is guaranteed by the company itself, and having regard to the magnitude of the Mujin Movement, there is urgent need for special legislation for the mutual Mujin also.

With the exception of the first allocation to a special beneficiary, the advances to members in the Mujin do not necessarily meet the requirements of the borrowers. In cases where the allocation is decided by drawing, it is purely a question of chance who obtains the subscriptions of the meeting, and the member who is the most urgently in need may have to wait longest. In cases where the advances are decided by bidding, the successful bidder, as above shown, has usually to pay a rate of interest higher than that charged by the co-operative credit society.

As we have seen, the Mujin has a speculative element in its organization, which may in some cases grow to such dimensions that it may unconsciously pass into a mere gambling club.

In conclusion, I may add that, although I recognize the great advantages of, and the valuable services rendered by, the Mujin system in many directions, especially towards the cultivation of the co-operative spirit and the idea of self-government, I hesitate to agree with Mr. Ikeda, who, in the author's opinion, holds an exaggerated view of the importance of the Mujin as a system of finance.

CHAPTER III

THE HŌTOKUSHA—A JAPANESE CO-OPERATIVE CREDIT SOCIETY

THE Hōtokusha, an outcome of the Mujin system, is also of purely Japanese origin. This, the first Japanese credit society, if I may so term it, was established in 1843, by the disciples of Ninomiya Sontoku, a great self-educated scholar and philanthropist, in order to bring about the realization of Ninomiya's lofty ideals and principles. If we remember that the first credit societies, those of Hermann Schulze-Delitzsch (1808–1883), and Friederich Wilhelm Raiffeisen (1818–1888), the two great pioneers of German Co-operation, were not started until 1849, it speaks highly for the native genius of Japan that, already in 1843, tangible steps were taken towards the establishment of a Co-operative credit society in that country.

During his seventy years of strenuous life Ninomiya Sontoku cultivated fields that had been barren, reclaimed waste land, restored many ruined villages, helped the poor and preached the Gospel of Sincerity, Industry, Thrift and Benevolence. He died in harness at Nikko. He was one of the greatest philosophers Japan has ever known.

His life work may be summarized under two headings :—

1. The actual undertaking of restorative work, according to his own life's principle, i.e. what he called the method of returning good for good.

2. His inspiration for the formation of the Hōtokusha.

The latter part of his life, as a public man, was mostly spent in carrying out restorative work, from his first greatest work of restoration on the Sakuramachi estate to his last work at Nikko. His method of restoration was, as he him-

self declared, "simply to live within one's means, to bear distress bravely, and to love the people." As the reader will notice, this restorative work formed only a section of clan-policy and in this clan-policy we shall discover scarcely any similarity to what we now term Co-operation. Yet, no doubt, the spirit of self-sacrifice and the feeling of brotherhood, which imbued his plan of restoring ruined estates, must always have been the ideal, and the driving force of Co-operation. An analogous idea is to be found in the teachings of Raiffeisen, who sought the principle of Co-operation in the teaching of Christ.

It is not clear whether Sontoku himself devised the Hōtokusha, but according to the investigations of Mr. Hashimoto and others, some of the earlier Hōtokushas, on which Sontoku is said to have himself given advice, were formed out of Mujins, then existing, i.e. into the existing form of Mujin, Sontoku breathed the fire of his ideals, and the resultant organization became the Hōtokusha. The Hōtokusha, which bears a great similarity to the modern credit society, was organized by his disciples to realize their master's ideal. Sontoku was to the Hōtokusha, as it were, what Robert Owen (1771–1858) was to the English Co-operative Store Movement, which begins with the Rochdale Pioneers (in 1844).

In both cases they were the originators only of the Co-operative *idea*, and their fatherhood of this movement was purely spiritual. Neither concerned himself with the actual organization work, which was, in both cases, undertaken by their disciples and adherents on the bases thought out by the master mind.

I have here to review Sontoku's life only from the viewpoint of his work for Co-operation in general, and as the spiritual author of the Hōtokusha; but his work apart from this great field of labour was in every way remarkable, and the book compiled by his disciple, Fukuzumi, entitled *Ninomiyaō Yawa* (Sontoku's Evening Talks), is a classic widely read in Japan. A brief outline of his life is contained in a national school reader on morality, used for children, thus greatly influencing the mind of young Japan.

It will accordingly not be out of place to give a brief survey of the life, ideas and work of Ninomiya Sontoku, the father of the Japanese Credit Society.

§ 1. The Life, Idea and Work of Ninomiya Sontoku (1787–1856).*

Ninomiya Sontoku (or as he was originally named, Kinjirō Ninomiya)† was born on July 23, 1787, in Kayamachi, Sagami Province (now Kanagawa Prefecture) as the eldest of three sons of Riyemon Ninomiya, a farmer impoverished in consequence of lavish benevolence. He was brought up in poverty and want. When he was fourteen years old his father died, leaving his wife and children utterly unprovided for. The story of how he, only a little boy, worked to earn a few coins to buy *sake* ‡ for his poor father, and how he helped his mother in supporting his brothers is sufficient to move one to tears. During his hard toil for existence, our future sage industriously educated himself by studying the book of Confucius, entitled, *Daigaku*, which he never ceased reading even when walking about. This book and *Kwannon-kyō* (tenets of Buddhism), which he first came across when

* A detailed description of Sontoku's life and work may be found in a Japanese book, entitled *Hotokuki*, written by Kōkei Tomita, Sontoku's disciple, first published in 1858 and republished several years ago by the Ministry of Agriculture and Commerce of Japan. The essential parts of this book were translated into English by T. Yoshimoto and published in 1912 by Longmans, Green & Co., London, under the title of *A Peasant Sage of Japan*. Most of his teachings are compiled in a booklet entitled, *Ninomiyaō Yawa*, 1884 (the Evening Talks of Ninomiya). A certain criticism may be found in O. Tanaka's book entitled *Ninomiya Sontoku no Shinkenkyū*, 1911 (A New Study of Ninomiya Sontoku).

A brief outline of the Hōtokusha can be gathered from Mr. Crosthwaite's book, entitled, *Co-operative Studies and the Central Provinces System*, 1916 (pp. 126–128). Lastly, I must not forget to mention an admirable book, presented as a thesis, by O. Hashimoto, one of my college friends at the Tokio University of Commerce. The subject of his thesis was *Hōtokushugi oyobi Hōtokusha no Kenkyū* (The Principle of Hōtoku and the Organization of the Hōtokusha).

† The European reader will be interested to know that "Sontoku" is not really a name, but a title of honour bestowed on Ninomiya, signifying "One possessed of great virtue." It is the custom in Japan to write the family name first, and then the other name (corresponding to the European baptismal name). This will explain to the reader, why he may sometimes find Ninomiya called "Ninomiya Sontoku" and at other times "Sontoku Ninomiya," according to whether the European style is followed or not.

‡ *Sake* is the national beverage of Japan and a spirituous liquor, made from rice.

worshipping one day at a temple, seem to have greatly influenced his ideas. For, in later years, when his disciples asked Sontoku what were his religious beliefs, he replied, "My religion consists of one spoonful of Shintōism and a half-spoonful each of Buddhism and Confucianism."

The period into which Ninomiya Sontoku was born—a period when the strict division of castes was still adhered to—may be described as one of the darkest in Japanese history. Through general misgovernment and extravagance, the feudal lords had become impoverished. Distress prevailed throughout the country and in every class. The only people who were at all prosperous were the merchants. Feudalism under the Tokugawa Shōgunate (1603–1868) was fast crumbling, disclosing all its weaknesses, so that its final abolition became only a question of time. If ever there had been an urgent need for reorganization and retrenchment, it was the period into which Ninomiya Sontoku was born.

When Sontoku was sixteen years of age his mother died, and the three children were taken care of by various relatives—Sontoku himself was looked after by his uncle, Mambei. It is a well-known story that, as Mambei, who was rather a miser, used to chide Sontoku for staying up late at night, burning oil in order to study, Sontoku cultivated some barren ground and bought oil from the proceeds of his scanty crop. Even then his uncle was not satisfied, but told Sontoku he should, rather than waste time reading, do something useful, like plaiting straw or making sandals. The young student, in order to escape his uncle's nagging, would put one of his garments over his lighted night-lamp.

His irrepressible desire from his boyhood was to restore the home of his fathers,* and, by so doing, to please their departed spirits, and in this he at last succeeded. *Industry*, one of his precepts, was thus practised by himself from his boyhood to the end of his life.

* This intense love of their native soil is characteristic of Japanese farmers to this day, and they will endeavour to keep intact land inherited from their ancestors by every means in their power and their holding of land decides their social position. Owing to this sentimental attachment to their land and its social significance, land in rural districts is always valued much higher than its mere rentable value.

About the time of his marriage, which he contracted much against his inclination, little is known. But at that time he was asked to reorganize the impoverished estate of the Hattori family, the head of which was the chief retainer of the feudal lord in Odawara; and it was here that Ninomiya Sontoku was successful in putting into practice the doctrines which had, since adolescence, been maturing in his mind.

He set to work as follows. On coming to the house of the Hattori family, he asked that he should be given an absolutely free hand, otherwise he was not prepared to undertake the work. He first summoned all the servants and informed them that henceforth they must obey his instructions, not those of their master, as he was entrusted with the entire management. He then called a meeting of all the creditors and promised that all debts should be paid within five years. He exercised the most rigid control, cutting out all unnecessary items of expenditure; and so efficiently did he carry out his task of reorganization, that not only were all the debts wiped off within five years, but also a handsome sum remained in hand, two-thirds of which Sontoku advised the head of the house to hold as a reserve fund for future emergencies, and the remaining third the grateful Hattori presented to him as a token of appreciation. After much protesting, Sontoku accepted the sum, but he did not retain it, dividing it among the servants who had so faithfully laboured under him. His words of advice when he left the estate were that one must always live within one's income, and that 30 per cent of whatever is earned should be set aside for emergencies.

After he had brilliantly demonstrated his ability as an estate reorganizer, he was called in by many similarly placed feudal lords and *Samurai*, on whose behalf he was no less successful. His fame spread far and wide; and his words were listened to with attention, for he had proved over and over again the effectiveness of his doctrine and its underlying principles.

What was his doctrine?

Briefly, his whole life's teaching and preaching was the insistence on the efficacy of the good; our indebtedness for

all the gifts that Heaven, Earth, Emperor, Parents, and Ancestors bestowed on us; and our duty, therefore, to repay these bounteous gifts by gratitude, to be demonstrated by diligence, filial piety, religion and at all times doing our best and labouring to do good to our fellow men and to our country.

Kōkei Tomita, one of his disciples, analysed the teaching of Ninomiya Sontoku into four principles:—

1. Its foundation, *Sincerity*—even as God is sincere.

2. Its principle, *Industry*—even as Heaven and Earth and all creation are ever at work without repose.

3. Its element, *Living According To One's Station in Life.* To live simply and never exceed one's rightful means.

4. Its essence, *Helping One's Neighbour.* To give away all unnecessary possessions, material or other, in the service of Heaven and mankind.

Why Sontoku placed Sincerity as the first of his four guiding principles was no doubt that, at that time, there was a great need for upright dealing among agriculturists. Therefore, he called upon them not merely to be honest, but to be sincere; that is, spiritually honest; to make sincerity the guiding principle of their lives even as spirit itself is sincere. As to the second principle, Industry, he had himself experienced the blessing of that virtue; he had himself cultivated barren soil, in order to procure the light necessary for his studies. If any man was competent to preach industry, it was he who practised it, he who had seen so clearly the result of labour and who had perceived that the only way to restore the villages, which years of wastefulness and mismanagement had ruined, was by that blessed Industry, as we see it manifested in the unceasing work of nature. The third principle needs no elaboration. Sontoku had seen the disastrous consequences attending an extravagant life and even of a budget not adjusted to the available resources. With his spirituality he recognized the absolute adjustment of the works of nature; the succession of the seasons, the labour of spring, summer and autumn, in order that in winter we may live on what we have garnered. And, for this reason, he preached Thrift, the saving of one-fourth

of one's earnings, so that old age or misfortune shall never find us unprovided for. His last principle is perhaps the most beautiful of all. For it was the precept that he always followed himself. He held that to serve mankind brought such a blessing that no further reward was needed, or was even due; and all that one did not actually require should be given to those who had need of it. In this respect his teaching resembles that of Jesus of Nazareth, who also preached, as the first condition, the blessedness of giving unstintingly to the poor.

It will be seen that, born as he was in a country of small farmers and in a period of the strict caste division, Sontoku's views were naturally conservative and individualistic. He found the cause of poverty and misery to lie in an extravagant mode of living, and in indolence; and not, like the socialist, in the fundamental organization of society, nor even in the defects of the present mode of production. Being asked by one of the feudal lords about the reorganization of the latter's estate, Sontoku replied:—"What difficulty will there be in developing the barren land of yours, if we simply follow the good old methods of our forefathers?" One of his principles—that one should live according to one's station in life—is a reflection of feudalism, which presupposes the division of classes. In his belief in conservatism and individualism, Sontoku much resembles Raiffeisen.*

Thus, Ninomiya Sontoku was not merely a philosopher. The doctrines he professed and preached were the result of the experience through which he had passed. When he preached his doctrines, he spoke with such sincerity as would move Heaven. No wonder that even those that had been his enemies were quickly converted to his beliefs. His practical talent as an administrator was most widely revealed in the difficult task of restoring the ruined villages,

* For a detailed account of the life, idea and work of Raiffeisen, *see F. W. Raiffeisen in seinem Leben, Denken und Wirken im Zusammenhang mit der Gesamtentwicklung des Neuzeitlichen Genossenochaftswesens in Deutschland von* 1848–49, *bis Zur Gegenwart*, by Fassbender, Leipzig, 1901. For a brief survey of his life, *see Das Genossenschaftswesen in Deutschland*, by W. Wygodzinski, Leipzig, 1911, pp. 20–26.

with which he was entrusted in 1821 by his clan-chief, Lord Ōkubo, and which took nearly fifteen years to accomplish.

In 1821, when Sontoku was thirty-four years old, Lord Ōkubo, who had heard of Sontoku's fame as a wonderful organizer, asked him in most cordial manner to undertake the restoration of three ruined villages belonging to the estate of Lord Ōkubo's relative Utsu, in Shimozuke (now Tochiki Prefecture). After making a personal examination of the district, he finally accepted the post. It must be borne in mind that it was a great honour for a farmer like Sontoku to be called to such a high post in the government in an age when a strict division of castes prevailed.

Sontoku realized the difficulty of the task of which even many an able retainer of Lord Ōkubo had confessed himself incapable; and the necessity of concentrating all his energy and time on this undertaking, and of giving up all other duties. To a man with whom filial piety was so strong, serious doubts and misgivings could not fail to present themselves as to how to reconcile one's duties to one's ancestors, with one's duties to one's clan-chief. However, he solved this dilemma in the following manner :—

"Why should I be troubled! Loyalty and filial piety are not really two, but one. There is loyalty in perfect filial piety and piety in true loyalty. Though I should make my house prosperous even to the amassing of a hundred millions, and worship the ancestral spirits with all proper rites, yet they will not count me filial if I neglect my duty to my lord. But if I relieve the sufferings of a thousand people and bring peace to the mind of my lord, then surely my ancestors will be well pleased even though our own house be ruined."*

Thus, in 1822, disposing of his farm, his house and his furniture, Sontoku left his birthplace for ever, with his faithful wife † and his only child, a boy of three, to go where

* *A Peasant Sage of Japan*, p. 40.

† The reader would get an idea of what manner of woman Sontoku's wife was, from the following quotation from Mr. Yoshida's book, *A Peasant Sage of Japan*, p. 41. When being told of Sontoku's decision to accept the clan-chief's offer, his wife said :—" When a woman marries she returns no more to her father's home. When I left my parents my mind was already made up to share the life of my husband. If he goes through fire and water, there will I go too. As for this command of our lord, you go to do a great work, and I shall count myself fortunate to be able to help in it. I also will dedicate myself to that, and gladly shall I bear all kinds of hardship. So be assured, I will go with you to Shimozuke."

duty called him, namely to the ruined villages in Sakuramachi. He never came to live again in his native place, but spent his life in going up and down the land reorganizing estates and spreading his teachings.

Now, these three villages were then in an utterly ruined condition. Two-thirds of the farms were a veritable wilderness. The village Council Houses were crumbling to ruins; foxes and badgers were living in what were formerly homesteads; the inhabitants were lazy, lawless and corrupt, and quarrels and violence were of daily occurrence. The houses, which had once numbered 450, had then dwindled down to 150. The revenue of the estate had fallen from 4,000 *koku* to 800 (1 *koku* = roughly 40 gals. or 5 bush.).

What was Sontoku's plan for this great work? As a commencement, he studied all the available records, in both Lord Ōkubo's estate in Odawara and of the Utsu family, regarding the laws, the temples, the customs, the village-administration, the changes of population, the fields cultivated, the taxes, the common people's mode of living, and even the genealogy of the Utsu family, and what he could not gather from the written materials, he supplemented by personal investigation, visiting old men on the estate and making rounds of the inhabitants' houses; in short, he made an exhaustive survey of the estate, past and present.

Above all, his main object was to gain a true idea of the productivity of the land. This he did in the following manner: Averaging the amount of the crop of rice paid in by the villagers as rent or tax, during the ten years preceding, dating back from 1821, he calculated the present productive power of the estate. On the basis of this present available income, Sontoku insisted that Utsu's family should bring their expenditure down to this level. Any yield above this figure was to be devoted to rebuilding and to restoration generally, and to the helping of the poor, the latter figuring largely in Sontoku's plan of operations.

Sontoku, further, ascertained the average taxable capacity of the estate at its period of prosperity some 100 years back, and working out the average of this high figure, together with the low average taxable capacity, above described, he

set himself this resulting average as the goal to be attained within the period of ten years. Sontoku insisted that this figure, i.e. the average yield of the two periods of prosperity and decay, should be the maximum rent or taxation to be exacted by Utsu at the end of the reconstruction period of ten years, and that this figure was to become permanent, never to be exceeded.* Thus, Sontoku's goal will be clearly seen: the benefits to be derived from this great co-operative undertaking were not to be enjoyed only by the Utsu family, but were to be shared by all the villagers, who had assisted in the restoration of the estate.

With the foregoing plan in his mind, with sincerity in his heart and firm determination in his will, he commenced the work of restoration, which proved not at all easy or smooth. Till the completion of his work, he had to fight with hundreds of difficulties and obstacles, which he finally succeeded in conquering.

"Every day from dawn till sunset he walked about, visiting one house after another, and studying the characters and the circumstances of the inhabitants. He examined the boundaries of the fields, measured the waste places, and noted the qualities of the land and the convenience of the water supply. In the fierce heat of summer, in the severe cold of winter, in rain and snow, he never ceased his rounds of investigation, till he knew every inch of ground.

"He praised the diligent, helped the needy, and taught the backward and the erring. He made improvements in the irrigation system, gave instruction in the methods of farming, himself helped in the cultivation of waste places, and in every way sought to bring prosperity and peace. He endured all kinds of hardship, living in every way like the poorest of the people. . . . All day long Sontoku worked in the fields or in the homes of the people, returning home late at night; then after only two hours' sleep he would rise and begin his arrangements for the new day. He observed the strictest routine, so that his tasks were performed with the speed and smoothness of falling water, to the great astonishment of the indolent villagers.

* Mr. I. Yamada's book, *Hōtoku oyobi Kessha no Shiori* (The Guide to the Principle of Hōtoku and the Organization of the Hōtokusha), was quoted in Mr. Hashimoto's thesis, of which already mention has been made, and the actual figures of Sontoku's estimate are given by him. However, as it would take too much space to make this calculation clear, I have purposely omitted them.

Instances of the hard tasks he accomplished and the privations he endured are numberless, and the sincerity of his efforts was such as would move heaven and earth and win the response of the gods themselves." *

Further, he held regular courts for hearing and settling the farmers' grievances. When one of the retainers sent by Lord Ōkubo to help Sontoku's work did all that he could to frustrate his efforts, Sontoku won him over by treating him very cordially, and explaining to him actually what he was doing, till he was converted. When once a false charge was brought against Sontoku that he was treating the people unkindly, he never blamed them, but he fasted at the Narita Temple for twenty-one days, and prayed for the completion of his mission.

In 1833, the specially wet and cold year, he foresaw the coming of dearth and he advised every inhabitant to sow millet on one *tan* (¼ acre) in order to provide against it, and he levied no tax on this millet.

In the following year he predicted an even greater dearth, warning the inhabitants to provide against it, and thus saved the people from starvation. It would be endless to enumerate all the incidents that speak highly for his far-sightedness, his practical ability, his boundless sympathy with the poor, and his great gift for reforming even the most lawless characters among the people. After fifteen years of unceasing hard toil (a little longer than his proposed period), his noble efforts were at last crowned with success.

The material, as well as the spiritual, achievement was indeed enormous. First of all, the productive power of the estate was raised to approximately the level that Sontoku had estimated, which he had at the outset made his goal. This was done by the fertility of the land being increased and by large tracts of barren land being brought under cultivation. As a natural consequence, the tribute of the farmers to the Utsu family was greatly increased, without hardship to the farmers, and also the net income of the latter was immensely increased. During the restorative period, two shrines, two temples, one chapel, ninety-six dwelling

* *A Peasant Sage of Japan*, pp. 45–47.

houses, and five warehouses had been built; many roads and bridges had been repaired; the irrigation system of the fields had been completed, and all this added to the general prosperity of the villages. Under the influence of Sontoku's personality, as well as of his teachings, the whole moral tone of the inhabitants had undergone a radical change, the ne'er-do-wells of yesterday having become good citizens. Thus, in three villages where fifteen years before poverty, misery, violence and corruption had reigned, there prevailed the brightest signs of prosperity, happiness, peace and honesty. The people of the now prosperous villages were contented and happy; they rejoiced in their work, and their hearts were ever ready to share the joys and sorrows of their neighbours. When Sontoku's work was accomplished and crowned with success, Utsu's kinsman, Lord Ōkubo, offered him a handsome reward; and, after declining for himself, he was at last prevailed upon to accept it, in order to devote it to the famine relief fund. This selflessness so impressed Lord Ōkubo that he himself gave a further sum to this fund, as well as a quantity of corn stored in the Odawara granary.

The remarkable success of this work and Sontoku's fame as an organizer, was noised all over the country. Already, while he was as yet busily engaged in Sakuramachi, and even more so after the completion of the work there, many feudal lords and high retainers, who were similarly placed as Utsu's family had been, sent special envoys to Sontoku, or paid personal visits to him, asking if he would take over the restorative work of their estates or at least give advice how such works should be carried out. Owing to the extent of his task on Utsu's estate, to most of these requests for help he could only respond by giving advice as to how to start and carry on the work.

The restoration work, undertaken under his guidance, which included properties on Kawazoe's estate in Aoki village in Hitachi (now Miyagi Prefecture); in Karasuyama village, an estate of one of Lord Ōkubo's relatives, and Lord Hosokawa's estate, proved equally successful with that undertaken by Sontoku himself after the completion of his

work on Utsu's estate, i.e. both in Shimodate and Sōma districts.*

I shall not detain the reader any further with the description and details of this work, the underlying principles in each case being the same, and the results equally successful. At this point, we may leave on one side the details of the reorganizing and restoring work carried on and directed by Sontoku, and examine rather its underlying principles and its relation to Co-operation.

The principle of Sontoku's restorative work, which occupied practically half of his life, emanated from his ideal in life—the putting in practice of the principle of returning good for good; but at the same time, it is equally true, as Mr. Hashimoto maintains, that his methods of restoration belong to the category of clan-administration—a policy dictated from above to be acted on by the people. They were, to use the words of Mr. Hashimoto, a sort of bureaucracy. Sontoku is said to have himself declared that, "My method is the sage's rule over the people, as the Sun and Moon bestow light on the Universe to give life to them."

Therefore, the conception embodied in his methods is different from that of Co-operation, in which the people themselves voluntarily start a common business under democratic control. However, we should not do justice to Sontoku, if we concluded that his theory and methods have had nothing to do with the beginnings of Co-operation in Japan. For we can certainly recognize in his idea, and in this restorative work, the co-operative spirit, i.e. the spirit of mutual help. Is it not the culminating point of the co-operative spirit to help the poor and the needy, and that those members who are well-to-do should assist those in less fortunate circumstances—the spirit of self-sacrifice for one's neighbour and the feeling of brotherhood? We must remember that the Co-operative Movement is not always a

* For details of this work of reorganization at various places enumerated above, see *A Peasant Sage of Japan*, on pp. 104–118 (Restoring Aoki Village), 119–142 (Helping the Chief Retainer of Karasuyama), 161–173 (Advice to Lord Hosokawa), 193–196 (Reforming the Shimodate District), 197–206 (Restoring the Sōma District).

movement from below, and that Co-operation is not necessarily democratic in its nature. Especially, when the form of Co-operation is first introduced to people who are lacking in initiative, the impetus for organization usually comes from above; if only because it is necessary, in such a case, to show the people how to co-operate and to point the way. Who can deny that the modern Japanese and Indian Co-operative Movements are, both of them, movements from above and not from below? Yet each of them is none the less an effective Co-operative Movement. Thus, I will maintain, with Mr. Sidney Webb, that Co-operation and democracy do not necessarily go together. Robert Owen, the father of the British Co-operative Movement, was not a believer in democracy. He maintained that co-operative societies must develop under the paternal care of the wise and with the help of those who understand the needs of the people.

What Sontoku did was to show the villagers how to co-operate, and how to help one another for a common good; and this work was carried through in the co-operative spirit, without which, and above all, without paternal care, these undertakings would certainly not have achieved the success they did. For this reason, it may be asserted that the co-operative idea is distinctly to be observed in Sontoku's system.

Sontoku's co-operative idea came to be expressed more fully, and perhaps more democratically, by the Hōtokushas, which were practically organized by his disciples and adherents, several such societies making their appearance already during his lifetime. Sontoku, like Robert Owen, being a believer in a paternal form of government, had little sympathy with these Hōtokushas. He made contributions to them and gave advice; in some cases, reprimanding the organizers for going beyond his teaching. Thus, the formation of the Hōtokushas occupied only a position of minor importance in his life's work.

It is interesting to note that, just as Robert Owen's Union Shop Movement and his Community Experiments both at home and abroad failed signally, whilst the co-opera-

tive stores in Great Britain,* which were started by his adherents and followers as an endeavour towards realizing their master's ideal, have grown into the present great power of the Consumers' Co-operative Movement, so Sontoku's method of estate restoration, to which he devoted all his time and energy, passed away with his death, while the Hōtokusha societies remain to this day, a living monument, prosperous and ever growing.

The first two pioneer societies, the forerunners of the Hōtokusha, were started in 1843 (a year before the Rochdale Pioneers' Store was opened), at Shimodate and Odawara, and a further group of societies appeared in 1847 in Tōtōmi —all these during the lifetime of Sontoku. The organizers, all of whom were adherents of Sontokuism, seem to have found a model in the Mujin system,† which we have surveyed in the preceding chapter, and which, inspired by Sontoku, they carried on in the co-operative spirit. The pioneer society at Shimodate was organized by forty-seven *Samurai* (not to be confused with the story of forty-seven loyal *Samurai* in the Genroku Period) for the purpose of restoring to prosperity the impoverished estate of Shimodate. The rules of the society—which were vague regarding the scope of its business—were drafted with the approval of Sontoku, who is said to have made a small contribution as an encouragement. This society was formed exclusively by the *Samurai* (warrior) class—including neither farmer nor merchant. Judging from its rules, its members were greatly inspired by the co-operative spirit. From the society's funds small loans were granted to members by vote, precedence always being given to the poorest applicant, such

* A detailed account of the life of Robert Owen, the father of the British Co-operative Movement, may be found in *Robert Owen, a Biography*, by F. Podmore, 1906; *The Life, Times and Labour of Robert Owen*, by Lloyd Jones, 1900; *Life of Robert Owen*, by himself, latest ed., 1919; and others. For an excellent and concise survey and criticism of Owen's life and his Union Shop Movement and Community Experiments, see *The Co-operative Movement in Great Britain*, by Beatrice Potter (now Mrs. Sidney Webb), latest ed., 1920, pp. 12–31.

† We have seen in the chapter on the Mujin that already about the year 1800, a Mujin, somewhat resembling the Hōtokusha, was in existence. It is significant that the first society at Shimodate bore the name of Kō instead of Hōtokusha.

loans being repayable in seven yearly instalments without interest. However, this society perished at the Restoration (1868) leaving no trace behind it.

The Hōtokusha at Odawara was inaugurated by one of Sontoku's disciples, in order to popularize his master's method of restoration. After approving the society's rules, Sontoku also made a small contribution to the society's funds. This society, differing from the former, was formed chiefly by the merchant class. The descendants of this society still exist to-day, having exercised a beneficent influence all over the district during its growth.

Of these pioneer societies, those in Tōtōmi (now Shizuoka Prefecture) were the most successful. Here, a group of the Hōtokushas sprang up almost simultaneously, the oldest being the one at Shimodate, due to the joint efforts of Messrs. Fukuzumi and Okada,* faithful disciples of Sontoku. The rules of the Shimoishida Society also provide, among other things, for granting loans to the poor members without interest and repayable by yearly instalments, such loans being granted by vote. However, the rules of these pioneer societies, while laying great stress on the moral side, are very lax regarding their methods of operation. The movement in Tōtōmi progressed greatly, and by 1851 it had spread all over the district. From among this group sprang the Dai-Nippon-Hōtokusha, or the Central Hōtokusha of Japan. Of the further development of these earlier Hōtokushas, I shall speak in the next section. Here we must return to Sontoku's life.

In the latter half of his life, as we saw, Sontoku was occupied in restoring ruined villages and in giving advice on similar work undertaken by the officials of various clans, and in preaching and spreading his doctrines. In 1853, when he was over sixty years old, the Central Government of Tokugawa ordered Sontoku to restore the estate surrounding Nikkō Shrine (where Iyeyasu, the founder of the

* A brief outline of the life of these two disciples may be gathered from a pamphlet entitled *Hōtoku Sandaijin Ryakuden*, 1919 (A Brief Outline of Lives of Three Great Disciples) issued by the Dai-Nippon-Hōtokusha.

House of Tokugawa is enshrined). As he realized that he could not live to complete this task, he instructed his disciples how to carry on the unfinished work after his death.

Despite his old age and the ill-health brought about by over-work, Sontoku undertook his new task as assiduously as when he was young, teaching people to love one another; helping them to make better roads, to improve their irrigation and to open up new fields; and giving money to the widows, orphans and the helpless. Indeed, he did all in his power to restore the impoverished villages, and the effect of his work was already bearing fruit. However, as he himself felt when he began his work, he could not live to see the full fruition of his labours. In 1856, in the seventieth year of his life, Sontoku passed away at the Official House at Imaichi, Nikkō, still in harness. "He had instructed his friends and followers that no tombstone was to be erected to his memory, though if they wished to mark the place of his burial they might raise a small mound of earth." *

Since his death, one might say, he has been canonized and is now universally regarded as a saint.

His work at Nikkō was carried on by his son and his disciples, and was brought to conclusion twelve years later, in the first year of Meiji (1868); whilst many other districts and villages have been restored by his followers since his death.

§ 2. The Growth of the Hōtokusha.

In the preceding section on the life, idea and work of Ninomiya Sontoku, I have dealt with the origin of the Hōtokusha, the society which sought to embody in a popular form the co-operative idea of Sontoku; and I have also pointed out that when Sontoku's disciples organized this society, they adopted the outline of the Mujin system, which was the only system of popular finance then existing. In this way the popular financing of Japan made a big stride towards attaining a more solid and permanent form.

When the first Hōtokusha society was founded by the

* *A Peasant Sage of Japan*, p. 220.

disciples and followers of Sontoku, there were no fixed or recognized methods, nor were there any formal rules governing its conduct. It was to all intents and purposes only another form of Mujin. There was, however, a written agreement among its members, emphasizing the moral and ethical side, in accordance with the teachings of Ninomiya Sontoku, and enjoining upon all and every one to co-operate in the fullest sense in the common task. Moneys were to be primarily applied to the restoring and reorganizing of ruined estates, and the household reconstruction of the villagers.

In the first Hōtokusha, organized by forty-seven *Samurai* at Shimodate, this agreement was very vague; and there is hardly any difference between it and the ordinary form of Mujin. However, the agreement of the members of the Hōtokusha organized in 1847 at Shimoishida in Tōtōmi was more definite; and it may be interesting to give a free translation of this noteworthy document. Here we see a definite form of permanent society for granting loans, whereas the Mujins hitherto had always been of a temporary nature.

1. With sincerity we, all the villagers, hereby bind ourselves to be diligent, even in the making of straw-ropes, or in the manufacture of sandals; and all that we produce we must garner. We must not be prodigal in expenditure, nor waste money in giving needless presents to friends and relatives. All that we do must be done in mutual consultation.

2. All the laws must be strictly obeyed.

3. We must devoutly observe the religious rites.

4. Filial piety must be strictly observed; men must respect masters; juniors must respect seniors, and harmony must be maintained in the home and among relatives. And all occupations must be diligently followed, now and henceforward for ever.

5. The contribution to the relief fund must be made faithfully; and to those that are in need relief must be granted by common consent and vote, and grants so made shall be repayable without interest by yearly instalments. After the debt has been repaid, the person to whom the loans have been made must, as a thank-offering, pay one year's instalment.

6. Members wishing to leave may do so, and may withdraw the subscriptions so far paid by them.

7. On holidays members are to work from early morning to

midday in order to repair the roads; and they are to rest in the afternoon.

8. Every month all the members are to come together in the evening to discuss and consult upon the method of cultivation and the manufacture of manure.

Signed on the good day of March, 1847.

As already stated, the first Hōtokusha society did not long survive, but those in Odawara, and especially those in Tōtōmi, to which the one just mentioned belonged, have proved highly successful; and they are still flourishing. We shall presently see how the Hōtokushas assumed varying methods of operation in accordance with the leanings of the particular disciples who founded them: where a disciple of Sontoku was progressive, we find much modification; where a disciple was conservative, the original methods were retained.

In the earlier period of the Hōtokushas, there was no federation of the societies, the only intercommunication that we can trace being what would now be termed a "Congress" of Hōtokushas in Tōtōmi, about the year 1850.

Before going on to my next point, it may be well briefly to summarize the objects of the Hōtokusha generally. These are to bring about a union between economy and morality, i.e. to found true economy on the basis of pure morality.* The first clause of association of every Hōtokusha reads something after this fashion:—†

"This Hōtokusha aims at returning good for good, in accordance with the traditions left us by Ninomiya Sontoku."

As time went on, the earlier societies, with which Sontoku himself had little sympathy and in which he took little interest, spread surprisingly, the number and the member-

* "Men who wish to render thanks to Heaven by benefiting mankind as much as they can; men who wish to reform villages in order to help the poor; men who wish to sow the seeds of goodness that they may enjoy its lovely flowers and noble fruit; of such men does the Hōtokusha consist." So wrote Shōkei Fukuzumi, a great disciple of Sontoku (p. 227, Yoshimoto, *op. cit.*).

† The rules of the Raiffeisen Credit Societies contain the following clause: "The Society rests upon a Christian and patriotic foundation." (Cahill's, *An Enquiry into Agricultural Credit and Agricultural Co-operation in Germany*, 1913, p. 68.)

ship increasing by leaps and bounds, especially after 1887. Already in 1875 a federation of Hōtokushas was organized among the Tōtōmi group, under the title of the Tōtōmi-Hōtokusha. Here, the monthly lecture meeting was held in a temple (called Genchūji) in Hamamatsu. When this temple became too small in 1877, it was found necessary to hold overflow meetings, first at another temple (called Kongōji); and then in 1878 in the hall of a certain agricultural society in Kakegawa. These monthly lecture meetings still hold a prominent place in the programme of the Hōtokushas to-day. In view of the great increase of the constituent societies, which spread even beyond the boundaries of the prefecture, the organization of this federation was strengthened; and its title was changed in 1911 to the Dai-Nippon-Hōtokusha. It is now the most efficient and powerful federation of Hōtokushas in Japan.

Besides this federation, several others including the Suruga-Higashisha (1878), the Enjōsha (1879), the Shizuokasha (1879), the Suruga-Nishisha (1880), the Hōhonsha (1895), came into being in rapid succession. Following the example of the Tōtōmi group, a similar federation was organized among the Odawara group in 1880, under the title of the Odawarasha.

About this time the Hōtokushas, which had in the first instance been established to rebuild ruined villages and to relieve the distress, began to be used specifically for the purpose of fostering diligence and thrift, and the development of agriculture, while the moral and ethical side was in no way lost sight of.

In 1896, when Mimpō (i.e. the Civil Law Code) was passed, the Hōtokusha society, being recognized as "a legal person for public utility," came to enjoy the protection of the law; and by this time the rules of the several societies, which had hitherto been somewhat vague, assumed a more definite form, such as we see to-day.

With the progress of time, and especially as Japan entered on the new era of Meiji, when its social and industrial organization underwent a radical change, and, following on the downfall of feudalism, Western civilization swept like

a flood over the land, the Hōtokusha, in its original form—that is, the society which stressed its moral and ethical mission, no longer sufficed to meet the requirements of the hour. Realizing this situation, some Hōtokushas, notably the Dai-Nippon-Hōtokusha, began to adapt themselves to the new demands of the time; and while retaining the moral and ethical objects of the society, its management took on a more business-like character; for example, the making of advances in rotation* was abolished, and most loans were now granted on interest. However, some Hōtokushas would not make the change, maintaining that such a course was manifestly against the teachings of Sontoku. Hence arose, in the Hōtokusha Movement, two well-defined tendencies, the progressive and the conservative, mention of which has already been made. The former is represented by the Dai-Nippon-Hōtokusha, and the latter by the Hōtoku-Enjōsha, and Hōhonsha. These latter groups came to organize themselves into separate federations on account of their fundamental divergence of views.

It may not be out of place here to give a brief outline of the introduction of the modern credit society in Japan, and its development as a parallel to the Hōtokusha and to show in what relation the Hōtokusha stood to this new movement.

About 1887, the idea and the organization of German Co-operation were introduced by the late Viscount Shinagawa, who went over to Germany, first as a diplomatic official and afterwards as minister, and by Viscount Hirata, who was staying in Germany as a Government-student, both of whom were impressed by the wonderful achievement of German Co-operation in the forms devised by Raiffeisen and Schulze-Delitzsch.

There is evidence that consultation took place between

* Although at the beginning of the year every member is entitled to a loan for the purchase of fertilizer, at the end of the year only a certain amount of capital is available for loans. Therefore, loans are granted in rotation to deserving members most urgently in need of accommodation. This is decided by vote of the members themselves. A member who has been accommodated cannot receive another loan until the requirements of all other members have first been satisfied, when a fresh panel is drawn up. For details see *Hōtoku Kessha Mondō* (Questions and Answers regarding the Organization of the Hōtokusha), by Shōkei Fukuzumi, 1882, pp. 10–22.

Viscount Hirata, who in 1891 introduced the Credit Society Bill, and Mr. Fukuzumi, one of the leading spirits of the Hōtokusha Movement, when the latter then promised to do what he could to help Viscount Hirata in the establishment of credit societies. We may assume that the object of this consultation was not merely to introduce the German system of credit societies, but also to imbue them with the high moral and ethical principle of the Hōtokusha. Had this plan been adopted, we might have seen Japanese Co-operation take its development along startlingly original lines. However, the plan was not adopted. To the greatest disappointment of all the followers of the Hōtokusha system, the spiritual side of this system was accorded absolutely no recognition in the Co-operative Law, which finally came into force in 1900.*

Moreover, to their chagrin and disappointment the existing Hōtokushas found that, not only was the law entirely alien from their system (being an almost exact imitation of the German Co-operative Law), but also that it did not even include the Hōtokushas in its scope, so that they were left entirely unprovided for in this new Co-operative Law.

Meantime, the first co-operative credit societies had been established in 1892 in Shizuoka Prefecture, in the very stronghold of the Hōtokusha, as a result of the propaganda launched by Viscount Hirata, whom Mr. Fukuzumi is said to have assisted in his propaganda campaign.

Some of these pioneer credit societies owing to the fact that membership had been confined to adherents of Hōtokushas, have become among the most flourishing and notable of their particular kind. Of these later developments I shall speak under the heading of Credit Societies, as these developed along entirely different lines from those of the Hōtokusha.

Let us remember here that, while there exists a certain kinship between the Hōtokusha and the credit society, the Hōtokusha does not confine itself to loan business only. It

* The first Co-operative Law was placed before Parliament in 1891, as an independent Credit Society Bill, but owing to a political crisis the Bill was thrown out and it was not until 1899 that the Co-operative Society Bill, in its present form, was passed, to come into force in 1900.

is more of a social institution; its lectures and meetings for the purpose of instilling in the people's minds the high moral ideals of Sontoku, no less than its wide scope of business covering all social, educational, local administrative and charitable functions, are outside the scope of the objects of the credit society, which, as its name implies, is established for the primary purpose of granting loans to members. It is, therefore, not surprising that the omission of the Hōtokusha from the Co-operative Law of 1900 in no way arrested its progress or restricted its sphere of activity.

At the same time, the more progressive Hōtokushas imbibed much from the organization of credit societies. To quote from the General Rules of the Dai-Nippon-Hōtokusha, clause 28, freely translated, reads as follows:—

"The object of the credit society is primarily to grant loans, whereas our primary object is the *cultivation of virtue*, and financing is only a side issue. This is the strongest point of divergence between the two. However, as it is necessary to adapt ourselves to the urgent requirements of to-day, the unit Hōtokushas situated in villages and townships may, for this reason, adopt the methods of these credit societies, so as to meet the requirements of the locality."

Thus, partly from necessity as the surroundings and the time demanded, and partly under the influence of the credit society proper, the Hōtokushas really have in some measure taken on much of the character of the credit society. However, the Hōtokushas are developing along their own peculiar line. Even in the more progressive ones the average membership of the unit society is very small, sometimes as little as ten or twenty; and apparently the whole function of some societies is only the holding of lectures. Especially in conservative Hōtokushas, which strictly observe the original principles and form laid down by Sontoku's disciples, do we find quite a different colouring from that of the credit societies. As the reader himself may see, there is an urgent need at present for the Hōtokusha to adopt all that is best in the organization and practical methods of the credit societies, while fully retaining its moral and ethical mission. The following facts themselves speak for this, for

while the conservative Hōtokushas do not prosper, and some of this kind are even on the decline, the progressive ones are growing so rapidly as to arouse suspicion and jealousy on the part of the credit societies.

The Dai-Nippon-Hōtokusha has branched out into many prefectures,* besides Shizuoka, which is its stronghold; and the unit societies under the supervision of this federation number no fewer than 600. The aggregate capital and reserve fund of the Federation amounts to more than Y380,000, and the aggregate capital of the constituent societies to more than one million *yen*, while the Enjōsha Federation (the conservative one) has only eighty unit

* The constituent societies of the Dai-Nippon-Hōtokusha were in 1919 distributed over twenty-eight different prefectures, roughly as follows:—

Prefecture.	No. of Societies sending in reports.	No. of Members.
1. Shizuoka	349	12,848
2. Kanagawa	46	1,548
3. Yamanashi	3	503
4. Saitama	2	55
5. Gumma	6	273
6. Chiba	1	31
7. Ibaragi	2	37
8. Fukushima	4	183
9. Miyagi	1	21
10. Yamagata	5	389
11. Iwate	2	98
12. Akita	1	37
13. Aomori	2	54
14. Aichi	12	730
15. Gifu	6	546
16. Nagano	24	643
17. Niigata	18	584
18. Toyama	1	217
19. Shiga	1	89
20. Miye	5	323
21. Wakayama	1	114
22. Kyōto	3	81
23. Hyōgo	2	80
24. Tottori	3	221
25. Shimane	2	67
26. Okayama	?	?
27. Fukuoka	?	?
28. Miyazaki	1	468
	503	20,240

(From *Hōtokusha Jigyō Nenkan*, or Statistics of the Dai-Nippon-Hōtokusha, 1919.)

societies, thirty of which show a downward tendency owing to internal quarrels. However, the Suruga-Higashisha Federation, although it belongs to the Enjōsha type, is said to show fairly good results.*

§ 3. The Organization and Activities of the Hōtokusha To-day.

In the survey of the growth of the Hōtokushas I have so far only outlined their aim and scope of business. The following pages will supply details as to their objects, organization and scope of business, and will elucidate the similarity to, and also the difference from, the modern credit society. For this purpose I take the Dai-Nippon-Hōtokusha as an illuminating example.

(i.) The Objects of the Hōtokusha.

The Hōtokusha aims at realizing the ideals of Ninomiya Sontoku, by means of their democratic application. It is a spiritual union of members as well as an economic organization. The rules of the several societies usually contain the following provision :—" This society aims at furthering the work of ' returning good for good ' according to the tradition left us by our master, Ninomiya Sontoku."†

* Position of Hōtokusha in Shizuoka Prefecture (1918–1920).

Year of Review	Title of the Federation.	No. of unit Hōtokushas.	No. of individual members.	Money borrowed	Loans to members.	Dodai-kin.	Zenshu-kin.	Kanyu-kin.	Other Funds.	Rice Fund.
				Y	Y	Y	Y	Y	Y	*Koku*
1918	Dai-Nippon-Hōtokusha . .	348	12,677	36,061	337,213	188,517	514,562	240,415	—	1,946
1919	Hōhonsha . .	42	1,085	—	69,251	2,424	1,713	64,298	60,188	307
1919	Enjōsha . . .	79	2,203	—	123,948	68,934	8,000	141,933	—	127
1919	Suruga-Higashi Hōtokusha .	44	2,547	3,241	60,271	21,068	42,523	66,067	—	208
1920	Suruga-Nishi Hōtokusha .	7	204	—	1,482	370	223	4,526	—	—
1918	Shizuoka-Hōtokusha . . .	23	522	—	4,730	2,697	1,125	4,433	—	14
	Total . .	543	19,238	39,302	596,895	284,010	568,146	521,672	60,188	2,602

N.B.—The number of co-operative societies proper in the same prefecture for 1918 was 295, with a total membership of 40,496. Loans granted to members amounted to Y2,965,738, being five times as much as the total amount of loans in 543 Hōtokushas. The total amount of capital and deposits of co-operative societies was Y2,360,331 and Y3,104,591 respectively.

The meaning of Dodai-kin and other funds will be fully explained in the following pages.

† See the first clause of the Rules of the Dai-Nippon-Hōtokusha.

By the words, "returning good for good," is meant that by practising the four principles of Sontoku, as already mentioned, the members are able to elevate character, to promote the prosperity of one's household, one's village, and one's country, and thus contribute to the general welfare of society at large.

Further, it will be interesting to quote from the General Rules of the Dai-Nippon-Hōtokusha, Clauses 2, 5, 8 and 12, which, freely translated, read as follows:—

"2. The principle of 'returning good for good' is not one of religion, but of ethics, the underlying principle of which is founded on philosophy. But the mere preaching of philosophy without practising what it teaches, will only tend to undermine faith; therefore, by our motto 'returning good for good,' we mean that we include everything that is good. This embraces every religion, both at home and abroad, and unifies rich and poor, wise and ignorant, and also reconciles the physical to the metaphysical; and this covers all there is, so that there is nothing left out.

"5. Although our society is not a religious organization, yet we exclude those who believe in teachings that are opposed to the constitution of this country, and further, we preach against superstition and try to lead the superstitious to right beliefs.

"8. Our society is not intended to be a political organization, although there is no objection to members joining any political party. However, members must not be opposed at heart to our country.

"12. The names of the present officials of the Federation, of the lecturers, and of those who have rendered faithful service to the federation, and also of those who by diligent study become well versed in the teachings of our leader, shall be read out at the shrine of Ninomiya Sontoku; and these persons shall receive copies of the pamphlet embodying the teachings of Sontoku for propaganda use."

Therefore, the members of the Hōtokusha must, besides fulfilling the requirements of the modern credit society, fulfil the following moral requirements, as shown in the first clause of the General Rules of the Dai-Nippon-Hōtokusha, which runs:—

"Members should respect our great master, Ninomiya Sontoku, and observe the following rules:—

"1. For the bounteous gifts bestowed upon us by our God,

our Emperor, our parents and our ancestors, we should strive to give a return by our virtues and good deeds.

"2. Members should practise diligence and thrift; observe a certain limit in expenditure, and thus establish a firm foundation for wealth and prosperity.

"3. Members should sow seeds of goodness and plant roots of goodness, and enjoy happiness for ever."

Moreover, when members wish to start a new Hōtokusha, they must declare to the Federation in accordance with which disciple's teachings they intend to organize, in order to prevent, so the clause runs, the Hōtokushas from becoming a profit-seeking concern. Organizing members are further required to know by heart and be able to recite, a kind of printed catechism of Sontoku's teachings.

The functions of the Hōtokusha, besides the granting of loans, which occupies only a subsidiary position in the whole programme, cover social, economic, local-administrative and charitable purposes. A pamphlet entitled *Hōtoku Kyōgi Yōryō, Hōtokusha Keieihō Yōryō* (The Gist of Sontoku's Teachings and the Methods of the Management of the Hōtokusha), issued by the Federation, enumerates the functions of the Hōtokusha as follows:—*

1. Public Service. Elucidation of the national constitution; the cultivation of national character and public spirit; the knowledge of constitutional self-government; assistance in the

* The reader will notice that these functions of the Hōtokusha bear a striking resemblance to those of the Raiffeisen credit societies in Germany. Below I quote from Cahill's *An Enquiry into Agricultural Credit and Agricultural Co-operation in Germany* (p. 68).

"The model articles of associations issued by the Raiffeisen Federation provide for more varied activities; sections 2, 3 and 4 run:—

(2) "The object of the society is to procure the necessary capital for furnishing loans and credit to members, and otherwise to effect the betterment of their economic conditions, especially by (*a*) the purchase in common of farming requisites, (*b*) the preparation and sale of agricultural products and of the products of rural industry for members, (*c*) the procuring of machines and other objects of utility on their joint account for letting on hire to members."

(3) "The society aims less at realizing profits from its operations than at strengthening such of its members as are economically weak and at promoting their intellectual and moral welfare. Its activities must, therefore, extend to (*a*) the furthering of thrift, (*b*) the accumulation of an indivisible common fund (foundation fund) for the advancement of economic condition of members, (*c*) the organization of means for the promotion of rural social welfare and of love of home, (*d*) the establishing of conciliation courts for the diminution of legal disputes, (*e*) vigorous opposition to such

paying of taxes and in the educational system of the Government; and hospitality to men doing their military service.

2. Educational Work. Dissemination of common-sense and scientific knowledge; the amelioration and raising of habits and customs; the observance of respect and religious rites; respect for age; cultivation of morality; praise and reward of good conduct, such as that of dutiful children and faithful wives; provision of recreation and comforts for apprentices; the maintenance of the harmony of the home; the education of children and the formation of women's associations, young men's associations and boys' associations.

3. Economic Work. Increase of production; regulation and control of expenditure; co-operation between the rich and the poor; encouragement of thrift; financing; the introduction of exchange and the collective purchase of seeds, young plants, agricultural implements and necessaries of life; collective marketing of members' products; holding of exhibitions; various kinds of co-operative work; the establishment of agricultural-warehouses and the utilization of waste products.

4. Social Work. The betterment of means of communication and irrigation; establishment of libraries and public halls; entertainments and recreation; helping in cases of accidents and distress; assisting people in their business; charity, sanitation and hygiene; assistance of gifted persons; observing ceremonies on coming of age, marriage, funerals and ancestral worship; observance of punctuality; prevention and extinction of fires and prevention of floods, and the investigation of questions affecting clothing, food and housing.

(ii.) The Structure of the Hōtokusha.

Since the Hōtokusha emerged from the early stage of its development, when the unit societies were independent without any intercommunication whatever with each other, it has gradually developed into an elaborate organization with more than 500 constituent societies, besides such individual members as directly belong to the Federation. Thus, at present, the Hōtokusha is not at all simple in its

transactions in real property as are against the public good, and such participation in the relief of landed property from indebtedness as may be expedient and (*f*) the holding of instructive lectures and the exchange of practical experience at the meetings of members."

(4) "The society rests upon a Christian and patriotic foundation. At meetings and in all the activities of the society opinions and measures of a religious and political character are absolutely prohibited."

For further details of these educational and social functions, *see* pp. 68–71, Cahill, *op. cit.*

structure; and a complicated financial organization and a varied relationship exists between the unit societies and the Federation.

It is a common practice with writers, when describing such an organization, to start with the unit societies and then describe their federation, in conformity with the natural course of development. However, in the case of the Hōtokusha, I have found it better to take the opposite course. We can the more conveniently start with the federation, for this now has a large roll of individual members, and itself functions also as a unit society, and most of the unit societies are still in their initial state, namely that of a *spiritual* union; thus a description of the Federation will cover practically all the activities of the vast Hōtokusha system.

The Federation of the Hōtokushas or, to give it a more descriptive name, the Central Office of the Hōtokushas, now includes three types of members:—

1. Individual members of the Federation.
2. Unit societies, or branches, as they are called, which in turn are organized by individual members.
3. Individual members, who do not belong to category 1.

1. *Membership of the first type.*

As opposed to the federations of the modern credit societies, the Federation of Hōtokushas also includes *individual* members. The importance of members of this type may be realized from the fact that according to the rules of the Dai-Nippon-Hōtokusha, the term *member* always means the individual member. Such individual member, besides having to fulfil the before-mentioned moral qualifications, should contribute Y5 to the Dodai-kin (or Foundation Fund) of the Federation and also to take up at least one share of Zenshu-kin (or Seed of Goodness Fund, or Interest-bearing Fund) the value of which being Y10. In return for such deposit, a certificate, called Eian-shōken, is given. A person who has inherited such certificate may himself become a member, by contributing a further sum of Y2 to the Dodai-kin.

It is a duty of such individual member to organize unit societies in villages and townships, and also to give encour-

agement and advice to members of such unit societies.

Such members of the Federation have a voice in the election of officials at the general meeting, and may dismiss or re-elect such officials and may examine the books of the Federation.

Such members in the Dai-Nippon-Hōtokusha Federation at the end of 1919 numbered 2,259. These members, as well as those in village and town societies, mainly follow agricultural pursuits—the same as in the case of the credit societies proper. The following list of members' occupations in a certain Hōtokusha in Shizuoka Prefecture may serve as an index to this tendency.

Agriculture	83	members.
Industry	6	,,
Commerce	9	,,
Miscellaneous	10	,,
Total	108	,,

2. *Membership of the second type*, viz. unit societies in villages and townships :—

Such village-and-township Hōtokushas are to be formed by not less than five persons. In order that such a unit society may be affiliated to the Federation, and exercise its rights to, and derive benefits from, the Federation, the society should make a monthly contribution of more than 5 *rin* (about ½ farthing) per member to the Dodai-kin (Foundation Fund) and make a deposit with the Federation of more than 1 *sen* (about a farthing) per member in the Zenshu-kin (Interest-bearing Fund). Until the former contribution (viz. that to the Dodai-kin) reaches Y5, the society is not fully recognized by the Federation. The society is represented by its president who has the same right in the Federation as an individual member in the latter (membership of the first type).

Such unit societies of the Dai-Nippon-Hōtokusha, the figures of which are available, at the end of 1919 numbered 503 (unit societies) with an aggregate membership of 20,240, spread over twenty-eight prefectures, as already

shown, including Shizuoka Prefecture, in which the Central Office is situated.

The internal organization of all the unit societies is almost identical, excepting that it is carried on on a smaller scale. Therefore, I will not here go into details regarding unit societies but shall refer to these as occasion demands.

The relation between unit societies and the Federation is nearly the same as that which exists between modern credit societies and their federation. Unit Hōtokushas are under the supervision and control of the Hōtokusha Federation, which in turn gives necessary assistance (both financial and advisory) to the former. The Federation sometimes sends its officials and lecturers to the various meetings of the unit societies, to give advice and direction.

It goes without saying that the prosperity of the Federation depends mainly on that of the unit societies. In order to make the Federation stronger and more prosperous, the unit societies themselves must be strong economically as well as spiritually. However, we find that, taking the report of the Dai-Nippon-Hōtokusha for 1919 as a basis, the average membership of the unit society is only forty. The societies which have a membership of between six and fifty, represent the majority. There was one society, which had only five members (which is the minimum required by the Federation) and societies, the membership of which exceeded 100 were twenty in number, whilst only four had a membership exceeding 200, the largest having 468 members.

If we compare these figures with those of the Raiffeisen societies,* which, as is well known, advocate societies of small membership, we shall find that the Hōtokushas have, even in this comparison, abnormally small memberships.

Further, as a natural consequence of a small membership, most of the unit societies seem to confine their activities to the holding of lectures and exhibitions, and encouraging the deserving, and other social and educational work as enumer-

* The average number of members at the end of 1910, in 12,787 Raiffeisen societies within the Imperial Federation was 94. For details *see* p. 65 Cahill's *An Enquiry into Agricultural Credit and Agricultural Co-operation in Germany.*

ated in the preceding paragraphs; and the amount of credit business done is exceedingly small. Although I do not doubt the moral value of these societies as they are to-day, I quite agree with Mr. Hashimoto that it will be necessary to promote these unit societies on more economic lines.

In order to promote concerted action in various directions among unit societies, a *gun* * (equivalent to county) is sometimes divided into several districts and a supervisor is elected from among the presidents in the said districts. Mr. Hashimoto maintains that this organization may develop in the future into an important organ of the Hōtokusha Movement.

3. *Membership of the third type.*

The membership of this type is of a temporary nature. When there is no Hōtokusha in the district and those wishing to organize a society are less than five (the minimum number), such persons may become members of the Federation on payment of Y1 entrance fee and 24 *sen*, the first of ten yearly instalments (or on payment of the entrance fee and a lump sum of Y2) to the Dodai-kin of the Federation. Apart from these compulsory payments, voluntary contribution may be made to Zenshu-kin. A new member is advised to put his savings in the Post Office Savings Bank until he has Y10. On handing over this sum to the Federation, an Eian-shōken (Ever-secure Certificate), as above described, is issued to him. This will entitle him to membership of the first type, on paying an additional Y3 into the Dodai-kin, if he has paid his contribution in a lump sum, or by continuing his contribution or otherwise making payments until the total of Y5, including all payments from enrolment, is reached.

At the end of 1919 such members of the Dai-Nippon-Hōtokusha numbered only forty-six—a negligible number compared with the total of all other members.

It will thus be seen that the Federation or the Central Office of the Hōtokushas is not the same as the Federation

* Gun (kōri)—a division of a prefecture, a county or rural district. There are 636 gun. Gun are now being done away with. (*The Foundations of Japan*, by R. Scott, 1922, p. xxv.)

of the modern credit societies. The former is the rallying point for all the constituent societies, and at the same time, it fulfils the same function as a large unit society. Further, it is a permanent institution and it cannot be dissolved under any circumstances, except under the provisions of the Civil Law Code or owing to *force majeure* (Clause 58 of the Dai-Nippon Hōtokusha).* However, the duration of a unit society is fixed by the Federation at sixty years, at the expiration of which time it may be renewed or may sometimes be prolonged indefinitely, if practical experience favours such prolongation. Unit societies may not be organized for a duration of less than ten years; for such a short-termed organization can hardly fulfil the proper function of the Hōtokusha.

(iii.) THE FINANCIAL ORGANIZATION OF THE HŌTOKUSHA.

As the general structure has evolved, so its financial organization has become more and more elaborate. Despite the great influence from outside, which came to bear upon it, its original character is still retained to this day; it is really a unique organization as a popular finance system. Roughly speaking, the Hotokusha also resembles the Raiffeisen Society in many points of financial organization, e.g. the Hōtokusha has a *foundation fund*—it is interesting to note, when literally translated, that the "Dodai-kin" of the Hōtokusha, which is entirely the outcome of Japanese genius, and the "Stiftungsfond" of the Raiffeisen Society, are practically the same in name as well as in nature—which becomes the absolute property of the society and may be used for the extension of the society, the general

* The rules of the Dai-Nippon-Hōtokusha do not expressly state the nature of the liability the society assumes. Clause 58 of the Dai-Nippon-Hōtokusha runs: "When the Dodai-kin is not sufficient to cover losses incurred by this society, this deficit must be proportionately met from the various items of deposits and Zenshu-kin." Judging from this provision, the Hōtokusha is virtually of limited liability. This is one of the most important points of difference from the Raiffeisen Societies, where unlimited liability is strictly observed as one of their fundamental principles. The reason why this Hōtokusha adopts limited liability is no doubt that it is an organization primarily ethical in its objects, and the granting of loans is of secondary importance. From material at hand it is not certain whether this remark applies to all the Hōtokusha federations, but, in fact, there seems to be no necessity for the legal adoption of unlimited liability.

welfare of members and other public purposes. In both societies, all contributions are made in small sums. Further, as both aim at promoting the general welfare of the society, the net profits go to increase the Foundation Fund, instead of being distributed. However, the Hōtokusha is more of a spiritual and moral institution than the Raiffeisen Society.

The financial organization of the Central Office and of the unit societies of the Hōtokusha, as well as its structure in general, are practically identical, excepting that the latter are conducted on a smaller scale than the former, and also that the moral and ethical tenor is stronger in the latter. Therefore, a description of the *Federation* naturally covers the unit societies.

The following financial relation exists between the Federation and unit societies. When a fresh unit society is formed, the Federation hands over a lump sum—usually a small amount ranging between Y3–15, according to the size of a society.* Such fresh society must in its turn make a certain monthly contribution to the Dodai-kin of the Federation, in order to become affiliated to the latter. The contribution from the Foundation Fund handed over to the new society by the federation must not be disposed of; the interest accruing from the same, however, may be used.

The sum contributed by the Federation must be paid back to the Federation when a unit society is dissolved. As to financial help given by the Federation from time to time, for various activities of the unit societies, it will not be necessary for me here to go into details, as in this respect the relation between modern credit societies and their federation may be referred to, as it is exactly the same.

The funds of the Federation (as well as that of the unit societies) may be divided into the following three categories :—

1. The Hōtoku-kin (Gratitude Fund).

* Y3	to a society of	5–20	members.
Y6	"	21–40	"
Y8	"	41–60	"
Y10	"	61–100	"
Y15	"	over 101	"

(*a*) The Dodai-kin (Foundation Fund).
(*b*) The Zenshu-kin (Seed of Goodness Fund or Interest-bearing Fund).

2. Various kinds of deposits.
3. Loans from outside.

The Hōtoku-kin is a fund peculiar to the Hōtokusha and must be clearly distinguished from the share-capital of the modern credit society. The idea of the fund is that members should contribute to the Hōtokusha a certain percentage of the products of their labour, saved by thrift, for the purpose of carrying on co-operatively the work of "returning good for good"—the final goal of the society. This fund is subdivided into two sections, viz. the Dodai-kin and the Zenshu-kin, one differing in nature from the other.

A. *The Dodai-kin* (Foundation Fund).

The Dodai-kin is built up from the following sources :—

1. Compulsory contributions of individual members of the Federation, of unit societies and also of individual members of the third type (see preceding section) on enrolment as members of the Federation, and in the case of unit societies, also from thence onward, as already explained, i.e. in the case of individual members of the Federation Y5, in the case of unit societies, 5 *rin* (10 *rin* =1 farthing) per member per month, and in the last case, Y2 on enrolment or Y2·40 by ten yearly instalments.

2. Various voluntary contributions, viz. of individual members of the federation and all other voluntary supporters and patrons inside and outside of the movement. It must be noted in this connection that in the year of 1915, His Majesty the Mikado contributed Y5,000 to this fund of the Dai-Nippon-Hōtokusha for the purpose of encouraging its work. Further, the Federation received Y1,500 from Mr. Tanzan, one of the leaders of the movement.

3. Various profits and miscellaneous sources of income. As the Hotokusha aims at promoting the direct and general interest of members rather than distribute dividends among members, all net profits go to make up this Dodai-kin, i.e. the sum total of interest on loans granted to members and "thank-offerings" (virtually a category of interest) con-

tributed by members for loans, and various sources of revenue from the Federation's property, minus interest on the Zenshu-kin and other deposits and various running expenses.

It must be borne in mind that this fund is the absolute property of the Hōtokusha and a member cannot lay claim to it individually, but this fund, according to the rules of the Dai-Nippon-Hōtokusha (Clause 11), must be used only for the following purposes of general welfare:

1. As a part of the Dodai-kin of unit societies.
2. For giving monetary rewards to members of all three types.
3. For supplementing a fund in unit societies for encouragement of members' business.
4. For various charitable purposes.
5. For educational purposes.
6. For the distress relief fund.
7. For propaganda.
8. For covering possible losses of the Federation.
9. For meeting the working and incidental expenses of the Federation.

Further, it is provided (Clause 58 of the Dai-Nippon-Hōtokusha), that when the Federation is dissolved, the Dodai-kin is to be offered, by the consent of the general meeting, to the Ninomiya Shrine, or to other undertakings which have objects similar to those of the Hōtokusha.*

* Eduard Jacob, in his *Volkswirtschaftliche Theorie der Genossenschaften* (p. 81) says, that Raiffeisen, as is well known, was opposed to individual members holding shares in a co-operative credit society. His object was to form an indivisible reserve fund (called Stiftungsfond), which was the common property of such society, and which on liquidation was held in trust by some other sound institution, until the formation of a new *Darlehnkassenverein* (a loan society), operating over the same or approximately the same area. As Hugenberg, in his *Bank-und Kreditwirtschaft des deutschen Mittelstands* (p. 37), points out, the Foundation Fund was designed, to a certain extent, to restore the distributed common village-property with all its advantages to village life. Further, he says that a loan society is the economic unit of the village, which is thought out as quite independent of the will of the individual. Just as, according to the true peasant conception, the farm, the family, not the peasant himself, is the subject, just so the society, the village and not the members of the society, is the subject. Here lies, without doubt, psychologically the profoundest and most correct conception of agricultural co-operation, as distinguished from urban co-operation, where the society is a means of promoting the ever-changing acquisitive and economic interests of individual members. . . . In order to accommodate the peculiar character of this Foundation Fund, the German Co-operative Law has

At the end of 1919 the Dodai-kin of the Dai-Nippon-Hōtokusha amounted to Y43,700, and that of 503 constituent societies to Y261,145.

B. *The Zenshu-kin* (Seed of Goodness or Interest-bearing Fund).

The Zenshu-kin, another fund peculiar to the Hōtokusha, which is a more important source of its means, differs from the Dodai-kin in that, whereas the latter constitutes, from the point of view of the contributors, an absolute and unredeemable fund, the Zenshu-kin is a form of deposit fund which bears interest (in the case of the Dai-Nippon-Hōtokusha, 4 per cent per annum).* This fund is formed of the compulsory contributions of members on enrolment, viz. one share (Y10) in the case of the first type of member, and over 1 *sen* (about a farthing) monthly per member in the case of unit societies. Further, members (of the first and third type) may make voluntary contributions to this fund, according to their means.

When such contributions, or deposits, either compulsory or voluntary, are made, the Federation gives a certificate called Eian-shōken† (meaning, Ever-secure Certificate), one certificate per Y10, and when such contributions or deposits reach Y100 or ten certificates, the Federation pays out to such a depositor Y50, i.e. half the sum already accumulated, the other half being retained by the society for ever. Such half-payment by the Federation is named Zenpōkin (Reward for Virtue-Money). A like proportion may be paid out every time that the members' further deposits again

provided special clauses (e.g. § 20, § 91, section 3, § 92), whereas in Japan, as I have pointed out already, no such provision exists in the Co-operative Law (cf. Civil Law Code, § 172, to which the Hōtokusha societies are subject).

* This rate of interest can be altered by resolution at a general meeting (Clause 19 of the rules of the Federation).

† As may be seen, a unit society as such holds these certificates, and at the same time, the unit society issues its own certificates for like deposits by its members. According to the model rules of the Dai-Nippon-Hōtokusha one deposit account of the unit society's Zenshu-kin is Y50 paid in in instalments of 10 *sen* monthly, and when such monthly deposits reach this sum (Y50), Y10 of Zenpōkin is paid out. Members may have more than one Zenshu-kin account and draw interest independently from each, but just as in the Federation no one account may be held by more than one person. This fund bears interest at the rate of 5 per cent.

reach Y100, counting Y50 still in hand. In short, this fund may be classified as a kind of savings deposits fund, the striking difference between it and savings deposits proper being, that in this special deposit fund (Zenshu-kin) only half the original sum is returned to a depositor. Further, it differs from the ordinary deposits in the following points:—

1. As half the original sum, viz. Y50, is retained by the Federation for ever, a depositor has no right to reclaim it, apart from the interest accruing from it, even when leaving the Federation.

2. The Eian-shōken, or the certificate representing such deposit, cannot be sold or offered as security for borrowing money. Nor is it transferable to any one, excepting the heir of the original holder, or his children. The idea is to hand down the interest-bearing certificate to posterity for generation after generation; and thus a holder of such certificate, who has at one time been a member of the Hōtokusha, may derive an everlasting benefit, even after he has left the society. Hence the name of Eian-shōken or Ever-secure Certificate.

It is surprising to find that in 1919, despite such a restrictive provision, such deposits of the Federation amounted to Y324,197,* whereas other deposits only totalled Y91,339. "Here lies" (so maintains one of the advocates of the Hōtokusha in justification) "the strength of our (Hōtokusha) system."

This is really not at all an idle boast, for when we realize that such a vast amount of the Dodai-kin and Zenshu-kin funds of the Federation and its constituent societies are mostly accumulated not in lump sums,† but by collecting the infinitesimally small contributions of members, the real strength of the Hōtokusha, which is indeed so widespread and deep-rooted among the peasant class, will be lucidly brought home to our minds. Let us take actual figures to

* The aggregate amount of Zenshu-kin of 500 unit societies of the Dai-Nippon-Hōtokusha in 1919 was Y800,893 against Y407,520 of ordinary deposits.

† There have been up to now three fairly large contributions to these funds, viz. His Majesty's contribution (Y5,000), Mr. Tanzan's (Y1,500) to the Dodai-kin and the present President of the Federation, Mr. Okada's contribution (Y25,000).

prove this fact. According to Mr. Hashimoto's investigation in 1918, 372 unit societies of the Dai-Nippon-Hōtokusha contributed Y1,141 to the Dodai-kin of the Federation. The average of one unit society was Y3·67 per annum and 30 *sen* per mensum. Further, he adds, that the majority of the societies' annual contributions ranged from Y1 to Y2, and contributions exceeding Y7 are of very rare occurrence. The same applied to the Zenshu-kin, and yet Eian-shōken issued for such fund reached nearly Y270,000 at the end of 1918.

These two funds, viz. Dodai-kin and Zenshu-kin, form the principal working capital and reserve fund of the Federation, and so long as the Hōtokusha's scope of business remains as it is to-day, these funds, apparently, are sufficient in themselves. However, in order to supplement the loan fund from time to time, and further in order to give members access to more or less free deposits, without such conservative and restrictive provisions as attached to the Zenshu-kin, ordinary savings deposits, as in modern credit societies, have been also instituted under various titles both in the Federation and unit societies of the Dai-Nippon-Hōtokusha.

As these deposits* at present occupy only a position of minor importance as compared to the Zenshu-kin and the mode of its operation is just the same as for ordinary deposits, I shall here only mention the principal names given to such deposits.

1. Kanyūkin, i.e. deposits of members for providing productive capital or providing against future emergencies.

2. Kōgyō-shikin (Industrial Fund), i.e. deposits made by members for similar purposes as above mentioned.

3. Children's Fund. This is a deposit for providing educational expenses for members' children.

4. Various other deposits.

We must remember in this connection that the Hōtokusha accepts deposits only from members.

* In 1919 such deposits in the Federation and 506 constituent societies of the Dai-Nippon-Hōtokusha amounted to Y18,728 and Y407,520 respectively, as against Y324,197 of the Zenshu-kin in the case of the former and Y800,893 in the latter.

Sometimes money may be borrowed from outside for supplementing the working funds, but in reality there seems to be little necessity at present for such loans, as the Hōtokusha's own capital and deposits are large enough to meet its ordinary business requirements. This may be more especially applied to the Federation than to the constituent societies (taken as a whole).

At the end of 1919 the various funds of the Dai-Nippon-Hōtokusha showed the following figures :—

His Majesty the Mikado's monetary gift to the Dodai-kin	Y6,208·53
Mr. Tanzan's monetary gift to the Dodai-kin	1,500·00
Special monetary gift to the Dodai-kin	4,252·55
The general Dodai-kin	31,739·16
Mr. Okada's contribution to the Zenshu-kin	25,088·05
Eian-shōken	296,544·97
Zenshu-kin	2,564·28
Industrial fund (deposit)	12,413·34
Children's fund (deposit)	1,408·02
Kanyūkin (deposit)	1,062·84
Deposits from Unit Societies	1,114·18
Maintenance fund of statues of the three late leaders	119·85
Maintenance fund of the Tōshō-shrine	432·20
"Mannin-kō" (Mujin)	797·26
Kanyūkin from Enjosha	80·—
Warehouse-building fund	1,300·—
Various temporary deposits	60·30
	Y386,685·53

To what uses are the various funds of the Hōtokusha put, and how are the various activities of the Hōtokusha financed? I will answer these questions by giving actual figures.

In the preceding paragraphs, I explained by quoting from the rules of the Dai-Nippon-Hōtokusha, that the Dodai-kin is principally used for meeting various expenses: for covering possible losses; for providing a Dodai-kin for newly formed unit societies; for helping unit societies in various activities; and for other social, educational, and propaganda purposes.

Firstly, in 1919, Y78 was handed over to newly formed unit societies (16 in number) to start their Dodai-kin (i.e. their Foundation Fund).*

Secondly, the following items of expense were met from this fund :—

(*a*) Y8,132·77 for working expenses.
(*b*) Y1,747·46 for incidental expenses.
(*c*) Y289·15 for reunion of members.

Working expenses included the expenses of three lecture halls in Hamamatsu, Mitsuke and Kakegawa, and those of seven branch offices ; salaries ; travelling expenses of some of the officials ; taxes ; expenses for *Hōtoku no Tomo* (Friends of Hōtoku—the monthly journal of the Federation), and other miscellaneous expenses. Incidental expenses included various contributions to the Ninomiya Shrine ; the repairing of roads ; the provision of libraries and circulating book-boxes, death benefits to officials, etc. Item (*c*) included expenses for holding general meetings, grand lecture meetings, and women's associations, etc.

The total of the above-mentioned expenses, together with other minor items in 1919, amounted to Y10,308.

In spite of the fact that a fairly large sum is expended from this fund (Dodai-kin), yet owing to the steady and faithful contribution of members and patrons on the one hand, and on the other hand, on account of the large net profit accruing from loans and other investments, being paid into this fund, the Dodai-kin is on the increase steadily year by year.

It must be noted that the Dodai-kin, after deducting various items of expenditure mentioned above (that is, Y10,308 for 1919) is not left lying idle, but is invested in various ways, together with the Zenshu-kin† and other deposits.

* This giving of a sum to each new society as a Dodai-kin, is in imitation of Ninomiya Sontoku, who, as an encouragement, gave small sums to newly-established Hōtokushas (*see* pp. 39–40), and it is to keep alive this spirit that this practice is still observed by the federation.

† Clause 12 of the rules of the Dai-Nippon-Hōtokusha, runs as follows :—
"The balance of the Dodai-kin, after paying out the various expenses of the Federation, may be used in the same way as the Zenshu-kin."

The foregoing remarks naturally lead me to a description as to how the Zenshu-kin is applied; for the balance of the Dodai-kin and the total of the various deposits other than the Zenshu-kin (cf. Clause 25 of the rules of the Dai-Nippon-Hōtokusha) are treated in the same way as the Zenshu-kin.

Now, how are these investment funds, comprising the three funds above-mentioned, invested? The principal forms of investment are as follows:—

1. Loans to individual members of the Federation and unit societies.

2. Investments in various negotiable instruments (bonds, debentures, shares, etc.).

3. Deposits in outside concerns (including commercial banks) and other investments.

Therefore, the function of the Hōtokusha as a credit society proper, is fulfilled by means of these invested funds, on the business-like utilization of which depends the material prosperity of the Hōtokusha, and this business-like utilization of funds is the basis for the fulfilment of the final mission of the movement; for its moral and ethical mission can be effected only on a solid foundation of material progress, secured by sound business.

1. Loans to Members.

Loans are granted to members only, and the use such loans may be put to is rigidly provided for (Clause 15 of the Federation) in the rules of the societies, i.e. they must be used for:—

1. The breaking up of new fields; afforestation; repair of roads and dikes; betterment of the irrigation system; adjustment of fields*; restoration of ruined districts and repayment of old debts.

2. Relief of the poor and those in distress.

3. Furnishing members with the capital necessary for agriculture, industry, commerce and fishery.

* The term, "the Adjustment of Fields," used here and throughout this book is the literal translation of the Japanese words, "Kōchi-seiri." Mr. R. Scott describes in his *The Foundations of Japan* (p. 71) the method of adjustment of paddy-fields and says, it was found to be "uneconomical and out of date for the farmers to work a number of oddly-shaped bits of land scattered all about the villages and the farmers were persuaded to throw

No person who has not yet been a member for three years is entitled to a loan. However, when a new member happens to be extremely poor or in exceptional distress, a loan may be granted to him.

In such cases, that is, for the relief of the poor, a loan is granted without interest and is repayable in yearly instalments (usually five yearly instalments); or sometimes loans may be granted, although no interest is charged, on the condition that, what may be termed "thank-offering money" should be paid in for a certain period, after the repayment of the debt is completed (in the manner above stated). This form of loan without interest, peculiar to the Hōtokusha, therefore really results, as the reader will notice, in the payment of a very high rate of interest indeed. However, except in some of the very conservative federations of Hōtokushas such an out-of-date form of granting loans is practically non-existent at present. There was in 1919 only one case of such a loan outstanding on the list of loans in the Dai-Nippon-Hōtokusha.

However, in the case of unit societies even of the Dai-Nippon-Hōtokusha, this form is fairly prevalent, for example, in the Horikoshi Society, in 1920, fresh advances under this heading amounted to Y679 (loans ranging between Y60–100) and outstanding loans to Y1,467.

Another traditional form of loan, viz., the Shōyo-gashi, or the praise-loan, still survives in some unit societies. Such loans are advanced by the society to members, who were considered to have proved themselves worthy of special encouragement, and are granted on a vote of all the members and are repayable in yearly instalments without interest. There may be one or more candidates coming into

their varied assortment of fields into hotchpot and then have the mass cut up into oblong fields of equal or relative sizes; these were then shared out according to what each man had contributed. . . ." However, the foregoing is only the primary sense, in which the term is used, since the societies bearing this title (Kōchiseiri-Kumiai) include, among others, the following objects: Transfer of land, separating and joining up of pieces of land; reclaiming of waste land; changing the use of land; moving of landmarks; the artificial alteration of the soil qualities; draining and reclamation of lakes and coast land; building, altering and removing of roads, dikes, ditches, and reservoirs, and carrying out other necessary drainage and irrigation.

consideration for such loans, according to the amount of money available for this purpose.

Most of the loans are at present granted in the same manner as in the case of credit societies proper, viz. at a certain fixed rate of interest, and are repayable at a certain fixed date, or by yearly instalments. The term of such loans is usually as long as in the case of the Raiffeisen societies, i.e. when loans are repayable in yearly instalments, ten years, and sometimes even fifteen years (when these are loans to unit societies); short-term loans are usually repayable at a certain fixed date, the term being about two years. Securities required are of two kinds: either sureties or material securities. There may be one or two sureties according to the amount and the nature of the loan; material security must either be fields (rice-fields and others) or sound negotiable instruments, such as bonds, debentures and shares. The maximum amount of a loan is set down by the rules to be Y5,000 per member.

As to details of these loans actually granted both to individual members and unit societies, the report of the Federation furnishes little material; from this material all I can gather is that in 1919 the Federation granted to individual members loans amounting to Y14,950, and to unit societies Y10,600, and one loan of Y100, repayable with "thank-offering money," and further, that the outstanding balances of loans of the three categories were Y48,257, Y45,543 and Y100 respectively.

Therefore, I will now proceed to give some details of the *modus operandi* current in some of the larger unit societies, and thus an idea will be gleaned of how the business of granting loans is carried on by the Federation, for the latter, on the whole, is only an enlarged counterpart of the unit societies; and, at the same time, the reader will obtain an insight into the working of these unit societies.

In these unit societies, loans are granted principally for the following purposes, either repayable by yearly instalments or at a certain fixed date, and further, they are sometimes repayable without interest, but with thank-offering money, as before mentioned:—

1. The repayment of old debts.
2. The breaking up of barren land.
3. Purchase of land and agricultural implements, fertilizer and young plants.
4. The reorganization of household economy.
5. The capital necessary for members' various business pursuits, etc.
6. In a few instances, for private expenditure.

The rate of interest ranges between 6 per cent and 8 per cent per annum. I will presently point out that this rate is far cheaper than the rate of interest current in Japanese credit societies proper, where the normal rate of interest, as we shall see, is 8 per cent to 12 per cent per annum. However, some Hōtokushas charge as much as 11 per cent, as in the case of credit societies proper.

This comparatively low rate of interest in most societies is manifestly due to the fact that the Hōtokusha, instead of aiming at increasing the net profit of the society, and thus enabling it to distribute a high dividend on shares, aims at promoting the direct interest of members, as for example by means of loans at low rates of interest.

The actual amount granted to members varies from society to society, and according to the diversity of objects for which such loans are granted. For example, in the case of the Takemuki Society, in 1918 loans repayable by yearly instalments granted, ranged from Y5 to Y150, and those repayable at a certain fixed date, ranged from Y15 to Y1,000. I wish to point out here that in this particular society, as well as in some other societies, a large sum (in this case Y1,000) is usually granted to a body of members, such as "a committee for the co-operative purchase of manure, or a committee for adjustment of fields," etc. Most of the loans are granted in small amounts such as Y10 to Y30, and in some societies, loans are mostly being granted in such small amounts as Y2, Y6, etc. The term for repayment is as much as five years, and, in some instances, even ten years. The reports of these societies do not give us many details on this and several other points.

In these unit societies, the loan fund is mainly made up of the Zenshu-kin, which fund, for example, in the particular society already mentioned, in 1918 amounted to Y5,000, half the total of the society's funds for that same year. However, we must not consider that the total amount of the Zenshu-kin is applied to loans; for a fairly large amount (Y3,000) is invested in bonds and shares, and such investments seem to loom very large in the programme of the Hōtokushas in general. Therefore, this fund, as in the case of the Federation itself, is supplemented by the Dodai-kin, and various other deposits, and also by money borrowed from various sources. Such moneys are, in some cases, drawn from the Federation, in others, from the credit society in which the unit Hōtokusha has a share (as is mostly the case), and further from ordinary banks and individuals, who voluntarily offer to lend money to the society without interest.

In this connection, mention must be made of an interesting custom: in some unit societies there is what may be termed a "rice-fund," which is handled in a similar manner to the Hōtoku-kin; that is to say, such rice-fund is accumulated as Hōtoku-rice or Gratitude-rice, and loans in kind are granted to members, who in turn pay interest also in kind. Of course, a part of this fund is used for meals at social gatherings of members, and sometimes this rice is sold for cash.

Further, the Mujin is to be found surviving in the Hōtokusha, which is supposed to have evolved from the former, under various names, such as the "Hōtoku-kō," or "Fertilizer-kō," etc., according to the diversity of objects for which such Mujins are formed.

So far digressing from the main line of my treatise, I have explained the credit business in unit societies, in order to throw light on the same business in the *federation*. It is well here to remind the reader that, from the foregoing details as to the credit business of unit societies, he should not hastily conclude that such business occupies an important place in the programme of unit societies. For out of a total of about 503 constituent societies of the Federation

in question, 100 societies confined themselves entirely to the holding of lectures and other spiritual and propaganda functions of the movement, and further, the amount of the credit business done by the remainder of these societies (i.e. about 400) is extremely small. The total amount of outstanding loans in these 400 societies at the end of 1919 was Y540,874, which, when averaged out among the total number of 400 unit societies, makes only a poor figure. Some societies had outstanding loans of only Y20 and Y30 and those which had outstanding loans of over Y1,000 were only about 120 in number.

2. Investment in Bonds and Shares, etc.

This form of investment appears to be greatly emphasized both in the Federation and its constituent societies and, in reality, it is the biggest channel through which the bulk of the profits of the Hōtokushas flows in. For example, in 1919, the total investments of the Federation's funds in Home and Foreign Government bonds and in the shares of various commercial banks, etc., totalled about Y220,000, i.e. twice as much as the sum total of loans outstanding to members, viz. Y93,900, and the sum total of interest and dividends accruing from these investments reached Y12,000.

In 1919, the total amount of such investments of 503 constituent societies of the Dai-Nippon-Hōtokusha was Y270,533.

3. Deposits in outside Concerns and other Investments.

A portion of the funds of the Federation may be deposited in outside banks or other outside concerns, or may be sunk in land or houses. In 1919, such deposits of the Federation amounted to about Y70,000, but no investment was made in land or houses. However, the aggregate amount of such deposits of constituent societies for the same year was about Y600,000, and the investments in land and houses totalled Y109,559.

In 1919 the gross profits realized from these various investments; i.e. interest on bonds and debentures, dividends on shares, interest on loans granted to members,

etc., amounted to Y22,703·48. Deducting from this figure interest on the Zenshu-kin, Eian-shōken, and various other deposits, etc., which totalled in 1919 Y12,574·13, the Federation realized a net profit of Y10,129·35, the whole of which was paid into the Dodai-kin (Foundation Fund).* As the net profit, instead of being divided among members, is paid into the Dodai-kin, the interests of members are promoted indirectly, yet most effectively, by means of loans at a cheaper rate of interest, deposits at a higher rate of interest, and further, the benefits arising from co-operative marketing and purchase, and above all, the elevation of character and morality, which is consciously fostered through lecture-meetings and other social and educational work of the Hōtokusha, and which is indeed the most important part in the whole movement. As has been often pointed out, this mode of carrying on business, especially as regards dividends, exactly corresponds to that of the Raiffeisen Credit Societies. At the same time, leaving on one side the material success of the Hōtokusha, which is equally remarkable, modern credit societies have much to learn from the spirit in which the Hōtokusha carries out its widespread functions.

(iv.) The Management of the Hōtokusha.

From the very outset, when the disciples and followers of Sonotoku organized the Hōtokusha, on a very modest scale, in order to realize Sontoku's Co-operative ideal, until to-day when the whole system has such elaborate machinery as we have seen, the guiding principle of the control and management has always been the same, i.e. the co-operative and democratic idea. If anyone, judging from the mere fact that the various titles given to the managing and supervising body of the present Federation and its constituent societies, are the same as in the modern credit society, should imagine that the management of the Hōtokusha

* The reader will have seen from the foregoing analysis the prosperous condition of the Federation, and that its position has hardly a rival even among the federations of Credit Societies in Japan. The average figure for the latter (97 in number) for the year 1918 shows profit to work out at Y1,748 per federation.

is a mere imitation of an alien form of Co-operation, he is manifestly making a big mistake. True, besides its own peculiarities, most of the titles of officials of the Hōtokusha at present—perhaps because the former stands under the Civil Law Code—have the same constitution as modern credit societies. However, we are not so much concerned with their outward forms and titles as their underlying principle and spirit. Here, again, we find a close kinship of principle between the Hōtokusha and the Raiffeisen societies, i.e. on the point that both insist on posts of officials in general being honorary, viz. unpaid.

First, we shall examine how the Federation is managed and supervised. The managing and supervising body consists of the following officials: three directors (one President and two Vice-Presidents), twenty-one Bemmu (really a kind of director) and three auditors.

All these officials are elected from among *individual* members of the Federation (under category 1), by ballot, for the term of four years, in the case of directors and Bemmu, and of two years in the case of auditors, at the expiration of which term another election takes place at the ordinary general meetings. However, by-elections may be carried on at extraordinary general meetings.

The President has general control of the Federation, the Vice-Presidents assist the President in this duty, and further, they are responsible for both the spiritual propaganda and the financial affairs of the Federation. At present, this Federation is presided over by Mr. R. Okada, as President, and Mr. I. Yamada and Mr. K. Washiyama as Vice-Presidents. It must be noted that these three are the governing spirits of the movement, who, because of their high moral character, fully deserve the great responsibility with which they are invested. It may be asserted that one of the chief sources of strength lies in having such spiritual leaders as those mentioned above, and Mr. R. Okada is a son of the Mr. Okada who, as an original disciple of Sontoku, was one of the pioneers of the first Hōtokusha formed.

The Bemmu, in spite of the peculiarity of their title, are another form of directors who, in turn, elect from among

their number (twenty-one) a managing committee of five. This committee attends to the daily business routine, including finance. In view of the vast dimensions of the business of the Federation, it is quite necessary to have such a large staff of directors; however, it appears to me that the real reason for such a large number of Bemmu is the wish to give posts of honour to such as have deserved distinction on account of unselfish and public-spirited work (a system of reward not by any means confined to Japan !).

The function of the auditors hardly needs any explanation; it is, as in the credit society or the joint stock company, to supervise the financial and all other affairs of the Federation.

Under the supervision of the above-mentioned officials many clerks are employed for the routine business of the Federation, and further, those persons who have rendered valuable services to the Federation, or who have been proved to possess a high standard of morality, are recommended, by the decision of the general meeting, to become members of the Advisory Council. Also from among such persons who are recognized to be deserving of honour, or who are well acquainted with the teachings of Sontoku, the President and Vice-Presidents, by mutual consent, appoint some to be honorary teachers or lecturers of "Sontokuism," or sometimes ask some of them to become members of the Propaganda Committee.

As *expressly* provided by the rules of the Federation, *all* posts, excepting those of some officials, lecturers and clerks, who are in the full-time employ of the Federation, are honorary. This is the point on which the Hōtokusha lays great stress (as in the case of the Raiffeisen societies) as one of its most important traditions.*

These full-time workers, both as lecturers and as members

* The following passage occurs in *A Peasant Sage of Japan*, (p. 193–4) that when being asked, by a chief retainer of the Shimodate district, how he could reform the district, in accordance with his methods, he (Sontoku) replied :—" You must *resign your salary*, confessing that the whole distress of the district and of your lord's house is due to your mismanagement of affairs, and expressing your desire to atone for your fault in this manner by adding the whole of your salary to the reform fund, and by devoting all your time and energy to the work of reform. The other retainers can then make no objection to some reduction in their salaries, and some

of the Propaganda Committee, are necessary for such a spiritual union as the Hōtokusha. No similar posts of such a well-defined character are to be found in the Japanese credit societies themselves. However, these functionaries correspond to the Education Committee in the British co-operative stores* and to similar committees in the Japanese Co-operative Union.

The general meetings, by means of which members may have a voice in the management of the Federation, as in other concerns, are subdivided into two meetings, i.e. the ordinary general meeting which is convened in January every year, for receiving reports of the state of affairs, and also for criticizing the budget for the coming year, and the extraordinary general meeting which is convened when amendments in the rules of the Federation may become necessary, or to discuss any problems that may arise, or when the President considers it necessary to convene such a meeting. The ordinary general meeting may be held if there is a minimum attendance of fifty members, and questions are decided by the majority vote. However, when members meet for any amendment of the rules, the presence of four-fifths of the total membership is necessary, and any such issues are decided by a majority of two-thirds. In both cases (i.e. at the ordinary, and also at the extraordinary general meeting), members can vote only personally or by proxy, not through the agency of non-members.

It seems to the author that the characteristic features of this spiritual and democratic union are not so clearly to be observed at the general meeting, as at special lecture-meetings, which I shall presently describe. That the general meetings of the Federation, like those in other democratic

will even follow your example, thinking it not right that they should receive any payment while the chief retainer is receiving nothing. They will bear hardships willingly, and their wives as well will submit to the changed circumstances for the sake of the community. Blame yourself and not others and you will accomplish mighty things; but try to persuade by arguments alone and the dissatisfaction of your associates will grow, the difficulties of your lord increase and all your efforts be in vain."

* See *The Consumers' Co-operative Movement*, by S. and B. Webb, 1921, pp. 36 and on.

organizations in Japan, are mere formal meetings for adopting directors' reports or for passing various resolutions, may be seen from the fact that only fifty members out of the total number of 2,028 are required as a quorum for holding such meetings.

The characteristics of the Hōtokusha as a spiritual union are most vividly expressed in monthly lecture-meetings, which are held at three lecture-halls, of which mention has already been made, and at various branch offices of the Federation. At these lecture-meetings or Jōkai (meaning ordinary meetings) as they are called, all members of the Federation (of all three types) meet together for lectures on Sontoku's teachings, and on other topics of an ethical nature, and also on practical methods of business. However, just as in the Raiffeisen Societies, discussions of political and religious topics are strictly prohibited. The importance of these lecture-meetings may be gathered from the attitude of the Federation, and of the members towards same. To them such a day is "an occasion of Sontoku worship, a day for the cultivation of character, a day for recounting good deeds of members, a day for weighing the thrift of members, a day for carrying on the Federation's business, a day for settling accounts, a day for mutual consultation!" *

It will be interesting to describe how this meeting is actually held:—

"In the centre of the wall, or in the specially-made alcove above the platform, a 'Kakemono' (picture) of the Sun Goddess of Japan is placed; on the left there is a portrait of Great Ninomiya Sontoku; and on the right of it a printed catechism of Sontoku's teachings. In front of these are a libation (wine offered to the gods) and an oblation (other offerings to gods). The lecture-hall is made spotlessly clean, and all the audience must pay their respect by bowing to these pictures before taking their seats." †

Meetings are usually opened by reading out the Emperor's Rescript and the printed catechism of Sontoku's

* *Hōtokusha Keieihō Yōryō* (The Gist of the Methods of Management of the Hōtokusha), issued by the Dai-Nippon-Hōtokusha, p. 11.

† *Dai-Nippon-Hōtokusha Tsūsoku* (The General Rules of the Dai-Nippon-Hōtokusha).

teachings, which latter the audience usually recite word for word in unison with the reader. Describing his experience at one of these meetings, Mr. Hashimoto says, " The atmosphere and the whole tone of the meeting impressed me with its sublimity and augustness, in the same way as one is awed by a service at a Christian Church, or at some other religious meeting." Here is an extract from the report of the Dai-Nippon-Hōtokusha for 1919, showing fairly good results of attendance at these lecture-meetings, where we must remember that non-members, as well as members, are invited from far and wide.

Lecture Halls.	Meetings held per year.	Total No. of attendance.	Monthly average of attendance.	No. of lecturers.	Monthly average of lecturers.
The first hall (Hamamatsu) .	12	1,358	113	67	6
The second hall (Mitsuke) .	12	1,967	164	54	4
The third hall (Kakegawa) .	12	2,625	219	66	6
Kawasaki Branch Office . .	12	2,453	204	53	4
Maejima " " . .	12	924	77	40	3
Jōka " " . .	10	356	35	19	2
Tosan " " . .	10	285	29	21	2
Minamiyama " " . .	12	1,612	134	44	4
Nakagōri " " . .	10	120	12	15	2
Nanshin " " . .	2	150	75	2	1
Total . . .	104	11,850	1,062	381	34

In this connection mention must be made that grand reunions of members, grand lecture-meetings, summer schools, and grand " Hōtoku " women's meetings are arranged from time to time, which figure among the most important functions of the Federation.

The constitution of officials in the Federation may be applied *in toto* to that of constituent societies, with but slight differences regarding the number and term of office of all the officials in the latter.* (See *Model Rules of the*

* For example, the Takemuki Society had one president, two vice-presidents, eight Bemmu and three auditors.

Constituent Societies, issued by the Dai-Nippon-Hōtokusha.)

Mention has already been made that the Dai-Nippon-Hōtokusha exercises a general control over its constituent societies (about 600 in number) in all their activities, which latter have to send in to the former annual reports for approval, and by this and other means, supervision of constituent societies is effected. (For details see *The Rules of the Federation,* issued by the Dai-Nippon-Hōtokusha.)

Further, in order to facilitate such supervision, a county or *gun* (a component administrative unit of a prefecture), is sub-divided into several districts, and overseers over each district are elected from among members of unit societies (including their presidents) and members of the Federation for the term of four years. The duty of such overseers and the methods of their inspection are described in detail in the by-laws of the Federation (issued by the Dai-Nippon-Hōtokusha).

§ 4. The Achievements and the Future of the Hōtokusha.

Taking the Dai-Nippon-Hōtokusha as an example, I have shown the reader how the Hōtokusha, from its modest origin, has attained its present remarkable success. Indeed, it is unique, and is one of the most successful rural organizations in Japan, demonstrating the educational value of the spirit of self-government. This success is doubtless due to the fact that this movement as a whole is inspired by a lofty and altruistic spirit, which is sadly lacking in co-operative credit societies proper, as we shall presently see.

The beneficial effects of this movement are most manifest in Shizuoka Prefecture. The remarkable development here of agriculture owes much to the inspiration of the Hōtokusha. Tea and orange culture, which now constitute the principal sources of the prosperity of this prefecture, are said to be the result of the untiring efforts of the pioneers of the movement. In this prefecture one will find a number of villages, the general tone of which is quite different to that of villages in other parts of the country. The most noteworthy of these is Inatori-village, the fame of which,

as a model village, has spread throughout Japan. According to the personal investigation of Mr. Hashimoto, the local government in this prefecture is much more successful than that of other prefectures. The strong influence of the movement is even extended to the co-operative credit societies proper, which are in one sense a rival movement. We must remember that Shizuoka Prefecture, where the Hōtokusha is most prosperous, is also the stronghold of the *modern* Co-operative Movement, and credit societies here have a strongly ethical character, which is not the case with those in other parts of the country. Thus, one could enumerate *ad infinitum* the economic and moral effects of this movement in this prefecture, in Kanagawa, in Aichi, and in many other prefectures where the movement is growing appreciably.

Notwithstanding the success which has attended the Hōtokusha, there remains much to be done in order to bring about a realization of its final mission, by improving its internal organization and the intercommunication between the federation and the unit societies, as well as between federation and federation. Among reforms that seem highly desirable, the following points have particularly struck the author.

1. The necessity of promoting unit societies on a more solid material basis.

2. The establishment of a harmonious combination of the Hōtokusha Movement as a whole.

3. A more intimate relationship to the credit society proper.

As often mentioned, unit societies should in the future be promoted much more on a solid material basis, as above stated. This is especially desirable in the case of unit societies belonging to the more conservative federations, which endeavour to observe Sontoku's principles in their original form. Among their vast programme, the points on which great stress is laid, as we have seen, are lecture-meetings, and the granting of death and sick benefits (a feature of Friendly Societies), rewarding of the deserving, fostering of morality among peasantry, co-operative work

towards improving agriculture, the repair of roads, care of shrines (also the functions either of Agricultural Societies or of Young Men's Associations) and other work of a public or a benevolent nature. (For details see reports of the Dai-Nippon-Hōtokusha.) However, such co-operative business as is carried on by the modern co-operative society, finds merely a subsidiary position in their programme. The following business is only carried on by a very small number of unit societies, and by these on an exceedingly small scale.

1. Granting of loans to members.
2. Receiving deposits from members and not from non-members.
3. Co-operative purchase of seeds, young plants, agricultural implements, and also of domestic requirements.
4. Co-operative marketing of members' products.
5. Various co-operative activities, such as drying of cocoons and afforestation.

Although the primary *raison d'être* of the Hōtokusha lies, of course, in its spiritual and ethical mission, yet its further extension on the material side would not only not undermine its existence but, on the contrary, such material progressiveness would actually strengthen the foundation on which this spiritual union of the Hōtokusha is based.

As the present Federation (the Dai-Nippon-Hōtokusha) possesses ample funds, there is no reason why it should not turn its attention in the direction I have suggested. The words of warning uttered by Mr. Crosthwaite to the Raiffeisen banks or other organizations of similar nature, may be aptly quoted here as a suggestion to our Hōtokushas, especially to the more conservative ones.

"The moral enthusiast, blinded by the refulgence of his ideals, is apt to be impatient in his haste to reach the Promised Land. His head is amongst the stars, while his feet are stumbling in the gutter; and there will always be people vulgar enough to take advantage of him. But if the moral enthusiast is wise he will build up his scheme of reform on the solid foundation of material progress secured by sound business.*

* *Co-operative Studies and the Central Provinces System*, by H. R. Crosthwaite, 1916, p. xi.

One of the greatest obstacles that stands in the way of the further progress of the Hōtokusha Movement, is that the movement is split up into two sects, the conservative and the progressive; the former maintaining that the "progressive" plan of the latter is manifestly against Sontoku's ideals, look askance at the Dai-Nippon-Hōtokusha and other progressive federations. This divergence of opinion has retarded the fusion of the whole Hōtokusha Movement and hindered concerted and harmonious action towards the common goal. The Hōtokusha was the product of feudalism and should naturally be modified when applied in the changed surroundings that we find to-day. The conservative ones, such as the Enjōsha and Hōhonsha, abandoning their unquestioning faithfulness to Sontoku, and the narrow patriotism to their own sects, should follow the example of the Dai-Nippon-Hōtokusha, and endeavour to realize their final goal in an harmonious combination of all federations and of their constituent societies. This plan of fusion, far from departing from the master's ideal, is the most effective way of realizing the cherished dream of Sontoku, who himself once said that, "It is a sage's idea to take elastic measures according to the time and people. If you had applied modern methods of government in olden times, people would only have wondered and would not have obeyed, and so in like manner, if you govern people to-day on the old principles, it would not at all be effective."

It is satisfactory to note that seventy-eight unit Hōtokushas of different sects in Kanagawa Prefecture have recently organized a federation. The object of this Federation is to hold an annual congress, and to promote the education of the future staffs of the Hōtokusha. If all the Hōtokushas in Japan would unite in this manner and form a Central Federation, the movement would be sure to make a big stride towards attaining solidarity and ultimate success.*

Although the credit society and Hōtokusha have developed and are developing along different lines, yet we see in certain

* See *Hōtokuno Tomo* (Friends of Hōtoku—the monthly Journal of the Dai-Nippon-Hōtokusha), March, 1920.

cases that members of Hōtokushas have actually founded their own credit societies for the purpose of obtaining advances for their business needs, so that, really, there is no such great divergence between these co-operative forms. On the other hand, the Government have actually fostered the establishment of a modern credit society in Shizuoka Prefecture, which may be termed the stronghold of the Hōtokusha Movement, to work in opposition to the Hōtokusha, surely a short-sighted policy!

I have expressed the opinion, that were the Hōtokusha to adopt the efficiency and organization of credit societies, it would be well for the former, but on the other hand, were the Credit Society to adopt some of the spiritual vitality of the Hōtokusha, its present form, which is only more or less of a lifeless imitation of Germany, would become a co-operative life-force such as has not yet been seen in Japan. This contention is borne out by the practical results attending the founding of credit societies by adherents of the Hōtokusha, which societies have flourished exceedingly and are among the most prosperous and effective.

Theoretically, the author holds that the best solution would lie in the fusion of the two movements, yet he is fully cognisant of the practical difficulties attending the consummation of such a fusion. Among these difficulties the suspicion and jealousy on both sides, which seem to bar the way to an understanding, loom large. As a matter of fact, the more conservative Hōtokushas regard credit societies with the suspicion of the orthodox for the heterodox, and the latter regard the former as a relic of feudalism. This antagonism is even more marked than the strong divergence which still exists between Raiffeisen and Schulze-Delitzsch sects of Co-operators.*

In the preceding pages, I have endeavoured to familiarize

* Writing in 1908, Mr. C. R. Fay describes the antagonism between these two societies as follows:—" To-day, if you question a member of a Schulze-Delitzsch bank about Raiffeisen institutions, he turns up his nose and patronizes them as unsafe 'charity' banks in a tone of contemptuous pity. If you question a member of a Raiffeisen bank about Schulze-Delitzsch institutions, he shakes his head and apologizes for them, as for heretics convicted of capitalism and exclusiveness." (*Co-operation at Home and Abroad*, by C. R. Fay, 1908, p. 21.)

the Western reader with what may be termed a system of Co-operation that is entirely Japanese in origin and in development. We have seen, in the growth of this movement, how the pioneers of yesterday may settle down into a confirmed conservatism, and so retard the very ideal which they originally fostered. In the following pages, I will describe the introduction of the credit society, and other alien forms of Co-operation, and by what methods they have been grafted upon a people, whose native genius, in the past, had solved the problem of popular finance by their combined efforts, embodied in (firstly) the Mujin, and (secondly) the Hōtokusha.

CHAPTER IV

THE MODERN CO-OPERATIVE MOVEMENT OF JAPAN

THE modern Co-operative Movement of Japan, which during the last twenty years has made such a wonderful progress, had its beginning with the passing of the Co-operative Law in 1899, which came into force in 1900. This movement was quite independent from, and had no connection whatever with, the earlier forms of Co-operation, of which I have spoken in the preceding chapters. The only connection between modern Co-operation and its native forerunners may be taken to consist of the fact that these earlier forms certainly did yeoman service in moulding the simple mind of the Japanese farmers and artisans to an appreciation of the benefits of Co-operation. Therefore, the year 1900 marks the beginning of a new era in the history of the Japanese Co-operative Movement, a movement modelled on European lines. Before going on to describe this movement in detail, I should like to draw the reader's attention to its general features.

1. The modern Co-operative Movement is a movement *from above* and *not from below*. The new Co-operative Law was not a legislative measure in response to an insistent demand from the people. It was a measure imposed on the people by a paternal Government, as part of an extensive policy of "enlightened autocracy." It was a movement encouraged and promoted by State help and by a vigorous campaign of propaganda. Thus, in a few words, whereas the legislation in Germany was the result of the Co-operative Movement, in Japan the movement is most certainly a result of the legislation. In Germany pioneers,

like Schulze-Delitzsch and F. Raiffeisen, led a people's movement; a movement that was the result of a certain economic condition, which this movement set out to ameliorate, and it was only after Co-operation had become a real power in Germany that the German Co-operative Law, which is most elastic in nature, was passed; similarly we find, that in England, also, the legislation came after the movement had become an accomplished fact.

Political and economic upheaval following upon the Restoration of the Emperor in 1868, had left in its wake limitless scope, nay demand, for innovation; Viscount Hirata and the late Viscount Shinagawa, who were the leading lights in this new campaign of Westernization, had studied European affairs, and in particular those of Germany, with the view to finding the remedy for the difficulties with which Japanese agriculturists and artisans were faced. The result of their investigation was the presentation to Parliament of the Co-operative Credit Society Bill, which, however, in consequence of political crises, was not passed, and it was not until 1899 that the Co-operative Law, as it stands, finally passed.

It is interesting to note that the Indian Government, finding itself faced with similar problems to those of Japan, also resorted to the German system of Co-operation as a way out.* I shall point out later further similarities between India and Japan as regards the introduction of Co-operation.

2. The Japanese Co-operative Movement is a small producers'—primarily farmers'—movement. The Japanese co-operative legislation was designed to aid small producers, primarily small farmers. Experience during the last twenty years has shown to what an extent it has spread

* The Co-operative Movement in India was launched by the efforts of various officials, such as Sir F. Nicholson, who carefully studied the movement in Europe, and Sir E. Maclagan, Captain Crosthwaite, Mr. Dupernex, and Mr. Lyon, etc., all of whom made various preliminary experiments in Co-operation in different parts of India. The Co-operative Credit Society Act was passed in 1904 (i.e. five years later than the Japanese Co-operative Law), and it was not until 1912 that the Co-operative Societies Act, which provides for all forms of Co-operation, including central banks, unions, etc., was passed. (For details, see *An Introduction to Co-operation in India*, by C. F. Strickland, 1922, pp. 35–6. The reader will also find the most minute description of how the Co-operative Law was introduced in India, in Mr. H. W. Wolff's book, entitled *Co-operation in India*, 1919.)

in agricultural districts. When one remembers what an important position agriculture, particularly agriculture on a small scale, occupies in Japan, one comes to realize the wide possibilities of Co-operation in this field. More than 50 per cent. of the population in Japan is agricultural,* while over 92 per cent. of this number are small peasant proprietors and other landowners who hold less than 3 *chō* of cultivated fields (1 *chō* = 2½ acres); those who own less than 5 *tan* (1 *tan* = approximately ¼ acre) being most numerous (viz. 49 per cent. of the total of landowners). Most of these landowners, roughly 81 per cent., are at the same time cultivators; even those people who do not own land are, in most cases, not labourers, but form a class of small tenants; their right to the land cultivated is traditionally, although not legally, recognized.

Moreover, the cultivation is carried on most intensively. Especially the cultivation of rice affords no room for elaborate machinery, but mainly depends on human labour. There is no element here which favours large scale farming.† It is exactly the same in the case of cocoon culture,‡ which

* According to the Government Report of 1918 there were 5,561,053 families engaged in agriculture, viz. 54 per cent. of the total number of families, of which 1,756,639 were peasant proprietors, 1,558,053 were tenant farmers, and 2,246,361 were both peasant proprietors and tenants at the same time. The above percentage and figures have remained practically unchanged during the last twenty years.

† As a matter of fact, the majority of peasant proprietors and tenant farmers cultivate less than 2 *chō* (= 5 acres) and only 4 per cent. cultivate more than 3 *chō* (= 7½ acres), as shown in the following table:—

Farmers cultivating—	Percentage of the total No. of Cultivators.
less than 5 *tan* (1¼ acres)	36 per cent.
over 5 *tan* and less than 1 *chō* (2½ acres)	33 "
over 1 *chō* and less than 2 *chō* (5 acres)	21 "
over 2 *chō* and less than 3 *chō* (7½ acres)	6 "
over 3 *chō*	4 "

‡ The following figures show for 1918 the number of families engaged in cocoon culture:—

Spring Cocoons	1,600,119 families.
Summer Cocoons	5,581,589 "
Autumn Cocoons	1,533,893 "

In 1918 the total production of cocoons in Japan amounted to 6,830,000 *koku* (1 *koku* = 5 bushels), and silk, its resultant product, is the most important export of Japan.

Poultry farming is another favourite subsidiary industry of Japanese farmers. In 1918 over 3,070,000 families were engaged in this branch of farming.

provides Japanese farmers with a profitable subsidiary industry. Past experience shows that the culture of cocoons on a large scale, in nine cases out of ten, is a complete failure.

We have learned that in Europe small scale farming (either by proprietor or tenant farmers) was one of the preliminary conditions for the spread of co-operative societies. The reader will find in Japan another illuminating example to prove this. How well the need of Japan was gauged by our legislators, will be seen from the fact, that it was from Germany that the law was copied. The conditions in Germany were much the same as those in Japan. As in Japan, there is a large agricultural population, consisting chiefly of small farmers. Moreover, our legislators had the advantage of having seen the practical result of Co-operation in agricultural Germany. It could thus adopt a legislation that had been evolved as a consequence of practical experience.

In England conditions were quite different. As the result of the Industrial Revolution, a large army of labourers had come into existence. Co-operation, therefore, was purely a working-class movement, and took on the form of associations of consumers, of which the Rochdale store was the pioneer. In brief, then, whereas, both in Germany and Japan, Co-operation is strongest amongst small agriculturists, taking the form of associations of producers, viz. co-operative credit, marketing, purchasing and machinery societies, in England it was practically a working-class movement, chiefly concerned with the organization of co-operative stores.

Although the Japanese Co-operative Law was drawn up mainly on the model of the German Co-operative Law, a number of modifications were made, partly to adapt it to the conditions peculiar to Japan, and partly owing to the fact that, whereas the German law was the result of a liberal movement, in Japan this law was made the instrument of enlightened autocracy. Among various differences between the two laws, of which I shall speak in their proper places, the following must be noted here.

1. Whereas the German law enumerates seven types of co-operative societies, merely as suggestions,* and allows any other society to be formed, provided that it is not at variance with the purpose and spirit of this legislation, the Japanese law rigidly prescribes four distinct types,† viz. credit, marketing, purchasing and machinery societies, and precludes the formation under the Co-operative Law of any other society, outside the limits indicated therein. It is, however, to be noted that there is no statutory prohibition against the establishment, as purely voluntary associations outside the scope of Co-operative Law, of such organizations as the Mujin and Hōtokusha, already described.

The first clause of the Japanese Co-operative Law defines the nature and object of a Co-operative Society, and also enumerates the four permissible types of such a society. This clause runs as follows:—

"A Co-operative Society registered under this law is an incorporated association for the purpose of developing the industry or domestic economy of its members, organized to attain the following ends:—

"(1) To provide the members with funds necessary for the development of their industry and also to facilitate saving. (Credit Societies.)

"(2) To sell collectively the products of its members, and, if

* Compare with Section 1, Chapter I, of the German Co-operative Act, 1889, as amended in 1896, which runs as follows:—

"Societies which do not limit the number of their members, and have as their object the promotion of their economic welfare by carrying on business in common, especially: (1) Loan and credit associations; (2) Associations for the purchase of raw materials; (3) Associations for the sale in common of agricultural or industrial products (sale societies, warehouse associations); (4) Associations for the production and sale of goods for the common account (Productive Society); (5) Associations for the wholesale purchase in common of articles of food or of household requisites and the retailing of the same (Co-operative Stores); (6) Associations for the acquisition of implements or materials for agricultural or industrial purposes and for their use in common; (7) Associations for the construction of dwelling houses; acquire the rights of a 'registered co-operative society' under the provisions of this Act." (Cahill, *op. cit.*, App. p. 2.)

† However, the Japanese Co-operative Law permits the combination of the functions of these four types, so that credit societies, may carry on in addition to their own proper business that of one or more of those four types; thus there are naturally eleven types of societies of this combined character, and as a matter of fact, this permission to combine is made fullest use of.

necessary, so to treat them as to increase their marketable value. (Marketing Societies.)

"(3) To distribute among its members the goods purchased (in the open market), or produced or partly produced by the society, necessary for their industry or domestic economy. (Purchasing Societies.)

"(4) To acquire plant for the collective use of its members in their industry or domestic economy. (Machinery Societies.)" *

Taking another classification, the co-operative societies in Japan may be divided into two general categories :—

1. Societies which aim at developing the industry of their members (Associations of Producers).

2. Societies which aim at improving the domestic economy of their members (Associations of Consumers).

To the first class belong Credit Societies, Marketing Societies, and also such Purchasing Societies as purchase collectively commodities required for the industry of their members, and, lastly, Machinery Societies which provide collectively the machinery and instruments used in the industries of their members. To the second class belong such Purchasing Societies as aim at providing their members with the necessaries of life (actually the ordinary Co-operative Stores, although the law describes them only as Purchasing Societies), and such Machinery Societies as aim at providing their members with the equipment required, not for their industry, but for their domestic economy.

The following illustrates this classification :—

I. Associations of Producers	(a) Credit Societies. (b) Marketing Societies. (c) Purchasing Societies (of raw materials, etc.). (d) Machinery Societies (of instruments of production).
II. Associations of Consumers.	(e) Purchasing Societies (of necessaries of life), i.e. Co-operative Stores. (f) Machinery Societies (of equipment for collective use).

2. It is interesting to note that, while importing from Germany the whole Co-operative Law, one important section

* For a description of what I translate as "Machinery Society," *see* Chapter VIII, § 1.

of Co-operation has not been included. I am referring to the productive society (of the French type) or, to use the English name, the Self-governing Workshop, from which great things were hoped by the wage-earning class in several European countries—notably in France, where the idea of this form of Co-operation was originated, and in England, where this idea was taken up by Christian Socialists in the middle of the nineteenth century. This form of Co-operation has come to be regarded as distinctly conservative and has actually been fostered and encouraged by the Governments of France, Italy and other countries. In these countries it was felt that the socialistic danger (?) was non-existent. (This form of Co-operation has certainly met with little success!) Yet, we find that our drafters of the Japanese Co-operative Law have not taken the least cognizance of this branch of Co-operation. The omission of the self-governing workshop from our Co-operative Law cannot be explained merely by the fact that this form of Co-operation has no practical importance in Germany,* but in the author's opinion the following two reasons may do something towards making clear this question. The first reason for this is, no doubt, the fact that we had no army of workers, such as was the case in Europe, consequently there was also an absence of any organization of workers, such as a Trade Union. The idea of concerted action among workers, such as we find in Europe, was unknown in Japan. And so our legislators may have seen no necessity for including self-governing workshops in their co-operative programme, the contention being no doubt that, should the necessity arise at any future

* In Germany, the idea of the self-governing workshop was taken up most assiduously by Ferdinand Lassalle, who urged the Government to assist this movement, but the early death of this reformer prevented the fruition of his plan, and since then the whole labour movement in Germany has turned in another direction. At present, the self-governing workshop is of little importance in the Co-operative Movement there (see *Das Genossenschaftswesen in Deutschland*, by W. Wygodzinski, p. 27). It will be interesting to note that, whereas, when the system of Co-operative Stores was imported into France from England, the French Government was very much afraid of the extreme socialistic tendencies of the movement, the Japanese Government seems to have felt no anxiety regarding this type of society!

time, there could always be added to the existing legislation a special provision for this form of Co-operation.* (So far there is no sign that there is any demand for such provision.)

There may, however, have been at the back of the legislators' minds a fear, that the self-governing workshop, which would be primarily an association of the working-class, might be the first step towards Socialism; that this fear existed among members of our Parliament when this Bill was passed, may be gathered from the fact that one member (an authority on law, too !) actually asked whether this Co-operative Law † was not likely to lead to Socialism. Therefore it is possible that it was the fear of the potential danger of Socialism, that led the legislators to striking out these workshops from their programme.

3. Another remarkable difference between the legislation in the two countries is, that whereas German Co-operation does not enjoy any special privileges as regards taxation ‡ Japanese co-operative societies are exempt from income and business taxes. These and various other privileges I shall discuss in a later section. Further, Japanese societies are subject to most strict inspection and supervision by the State, while in Germany they are left to the control of their respective Unions.

To ensure the widespread adoption of this new co-operative scheme, the Government instituted a vigorous campaign of propaganda throughout the length and breadth of the country. This propaganda took the form of lectures by Government officials, canvassing, circulars and pamphlets. Particularly the Government sought to enlist the sympathy and interest of the leaders of small communities; mayors of villages, schoolmasters, small officials of the

* In India, although not in existence as yet, I understand that the Government contemplates the introduction of the self-governing workshop there.

† As a matter of fact, this law only recognized associations of small producers, which in other countries are actually used as a weapon against socialism.

‡ As to the taxation of German co-operative societies, see pp. 8–11 of *Der Stand der Gesetzgebung der Erwerbs- und Wirtschaftsgenossenschaften*, by Dr. L. Waldecker, 1919; and also *Steuerrecht u. Genossenschaften*, by E. H. Meyer, 1920.

village administration were sought out and converted to the co-operative idea. In later sections I will show how assiduously this propaganda is still carried on in schools, so that the young idea may be imbued with the ideals of Co-operation.

This deliberate plan of campaign, launched by the Government, met with great success. During the short period of twenty years, Co-operation has permeated the whole country,* from the most northerly end of Hokkaido to the most southerly end of Taiwan† (Formosa). At present, the total number of societies exceeds 13,700, i.e. more than the total number of cities, towns and villages of Japan, and the aggregate number of members approaches 2,600,000. Taking the whole number of Japanese families as about 10,234,000, and taking into consideration that only the head of the family is a member of the movement, we find that there is one Co-operator for every four families. Further, when we take into account the fact that the agricultural population (viz. 5,561,000 families) is approximately slightly more than half of the total population of Japan, and that 80 per cent. of the members of all societies are agriculturists, we can say that nearly half of the agricultural population has been converted to the principle of Co-operation.

According to the report of the Co-operative Union of Japan, at the end of 1920, the aggregate amount of working capital of 13,442 societies amounted to Y384,640,000, including paid-up capital of Y60,400,000, reserve fund of Y26,990,000, deposits of Y241,490,000, and borrowed capital of Y55,760,000. The total amount of outstanding loans in all credit societies was Y205,110,000; the aggregate amount of purchases of all purchasing societies was Y173,330,000; and that of the total sales of all marketing societies was Y149,720,000.

* *See* Appendix.

† Co-operation is also making progress in Formosa, where the Co-operative Law, on account of the conditions peculiar to this island, is modified as regards several minor points, and also in Karafuto (Saghalien) and Chōsen (Korea). However, as the movement in these territories is insignificant, and also, as there is not sufficient material at hand, I have purposely omitted these from my book.

Thus, the Co-operative Movement has become an important factor in the economic organization of modern Japan, and, judging from the encouraging success in the last twenty years, and also from the presence of healthy signs that the movement before long will develop into a movement from below, one may safely predict that the near future will see a spread of Co-operation, such as has not been witnessed hitherto.

It would be well here to give the reader a brief idea of the comparative importance of various kinds of societies, and also to point out several other voluntary and compulsory organizations of small producers, which, although not registered under this Co-operative Law of 1900, are working on similar lines, and I will also refer to a number of other societies, which are in close contact with the co-operative societies proper.

CREDIT SOCIETIES occupy by far the most important position, not only among associations of producers, but also in the whole Co-operative Movement in Japan. The Credit Society is the starting and rallying point of all other forms of Co-operation. From the very beginning of this movement credit societies continued to increase in numbers and membership, and, as already stated, they now permeate the whole country. At the end of 1919, credit societies numbered 11,480 or 87·6 per cent of the total number of co-operative societies of all kinds (13,106). Of this number there were 2,895 credit societies (exclusively),* and those carried on in conjunction with other types of societies 8,585, of which latter at least 2,000 societies were principally co-operative banking organizations. Loans to members outstanding at the end of 1918 amounted to the sum of Y83,794,611, viz. an average of Y8,365 per society. Deposits of members at the end of the same year amounted to Y107,078,501, viz. an average of Y10,689 per society and Y90·20 per member. These credit societies are usually federated into higher organizations termed Federations,

* By the term, "credit societies (exclusively)," I mean to convey that such credit societies are not carried on in conjunction with any other form of Co-operation, such as marketing, purchasing, etc.

which, under certain conditions, receive financial help from the Government. These federations in 1919 were thirty-eight in number. As in the unit society, federations are often based on a combination of objects, such as are allowed by the law; for instance, there is a federation of combined credit and marketing societies, etc. These federations, comprising societies pursuing several forms of co-operative activities, in 1919 numbered thirty-six. For such credit societies as are situated in cities, and which are supposed to be utilized principally by traders and industrialists, the law has prescribed less rigid rules than for those designed for the rural population, so as to enable such urban societies to fulfil the function of "Volksbanken" (People's Banks), as they are called in Germany.

The enormous development of societies of this type may be accounted for by the peculiar economic conditions of Japan. In Japan, as in Germany, those who first felt the necessity of co-operative organization were not the wage-earners, but the small independent producers: peasant farmers, small industrialists and small traders. These people needed capital, and the most convenient organization for supplying them with the necessary funds was a system of co-operative banking, carried on upon the principle of mutual help, which has proved most successful in Germany and other Continental countries. Indeed, credit societies have rendered invaluable service in protecting these small producers against financial ruin, and in keeping alive the so-called middle-class people of the country, especially among the agricultural population, where Co-operation flourishes most. In the author's opinion, there is still room for the expansion of this form of Co-operation.

Of all co-operative societies the type which ranks second on the list is PURCHASING SOCIETIES, organized for the collective purchase of such articles as are necessary for the members' industry, viz. Rohstoffvereine (Raw Material Societies), as they are termed in Germany. In 1919 the number of purchasing societies of all forms,

including co-operative stores, was 9,161, viz. 69·9 per cent. of the total number. At least one half of this number is principally engaged in purchasing raw material and other things, which are necessary for industries carried on by members. The amount of purchases (in 7,452 societies sending in reports) in 1918 aggregated Y78,235,842, or Y10,498 per society. There were, in 1919, seventeen federations of purchasing societies, and fifty-nine federations which include purchasing business among their objects.

MARKETING SOCIETIES, organized for the collective marketing of their members' products are another important factor in the movement. In 1919 marketing societies, in their various forms, numbered 6,525, or 49·8 per cent. of the total. Of 6,525 such societies 1,342 are reported principally to carry on marketing. The total sales of 5,216 marketing societies, which sent in reports in 1918, reached the enormous figure of Y116,800,006, viz. Y22,394 per society and Y148·09 per member. In 1919 there were fifty-six federations of marketing societies of various forms.

There are two classes of marketing societies, which may be of special interest to European readers, viz. silk-marketing societies and rice-marketing societies, which will be dealt with fully in the chapter devoted to marketing societies.

MACHINERY SOCIETIES (which were called the productive societies before the revision of the law in 1921) constitute the smallest section among associations of producers. Including such machinery societies as form only a subsidiary department of other types of co-operative societies, these societies totalled only 2,202 or 16·8 per cent. of all societies in Japan.

Associations of consumers have little actual significance in the Japanese movement. CO-OPERATIVE STORES as yet are in their infancy. Those existing at present are mostly organized by middle-class people and have no such lofty ideals as those of British Co-operators; indeed, as they stand to-day, they have hardly any social significance. But considering the rise of co-operative stores of labourers, and also certain encouraging signs of progress in the Trade Union Movement during the last few years, we have every

reason to anticipate a considerable development of co-operative stores in the near future.

Machinery Societies for consumers, provided for by the recent revision of the law, aim at furnishing their members with such equipment as is necessary for common use in their domestic economy, as for instance, joint dwelling houses, common baths, joint lighting installations, etc. But little has been done so far in this direction.

In addition to the above, in passing, I would like to mention, that in consequence of the coming into force of the Agricultural Warehouse Act in 1917, agricultural warehousing, which has been in existence since olden times, came to be widely organized by co-operative societies; and further, that Building Societies may now be formed under the Co-operative Law (as a type of machinery society) as well as under the Building Society Act passed at the beginning of 1921.

Besides the co-operative societies proper enumerated above, all of which are registered under the Co-operative Law of 1900, and leaving on one side the Hōtokusha and the Mujin, there are many associations, voluntary as well as compulsory in nature, which are established for the avowed object of fostering the general interest of agriculture, industry, commerce, fishery and forestry. Indeed, some of these are already carrying on a part of the business undertaken by co-operative societies proper, or else acting in close relation to co-operative societies. Fully to understand the modern Co-operative Movement, we must necessarily review these associations, which are really an integral part of the whole fabric of Japanese Co-operation.

Chief among these associations, mention must be made of the Agricultural Societies (Nōkai)* and Young Men's

* For details, refer to *Note on Agriculture in Japan*, by Nicholson. The Agricultural Society Act of 1899; *Hompō-Nōgyō-Yōran* (Outline of Japanese Agriculture), by the Ministry of Agriculture and Commerce, 1920; *The Foundations of Japan*, by R. Scott; *Co-operative Studies and the Central Provinces System*, by Crosthwaite.

The French Agricultural Syndicates in some way resemble our agricultural societies in nature and importance, and constitute an important element of the Co-operative Movement in that country. However, the co-operative activities undertaken by these syndicates are far

Associations,* situated in almost every village throughout the country.

The Agricultural Societies are established under the Agricultural Society Act of 1899, for the improvement and development of agriculture in general. It must be well understood that these agricultural societies are public institutions, as distinguished from the private agricultural associations, which number forty at present, including the Agricultural Society of Japan. The agricultural societies, which are mainly organized by those who are concerned with agriculture, are united into various grades of organizations. The head of the whole organization is the Imperial Agricultural Society. In 1917 this had forty-six prefectural sub-sections, which again, according to the administrative division, are sub-divided into 557 County Associations and forty-eight Urban Associations; these 557 County Associations in turn are sub-divided into 11,573 town and village associations. This number is about equal to the total number of co-operative societies for the same year. The Government gives annual grants of not exceeding Y150,000 to these societies. The object, first and foremost, is to promote agriculture in every shape and form; naturally enough, the above object entails many and varied activities, but what is of special concern to us here is the actual co-operative work, undertaken by these associations. This consists of the

more positive than those of our agricultural societies. These syndicates act as intermediary for the establishment of co-operative societies proper. The objects of these syndicates, the membership of which, as in the case of our agricultural societies, is limited to cultivators and all who are dependent on agriculture in some way or other for their livelihood, are as under:—"To make experiments in manure, and improved methods of cultivation, in improvements of implements and in increase of production; to encourage agricultural education; to make easy and cheap the purchase of manure, seed, animals and implements; to buy implements, which they can let out to their members; to facilitate the sale of produce, and to occupy themselves with everything which is ordinarily useful to cultivators, such as the establishment of societies for credit, insurance, and co-operative sale and purchase." (For details, see *Impressions of the Co-operative Movement in France and Italy*, O. Rothfeld, 1920, p. 12, and Fay, *Co-operation at Home and Abroad*, pp. 113–121.)

* Young Men's Associations originated at the time of the Restoration (1868) with a view to improving the morals and welfare of the younger generation in villages. For details, see the *Rural Life of Japan*, translated by Japanese Home Office, 1910 (pp. 33–4).

collective purchase of agricultural requirements, and the society also acts as intermediary for collective marketing, and undertakes the management of agricultural warehouses. From the figures cited, the reader will obtain an idea of how important a rôle agricultural societies play in the improvement of agriculture.

An important factor in Japanese village life is the formation of Young Men's Associations. These societies, which may be likened to Young Men's Christian Associations, differ from the latter, in that they have no religious basis. Their objects are of a social and ethical nature and include physical exercise, early rising, the holding of lectures, encouragement of industry and thrift, provision of libraries, etc. However, Young Men's Associations as such, do not undertake any business, such as is carried on by co-operative societies, neither are they concerned with business, such as the English Friendly Societies or Working-men's Clubs undertake, i.e. granting of sick, accident or death benefits, etc. The work they do, and the training they provide, is of an ethical nature, and it will be interesting to quote from Mr. Crosthwaite's book, entitled *Co-operative Studies and the Central Provinces System* (p. 140), in which he says :—

"The facts set forth above (referring to Young Men's Associations and Village Agricultural Societies) point their own moral. Here, in fact, we can see the 'spirit of co-operation' moulding a nation's destiny; and it is the active working of that spirit just where it really is wanted, in the village itself, at the very root of the co-operative tree, that accounts for the wonderful progress made by the Co-operative Movement in Japan. Of course, the movement could never have reached its present dimensions, and could never have become a powerful factor in the national economy, without co-ordination of effort and expert organization in its higher and more technical activities. . . ."

Japanese farmers are also united, under a special Act, into associations for adjusting fields for the purpose of increasing the productivity of land. Such societies in 1918 numbered 5,313, and farmers have other associations, organized under the Act for Guilds of Staple Products (Jūyō-Bussan Dōgyō-Kumiai) which numbered in 1917 fifty-five, with three federations. There are special guilds

for the silk-industry (which in 1918 numbered 279, with nineteen federations, and one central union), for growers of tea (which numbered 200), and also for live-stock breeders (which numbered 474). It must be noted that the last two guilds, viz. that for growers of tea and that for live-stock breeders are compulsory in nature. If such a society is formed in a certain district, all persons who are engaged in the same trade *ipso facto* become members of the guild. Mention must also be made that all these agricultural guilds, like those organized by industrialists and merchants (including wholesalers and retailers) primarily aim at the prevention of abuses, such as the production of inferior goods, the adoption of harmful methods, and thus they aim at maintaining, by joint effort, the reputation of their trade. Naturally, they start various common undertakings, yet they do not carry on such business as is carried on by co-operative societies proper. However, there is a tendency, that these guilds from practical necessity, engage in purely co-operative activities, such as collective purchasing, marketing, etc.*

Such quasi-co-operative societies are not confined to agriculture. We find in Japanese fishery powerful co-operative organizations, to which I have already referred. In particular, fishery societies (Gyogyō-Kumiai) are of special importance and interest to students of Co-operation. The origin of these societies, which are now provided for in the special law of 1910 of the same name, may be traced back to very remote times. These fishery societies were the outcome of native genius, and their gradual development into the present-day fishery societies is deeply interesting. Long before the above-mentioned law came into force, these

* At the 10th Annual Co-operative Congress the objections felt by Co-operators to the activities of what I have termed quasi-co-operative societies, were voiced as follows :—" The Government has already permitted fishery societies to undertake co-operative purchasing and marketing; or the intention is to amend the law of Trade Guilds, so as to enable these guilds to carry on similar co-operative business; and, further, the fostering of the business of co-operative marketing and purchasing to be undertaken by agricultural societies is under contemplation. These measures of the Government manifestly conflict with the business of marketing and purchasing societies operated under the Co-operative Law, leading to great difficulties in the development of these co-operative societies. Therefore, it is necessary that the Co-operative Union hold an inquiry into this matter."

fishery associations were already carrying on co-operative business on exactly the same lines as the alien form of Co-operation. As the law has expressly permitted the carrying on of such business, and further exempted these societies from income and business taxes (the same privileges as had been granted to co-operative societies proper), they have made marvellous progress of late, and they are at present co-operative societies in the fullest sense of the word, although they are supposed to stand outside of the Co-operative Movement of Japan. In 1919, there were 3,647 such societies, with an aggregate membership of 45,929. Most of these associations undertake co-operative marketing, purchasing, production, transportation and experimenting. They receive deposits from, and grant loans to, members. Further, they encourage subsidiary industries, improve harbours and creeks, increase the output of marine products and also undertake salvage work, and lastly endeavour to elevate the moral character of their members. In 1919, 711 societies were organized into fifty federations. In the author's opinion, one reason why the alien form of Co-operation could not gain ground in this sphere (as we shall presently see) may be well accounted for by the fact, that fishery was already so strongly organized on co-operative lines that there was no opening here for any innovation from without.

In Japanese fishery, there is yet another type of association entitled "Suisan-Kumiai" (Marine Product Societies). There were in 1920, 223 such societies with a total membership of 362,275, while the federations of the former for the same year numbered fourteen. These societies, however, are more in the nature of "Dogyo-Kumiai"* (trade guilds),

* This Dōgyō-Kumiai (trade guild) must be clearly distinguished from Sangyō-Kumiai (co-operative societies proper), although we find in English books that Sangyō-Kumiai is very often erroneously translated as Industrial Guild.

In 1920 there were 1,262 such guilds in Japan, which may be sub-divided into :—

364 for agriculture.
193 „ commerce.
623 „ industry.
67 „ forestry.
15 „ fishery.

(From the 37*th Statistics of the Ministry of Agriculture and Commerce.*)

so that there is not much that need be said of this type.

If I were to enumerate all these co-operative and quasi-co-operative societies in all fields of productive industry, their number would be endless.* However, as I am in this volume primarily concerned with co-operative societies proper, I shall not enter deeply into this side issue of Co-operation. Only do I want to emphasize the facts that this "spirit of association," embodied in one or other form of such societies, has made possible the grand strides made by Co-operation in Japan,† and also that a student of Japanese Co-operation, for this reason, should turn his attention, not only to the alien forms of Co-operation, but also to these co-operative societies of purely Japanese origin.

After this somewhat lengthy introduction, I shall now go on to describe the actual achievements of the modern Co-operative Movement, taking one type of society at a time. However, it must be well understood, that as the Co-operative Credit Society is representative of every modern co-operative society in Japan, as regards number and power, the general features of Japanese Co-operation, both as regards development and internal organization, may be considered to be fully dealt with in the chapter on the Credit Society.

For particulars, see *Jūyō Bussan Dōgyō Kumiai Hō Seigi* (Lectures on the Law Concerning Trade Guilds for Staple Products), by T. Ono and K. Iida, 1918.

* Of these, Suiri-Kumiai (Irrigation Society) and Shinrin-Kumiai (Forestry Society) must be mentioned. However, owing to the lack of adequate material, I have purposely omitted describing them.

† "It is believed that there are other such societies in Japan, but no information has been gathered about them. It will be seen that Japanese agriculturists and landowners did not wait for Government suggestion, but led the way themselves, and after travail, saw the need for progress and the benefits of association, and their society, like the Fishery Society of Japan, is an instance of Japanese national foresight and instinct for self-help." (*Note on Agriculture in Japan*, by Nicholson, p. 114.)

CHAPTER V

CREDIT SOCIETIES

§ 1. The Development of Modern Credit Societies.

THE condition of small producers, when the first Credit Society Bill was introduced into Parliament, was not by any means so desperate as one might have expected. Although the Restoration in 1868 had, in one sense, revolutionized economic conditions of Japan, its effect on the peasant and artisan class was not so serious. The overthrow of "caste" was disastrous only to the *Sumurai* class; actually this step towards freedom from feudalistic institutions was of distinct benefit to the agricultural population and to the small artisans. The barrier of disability and restriction was removed from the lower classes, and the natural result of this feeling of greater individual freedom brought in its train also a feeling of greater responsibility, of a fuller sense of citizenship.* Moreover, the opening up of the country for international trade was instrumental in providing these farmers with lucrative subsidiary industries, especially cocoon culture, which has since become a most profitable source of revenue. It must be noted that this cocoon culture, like the principal pursuit of farmers (rice-cultivation) is most advantageously carried on on a small scale. This condition, together with the hard-working, thrifty and persevering character of Japanese farmers, helped to establish them in the new national economy, so that they retained their important place in the land. Japan is a country of small artisans

* The effects of the abolition of feudalism on different classes may be gleaned from a book entitled *The Making of Modern Japan*, by J. H. Gubbins, 1922, especially Chapter VIII.

as well as of small farmers. Although ever since the Restoration, Japan has been inevitably drifting towards large-scale production, capitalism is not yet firmly rooted there. A large and important part of the industry of the nation is still being carried on by the artisan class, and factory production as yet takes a secondary place in our industry. Naturally enough the artisan class is very prosperous on that account.*

However, there is sufficient evidence of the fact that small producers, especially small farmers, were suffering great hardship from usurers, unscrupulous traders, and from sundry other abuses. Some farmers, on account of bad management on their part, were forced to sell their land, which had been handed down to them from their forefathers. Others had to resort to usurers, in order to meet the expense of the marriage of their sons and daughters,† while others again had to submit to unfair bargains by merchants, who exploited their necessity. These merchants obtained a hold on farmers by

* "Whilst large enterprises in Japan on the Western model have mostly taken the joint-stock form and have tended to concentrate capital and labour in an ever-increasing degree, thus proceeding steadily towards large-scale production, yet, on the whole, the industry, native in origin, has retained its former national character. As a result of various improvements, agricultural production has enormously increased, yet from the standpoint of farming by individual farmers, the majority of the agricultural population consists of small peasant proprietors, owning land less than one *chō*, and the large landowners usually split up their estates into small portions, in order to have it cultivated by their tenants. In the sphere of (manufacturing) industry, from the weaving industry to the manufacture of dyestuffs, porcelain, paper, mats, copper and ironware, the system adhered to is that of the handicraft or domestic industry and only a small fraction of these industries have of late developed into factory production. Further, we find that the imported industries, such as match-manufacture or straw-plaiting, are still run on a small scale, as above described. It must be remembered also that a number of new industries came into existence, which are carried on by farmers as a subsidiary industry to farming. Therefore, when we survey the industries both in urban and rural districts throughout the land, it must be said that the sphere of small-scale production is far greater than that of large-scale enterprise." (A free translation of *Shin-Shōgyōshi Kyōkasho-Nihon no Bu*, 1920, by T. Ueda—New Text Book of Commercial History—Part I, Japan, pp. 177–8.)

† As in the case in India, disproportionately large sums are expended on marriages, funerals, religious rites, etc., which sometimes lays needless burdens on villagers. By dint of assiduous propaganda of co-operative and other village associations, these extravagances are gradually disappearing—surely a happy sign of enlightenment due to Co-operation.

advancing them sums of money at times of great pressure, so that they were able to buy the products of such farmers at their own price. While cocoon culture afforded a profitable source of revenue on the one hand, on the other the prosperity of cultivators was often imperilled by fluctuations of foreign markets.

All these facts prove that there was a crying need for proper and strong organization among small producers. Above all, what was most needed, manifestly, was a popular institution for providing credit. Here is a free translation of an extract from an official statement setting forth the necessity of introducing the credit society, which reads as follows:—

"... At present there is no adequate institution for providing finance locally, or for encouraging the productive power of the country. Therefore, the middle and lower classes are driven into the arms of usurers in order to tide over the urgent need of the moment, pledging as security their small piece of land. According to the investigation of 1884 and 1885, the total of land mortgage debts reached nearly Y232,000,000, and if we assume the rate of interest to be 12 per cent., the total amount of interest would exceed Y27,890,000. However, as money-lenders very often extort extraordinarily high interest, and sometimes after a shorter period than verbally agreed upon, demand repayment and only consent to a 'renewal' on borrowers agreeing to pay a further high rate of interest, such rate of interest, perhaps, should be counted as 15 per cent. Taking this into consideration, the above calculation of approximate interest is increased to more than Y34,000,000. The effect of this abuse on the local economy is very serious, i.e. the borrowers have to devote all their gains to the payment of such interest, thus heading for financial disaster, and in some cases, owing to the high interest charged, borrowers are unable to pay the original amount borrowed, and thus are forced to sell their land or to go bankrupt. In this manner, the fruits of industry in the country districts are absorbed by the capitalists in cities, which will lead to a decay of rural districts. Without doubt this is disastrous to the economic and political condition of the country. If this evil only affected large landowners, we would not feel such concern, but as the middle and lower classes, which constitute the majority of the population, are dispossessed of their property, it is a source of great danger, and may lead to a decay of the vitality of the nation.

"According to another investigation in 1887, we find in the registration of land transfers that 78 per cent. of such transfers involved the sale of properties less than Y25 in value. This is an eloquent proof that small advances of money are urgently required in Japan, and also, that, owing to the absence of a proper organization of popular finance, the productive power of the middle and lower classes is seriously hampered or even destroyed. Therefore, in order to remedy this unhealthy state of affairs among the people before it is too late, and thus water the roots of the country, as it were, there is no better way than to introduce the credit society, and so open the way for popular finance. . . ." *

We can gather from the foregoing remarks, that the so-called agricultural middle class were in great financial straits. It must be noted that at this time, the joint-stock banking system, which was imported from abroad, was developing admirably (and in particular the Government established special banks for agriculturists, entitled Central and Provincial Hypothec Banks of Japan),† but these banks were beyond the reach of the people of small means, and, as shown in the above extract, most of these small borrowers were obliged to seek assistance from usurers or private money-lenders, paying to them exorbitant rates of interest. Although, as I have already described at great length, we had the Mujin and the Hōtokusha in our country, these systems no longer met the requirements of the new age. There was one way for the farmers to escape from this distress, namely by co-operative banking upon the principle of mutual help, such as had developed so successfully in Germany.

In view of this fact, the system of co-operative banking, together with certain other forms of co-operation, was imported from Germany, to meet the requirements of the hour. Although there is no lack of evidence that our legislators studied our native systems of finance, such as the Mujin and the Hōtokusha, before drafting the Bill of 1899, the Co-operative Law which finally passed Parliament was

* Quoted from *Shinyō-Kumiai-ron* (Credit Societies), by Takahashi and Yokoi, 1891, pp. 13–14.

† See *The Sixth Financial and Economic Annual of Japan*, 1906, issued by the Ministry of Finance, pp. 144–151.

entirely alien in form, and the Mujin and the Hōtokusha, as already mentioned, were left unprovided for in this law.

However, it is interesting to note that the first credit society in Japan was organized by the members of the Hōtokushas themselves. Already in 1891, when the Credit Society Bill failed to pass through Parliament, the drafters themselves launched a vigorous and patient campaign of propaganda throughout the country, trumpeting abroad the benefits of co-operative societies, especially in Shizuoka Prefecture, which is the stronghold of the Hōtokusha. Their endeavour was soon responded to by the formation of two pioneer societies in 1892 in Kakegawa and Mitsuke (Shizuoka Prefecture). The actual work of organizing these two societies was undertaken by Mr. Okada and Mr. Ito respectively, both of whom were leading spirits in the Hōtokusha Movement.

The Mitsuke Credit Society, one of the pioneer societies, was organized by ten Hōtokushas and 183 individual members of the Hōtokushas, with an initial paid-up capital of Y1,108. The amount of one share was Y25, and such share could be paid up by monthly instalments, should a member desire to do so. One member was not allowed to hold more than thirty shares. When the Co-operative Law came into force in 1900, a few modifications in the statutes of this society were necessary in order to conform to this law. Moreover, the maximum amount of a member's holding was decreased to ten shares, while the amount of one share was raised to Y50; and after the first payment of Y25, the remaining Y25 could be paid up by devoting any dividends due to such member to this purpose. In 1913, this society had a membership of thirteen Hōtokushas and 204 individual members. The total amount of loans outstanding was Y41,149, and that of deposits about Y3,040.*

As the author has no material at hand, except a small

* The reason that the deposits of this society are comparatively small is explained in a pamphlet issued by the society, viz. that members constituting the society are also members of Hōtokushas. Hōtokushas, as we have already seen, are chiefly concerned with the practice of thrift; therefore this credit society finds little call for the deposit part of its activities, which business is already done by these constituent Hōtokushas.

pamphlet issued by the Mitsuke Society, he cannot judge as to the present efficiency of these two pioneer societies. However, taking into consideration the slow growth of membership, etc., one may not be far wrong in assuming that as far as *material* prosperity is concerned this Society cannot be classed among efficient societies. Nevertheless, there are a number of modern co-operative societies established in Shizuoka Prefecture (the stronghold of the Hōtokusha Movement), which have indeed proved their high efficiency, notably the Niishina Hōtoku Credit and Machinery Society, and the Yoshinaga Co-operative Credit, Marketing, Purchasing and Machinery Society.

These societies were immediately followed by the establishment in 1893 of the Komatsu-machi (First) Credit Society in Akita Prefecture, and others followed in rapid succession. In 1900, the year in which the Co-operative Law came into force, there were already over 160 credit societies in the country. As a matter of course all these societies came within the scope of the new law. Since then credit societies have spread by leaps and bounds, as is shown in the statistics of registered societies given on this and the next page.

TABLE SHOWING INCREASE OF MEMBERSHIP AND CAPITAL OF CREDIT SOCIETIES.

Year.	No. of Societies sending in Report.	No. of Members.	Capital.	
			Subscribed.	Paid-up.
1904	463	37,319	?	Y956,397
1905	610	49,852	?	1,163,104
1910	3,892	441,218	?	6,480,855
1914	8,533	1,063,124	Y26,869,001	18,102,852
1915	9,040	1,153,792	27,118,323	20,444,526
1916	9,363	1,228,009	29,613,985	22,702,358
1917	9,717	1,335,490	32,957,963	25,468,866
1918	10,017	1,513,468	41,830,056	30,346,099
1919	11,667	2,001,637	62,155,738	41,364,353
1920	12,187	2,286,685	89,659,115	55,284,481

THE DEVELOPMENT OF CREDIT SOCIETIES.

Year.	Credit Societies (exclusively).	Credit Societies (carried on with other types of Societies).	Total of Credit Societies.	Total of all Co-operative Societies.
1900	13	—	13	21
1901	191	—	191	263
1902	331	—	331	512
1903	549	—	549	870
1904	751	—	751	1,201
1905	986	—	986	1,584
1906	1,292	78	1,370	2,470
1907	1,543	372	1,915	3,363
1908	1,734	947	2,681	4,391
1909	1,966	1,857	3,823	5,690
1910	2,226	3,105	5,331	7,308
1911	2,534	4,032	6,566	8,663
1912	2,673	5,063	7,736	9,683
1913	2,767	5,763	8,530	10,455
1914	2,930	6,344	9,274	11,160
1915	3,015	6,723	9,738	11,509
1916	3,070	7,127	10,197	11,753
1917	3,092	7,398	10,490	12,025
1918	3,059	7,856	10,915	12,523
1919	2,895	8,585	11,480	13,106
1920	2,650	9,251	11,901	13,442
1921	2,535	9,654	12,189	13,770

As is the case in Germany,* Austria † and India, ‡ the credit

* The unrivalled position of German co-operative societies and the leading position of credit societies in the movement in that country needs no comment. Germany suffered a heavy decrease in the number of societies and membership through the loss of her territories, but this was made good in an incredibly short time, so that the statistics record the steady increase even after the Armistice. *The Statistische Jahrbuch für das Deutsche Reich*, 1920–1922, reveals this fact. On January 1, 1922, there were 47,618 societies, viz.: 20,447 credit societies (including 18,498 loan societies), 2,178 industrial raw material societies, 4,007 agricultural raw material societies, 1,329 purchasing societies, 381 industrial machinery societies for the common use of members (including 31 electricity societies), 5,284 agricultural machinery societies (including 4,308 electricity societies), 21 societies for providing machines

society leads also the movement in Japan. Unlike some continental countries, such as Italy, Switzerland, Belgium, and France,* in Japan credit societies were the first form of Co-operation introduced, other types only following in their wake; thus credit societies are the starting-

and tools, 142 industrial warehousing societies, 923 agricultural warehousing societies, 358 industrial raw material and warehousing societies, 44 agricultural raw material and warehousing societies, 1,302 industrial productive societies, 3,825 agricultural productive societies (including 3,231 dairy societies), 826 cattle-breeding and pasture societies, 2,436 co-operative stores, 3,113 building societies proper, 165 building societies for letting houses, and 837 miscellaneous societies.

† In Austria, too, credit societies and other agricultural societies occupy by far the most important position in the Movement. According to *Statistisches Handbuch für die Republik Österreich, II. Jahrgang*, Wien, 1921, which I was able to procure with great difficulty in Vienna last summer, at the end of 1920 there were 1,995 credit societies, of which 1,650 assumed unlimited liability and 345 limited liability; and, further, the majority of unlimited liability societies, viz. 1,589, were on the model of Raiffeisen societies and the rest on the model of Schulze-Delitzsch societies. Besides the above, there were 974 agricultural co-operative societies, 648 industrial co-operative societies, 338 co-operative stores, 125 building societies and 28 miscellaneous co-operative societies.

‡ India furnishes a good example of the success of Co-operation, promoted entirely from above. For this reason comparison of the movement in Japan and India is highly significant from every point of view. According to the estimate of Mr. C. F. Strickland, the total number of co-operative societies for 1920–21 was over 47,000 in all India. The predominating position of agricultural societies is very marked here as in Japan. To illustrate this: of 50,000 societies which existed in 1922 in British India, 90 per cent. were agricultural societies (7 per cent. being non-agricultural and 3 per cent. central banks, unions and other secondary institutions), and most of these agricultural societies were credit societies, a growing number of which are, it is interesting to note, as is the case in Japan, also gradually taking up purchasing and marketing. On the other hand, purchasing societies (exclusively) both in towns and the country are as yet very small in number, perhaps not exceeding 1,110 taken all together; and the number of marketing societies (exclusively) and other miscellaneous societies are negligible in comparison with the remarkable progress of credit societies. (For details, *see An Introduction to Co-operation in India*, by C. F. Strickland, 1922, pp. 36–75.)

* "In Italy, Switzerland, Belgium and France there are town banks after the model of Schulze-Delitzsch; in Italy, Switzerland, Belgium, France and Ireland there are country banks after the model of Raiffeisen. In none of these countries, however, is credit to so marked an extent the starting and rallying centre of other forms of Co-operation. The town banks are not part of a general scheme of Co-operation at all. The country banks, indeed, are strictly connected with agricultural organization, but in France, Belgium, Switzerland and Ireland, they are connected as subordinate sections only; Co-operation in these countries has started with supply and sale and the credit banks have been introduced afterwards. In Italy rural credit and other forms of agricultural organizations are parallel developments." (*Co-operation at Home and Abroad*, by C. R. Fay, p. 63.)

point and rallying centre of other forms of Co-operation.*

Another remarkable feature of our movement is that all forms of Co-operation, whether country banks or town banks, associations of producers or associations of consumers, or societies for small capitalists or manual labourers, all of these are being pushed forward by the Co-operative Union and the Government as a homogeneous whole, under the sole banner of "Co-operation." There is no splitting up of the movement in Japan according to the divergence of religious beliefs or of difference of opinion as regards politics, such as we often witness in continental countries, especially in Italy and Belgium,† owing, no doubt, partly to the fact that in Japan most of the societies are predominantly agricultural; and because associations of consumers, especially those of manual labourers, which are usually socialistic in colouring in Europe, are negligible.

Let me enumerate briefly some noteworthy events in the annals of the Co-operative Movement. Shortly after 1900, we saw the establishment of the Joint Congress of Officials of Co-operative Societies, which later developed into the Annual Co-operative Congress, followed by the organization of the Co-operative Union. In 1906, as the result of the revision of the Co-operative Law, credit societies were permitted to carry on their business in conjunction with other societies and also the Sōdaikai (or

* "Co-operative credit societies, which in several other countries were the first form of Co-operation among the artisan and peasant class, have found no favour among Danish peasants, who were little versed in financial matters and perhaps also felt the need of credit less. It is characteristic of Danish agricultural co-operation during the latter half of the last century that it aimed almost exclusively at improving agriculture or agricultural industry." (*Co-operation in Danish Agriculture*, by Harald Faber, 1918, pp. 9–10.)

† "In Belgium there are socialist associations of consumers, catholic associations of agriculturists, and neutral middle-class associations of town banks." (Fay, *op. cit.*, 67.) "In Italy, Co-operation is split up into three political branches of Catholics, Socialists and Liberals. The rural credit societies are predominantly Catholic, but the Popular Banks have no political attachment." (*An Introduction to Co-operation in India*, by C. F. Strickland, pp. 27–28.) Danish Co-operation is neutral, i.e. it takes no part as such in political, temperance or religious movements.

meeting of delegates) whose function I will mention later, was instituted. In 1909, the federation of societies was legally recognized, and the Co-operative Union came to enjoy the protection of the law. The revision of the law in 1917 widened in a great measure the scope of credit societies, and what may be termed urban credit societies or "people's banks," as they are styled on the Continent, came into existence. In 1912, already, we find the Japanese Co-operative Movement allied to an International League of Agricultural Co-operative Societies of which Germany, Austria, Hungary, Russia, Italy, Denmark, Holland, Bulgaria, Serbia, Roumania and Finland were members, and thus Japan came to work hand-in-hand with Co-operators of other countries for the common cause of Co-operation. From 1917 onward, credit societies (exclusively) began to decrease in numbers, while societies carrying on various forms of co-operative business together began greatly to increase, especially co-operative credit, marketing and purchasing societies. It must also be noted that from this year (1917) agricultural warehousing business came to be widely taken up by co-operative societies in consequence of the Agricultural Warehousing Act. Under the last revision of 1921, purchasing societies were allowed to engage in producing goods themselves for the use of, and distribution among, their members. Machinery societies for consumers were then recognized and the organization of federations themselves became more widespread and the federation of federations was instituted.

At the moment of writing this book, a big central organization for purchasing societies is nearing consummation, while negotiations are actively going forward for the establishment of a central bank for co-operative societies, such as has long been urged by Japanese Co-operators.

§ 2. The Present Position of Credit Societies.

It is hardly necessary to emphasize again the importance of credit societies in the Japanese Co-operative Movement.

The total number of credit societies (exclusively) in 1921 reached 2,535, and if we add to this figure credit societies carried on in conjunction with other types of Co-operation, these numbered 12,189, or 88 per cent. of the total of co-operative societies in Japan, as shown below:—

LIST OF CO-OPERATIVE SOCIETIES IN JAPAN.

	1919.	1921.
Credit Societies	2,895	2,535
Marketing Societies	272	251
Purchasing Societies	456	436
Machinery Societies	115	107
Marketing and Purchasing Societies	407	380
Marketing and Machinery Societies	157	175
Purchasing and Machinery Societies	30	38
Marketing, Purchasing and Machinery Societies	189	194
Credit and Marketing Societies	296	232
Credit and Purchasing Societies	2,948	3,059
Credit and Machinery Societies	63	67
Credit, Marketing and Purchasing Societies	3,630	4,150
Credit, Marketing and Machinery Societies	147	155
Credit, Purchasing and Machinery Societies	74	99
Credit, Marketing, Purchasing and Machinery Societies	1,427	1,892
Total	13,106	13,770
Urban Credit Societies	54	85
Societies which carry on agricultural warehousing	546	976

The rapid increase of societies which carry on various businesses side by side is a characteristic of the recent development. Credit societies (exclusively) which up to 1917 had ranked first on the list, in 1921 fell to the third place, the most prominent form being credit societies carried on in conjunction with marketing and purchasing societies, as shown above. In this respect our credit societies resemble Raiffeisen societies, in that, in most cases, they combine other co-operative activities, purchasing occupying

the chief place.* However, needless to say, this tendency does not by any means impair the leading position of credit business. On the strength of a recent illuminating Government report,† the author can safely assert that in over 2,000 societies which carry on together various functions, co-operative banking business occupies the most prominent position, and even in 7,000 other societies co-operative banking business is an important factor for promoting the other activities of such societies.

Credit societies in Japan, like other kinds of co-operative

* Referring to this feature of Japanese Co-operation, Mr. H. Wolff says: "The Japanese example of freely intermingling a variety of co-operative services in the same society—the societies being small—might be commended to the notice of the Irish Department of Agriculture and Technical Instruction, which thus far set its face resolutely against all such combination as if it implied danger—otherwise than to the gombeener." (*People's Banks*, by H. W. Wolff, p. 362.)

On this point Danish societies are entirely different from our societies: "The local societies form the backbone of the movement and confine themselves to the solution of only one special problem each, be it the improvement of a particular kind of live-stock, or the joint purchase of farm seed. If a new object is in view a new society is formed. Thus there are special local societies for cattle breeding, others for testing the milk of individual cows and herds, others for making butter from the milk, others for selling the produce of the dairies, and even a special society for the marking of butter, though this latter has now been superseded by legislation initiated by the peasants themselves." Therefore, it is of quite a common occurrence that one member belongs to several separate societies, sometimes to ten or more societies.—(Harald Faber, *op. cit.*, pp. 12–13.)

† This Government report, issued in 1922, entitled *Seisan Shōhi no Hōmen yori mitaru Sangyō-Kumiai no Jōkyō* (The Condition of Co-operative Societies, Viewed from the Standpoint of Production and Consumption), showed a marked advance in the classification of societies, and is of distinct benefit to students of Co-operation. In this report, instead of merely adding up figures under the fifteen different legal styles of societies (as was formerly done), co-operative societies are here classified according to their economic nature. Although it does not give any figures of credit societies, I will here quote the following extract in order to compare the importance of various types of societies.

CO-OPERATIVE SOCIETIES IN 1920.

1. Associations for Production		6,245
Societies predominantly—		
Marketing Societies	1,342	
Purchasing "	4,648	
Machinery "	255	
2. Associations for Consumption		1,772
Societies organized by—		
Producers	1,658	
Salaried Class	81	
Labourers	33	

(N.B.—The total number of societies for the same year was 13,442.)

societies, excluding, of course, co-operative stores, are predominantly agricultural in nature. This fact is shown, firstly, by comparing the number of urban credit societies, which in 1921 was only eighty-five, with the vast total of rural credit societies, as shown in the preceding table, and, secondly, by classifying the nature of the occupations of members in the latter. In 10,017 societies sending in reports for 1918, members were engaged as follows :—

Agriculture	1,260,047
Industry	57,135
Commerce	109,356
Fishery	22,683
Forestry	1,240
Miscellaneous	63,007
	1,513,468

The average number of members per society was 151, and may be roughly taken as an average figure of membership of all co-operative societies in Japan.* However, for urban societies the figure naturally is higher, namely 342 per society. It must be noted that this average number in rural credit societies is on the increase, showing that the increase of membership is faster than that of societies. In urban credit societies, the tendency is just the other way about. The biggest society in Japan, according to Mr. Fujii, is the Oshima Credit, Purchasing and Marketing Society, the membership of which approaches 20,000. It is interesting to note that this society, at the General Meeting of 1918, decided on building a steamer for the society's business.

But how are these societies distributed throughout the country? The Government Report shows, that, in all the length and breadth of the land, there is no prefecture where co-operative credit societies are unknown, and further,

* According to the Government report on co-operative societies for 1919, the average number of members of different forms of co-operative societies was as follows :—

Co-operative Societies taken together	150
Credit Societies	151
Marketing Societies	159
Purchasing Societies	149
Machinery Societies	156

that these societies, roughly speaking, are evenly spread all over Japan (see Appendix). Be it noted, however, that although the total number of societies exceeds that of cities, towns and villages of Japan (i.e. 12,192), there are at present seven cities, 385 towns and 2,868 villages, where Co-operation has not yet been able to penetrate. This leads one to the conclusion that there must be overlapping in certain districts. However, the evil of the overlapping of societies has not yet become a problem of any serious significance. The prefecture which shows the highest percentage of societies for a given number of cities, towns and villages, is Gumma Prefecture (the stronghold of the silk industry), followed by Kagoshima and Aomori Prefectures, whilst Osaka Prefecture (the industrial centre of Japan) shows the lowest percentage.

The liability of shareholders of co-operative societies in Japan may take three different forms. It may be unlimited, it may be limited to the amount of the shares, or it may be limited by guarantee. As these three forms of liability differ from those three recognized in the German Co-operative Law, it would be well to give a short explanation.*

By *limited liability* is meant that the members of the society are responsible for the indebtedness of the society to the extent of their holdings of shares. By *unlimited liability* is meant that the members of the society have joint and several unlimited responsibility for the indebtedness of the society, whatever may be the amount. By *liability limited by guarantee* (Hoshō-Sekinin) is meant

* Section 2 of the German Co-operative Law describes the three forms of liability as follows:—

"Co-operative societies may be established—

"(1) of such a kind that individual members assume direct liability to the society and to its creditors to the full extent of their property for the engagements of the society (registered co-operative society with unlimited liability);

"(2) of such a kind that the members are liable to the extent of all their possessions, but not directly to the creditors of the co-operative society, being only obliged to pay to the latter the contributions requisite for the satisfaction of the creditors (registered co-operative society with unlimited contributory liability);

"(3) of such a kind that the direct liability of the members to their society and to its creditors for the engagements of the co-operative society is restricted beforehand to a fixed sum (registered co-operative society with limited liability)."

—(Cahill, *op. cit.*, Appendix II.)

that the members of the society are responsible for the indebtedness of the society to the extent of a specified sum over and above their holdings of shares.

As is well known, unlimited liability is one of the basic principles of the Raiffeisen credit societies, and is universally followed in other countries by such rural credit societies as are modelled on the Raiffeisen society. In Japan, however, partly owing to the national character, unlimited liability is not so widely adopted. At the beginning of the movement the number of societies which assumed unlimited liability exceeded that of those which assumed limited liability, but the former gradually decreased and the latter is steadily on the increase, as shown below:—

CO-OPERATIVE SOCIETIES.

Year.	Limited.	Unlimited.	Limited by Guarantee.	Total.	Percentage.		
					Limited.	Unlimited.	Limited by Guarantee.
1903	327	529	14	870	37·6	60·8	1·6
1905	590	980	14	1,584	37·2	61·9	0·9
1910	4,204	2,938	166	7,308	57·5	40·2	2·3
1915	7,633	3,646	230	11,509	66·3	31·7	2·0
1916	8,047	3,460	246	11,753	68·5	29·4	2·1
1917	8,393	3,376	256	12,025	69·8	28·1	2·1
1918	8,987	3,266	270	12,523	71·8	26·1	2·1
1919	9,726	3,106	274	13,106	74·2	23·7	2·1
RURAL CREDIT SOCIETIES (EXCLUSIVELY).							
1903	154	389	6	549	28·1	70·9	1·0
1905	291	687	5	983	29·6	69·9	0·5
1910	918	1,261	40	2,219	41·4	56·8	1·8
1915	1,712	1,259	44	3,015	56·7	41·8	1·5
1916	1,873	1,151	46	3,070	61·0	37·5	1·5
1917	1,960	1,085	47	3,092	63·4	35·1	1·5
1918	1,993	1,019	45	3,057	65·2	33·3	1·5
1919	1,961	889	45	2,895	67·7	30·7	1·6
URBAN CREDIT SOCIETIES.							
1917	2	—	—	2	100·0	—	—
1918	34	3	2	39	87·2	7·7	5·1
1919	47	4	3	54	87·0	7·5	5·5

As shown above, the percentage of these three forms for 1919 (viz. limited liability, unlimited liability and liability limited by guarantee) was 74·2 per cent., 23·7 per cent. and 2·1 per cent. respectively, and the percentage of limited liability for 1919 was 67·7 for rural credit societies exclusively, and 87 for urban credit societies, showing an overwhelming majority of limited liability.

Let us now examine briefly the financial condition of credit societies. The total amount of share-capital, reserve fund, deposits and money borrowed from outside, in 1918 (the last year for which the figures are available), in credit societies (viz. 3,059 credit societies exclusively, and 10,017 credit societies of all kinds, sending in reports), as compared with all co-operative societies (viz. 11,230, sending in reports for that year) showed the following figures :—

Remarks.	Credit Societies (exclusively).	Credit Societies (of all kinds).	All Co-operative Societies (taken together).
Share-Capital—			
Subscribed . .	Y15,020,921	Y41,830,956	Y47,281,503
Paid-up . . .	11,637,228	30,346,099	33,456,521
Reserve Fund—			
Compulsory . .	3,967,969	10,215,105	10,694,497
Voluntary . . .	1,478,613	4,287,652	4,664,008
Deposits (in hand) from members .	34,300,364	107,078,501	107,078,501
Money borrowed from outside (outstanding)	2,406,048	17,699,571	21,602,321

N.B.—Deposits from non-members have been omitted from this table on account of the lack of accuracy.

The above statistics eloquently prove the important rôle played by deposits, the amount of which is steadily increasing year by year. This is apparently due, firstly, to the absence of proper savings-banks in rural districts, and, secondly, to assiduous encouragement to depositors on the part of societies, as we shall see presently.

In the following pages I shall describe the organization and mode of operation of *rural* credit societies, and examine how and in what way they differ from the German model and its offshoots in various countries.

§ 3. The Organization of Rural Credit Societies.

The credit society, as every economist understands, is an association of small producers, joined together for the purpose of financing their own industry, and incidentally of developing their own domestic economy. In other words, the credit society is a small bank, established by the members themselves for their own benefit. It is unnecessary to emphasize the fact that the credit society is not merely a *system*, but a *spirit*, viz. beyond the foregoing it embodies the further aim of cultivating among its members the spirit of self-government, the practice of thrift, the fostering of brotherhood, and the general betterment of the economic organization as a whole.

There are two models on which nearly all the co-operative credit societies in the world have been built, viz. the model of Raiffeisen and that of Schulze-Delitzsch, two German pioneers of Co-operation. Raiffeisen instituted credit societies (usually called loan and savings banks) for agriculturists, and the moral and ethical mission looms very large in his programme, similarly to the Japanese Hōtokusha. Schulze-Delitzsch, on the other hand, devised credit societies mainly for artisans and merchants and lays particular stress on the business-like management of such societies. To him economy was enough. "Economic reform being effected, he judged that other reform would follow in its train of its own accord." Hence arise many points of difference between both these systems and their actual mode of operation.*

* The Raiffeisen credit societies have generally the following characteristics :—

Limitation of area, low shares, permanent and indivisible reserve fund, unlimited liability, loans only for productive or provident purposes ; loans only to members, credit for relatively long periods, absence of profit-seeking ; posts of officials, with the exception of the secretary, are honorary, i.e. unpaid, fostering of moral as well as material advancement, and

Which of these two systems has been adopted in Japan is a point which is open to question. Some writers maintain that our credit society is, without doubt, modelled on the Schulze-Delitzsch system, while others assert that our system is an exact copy of the Raiffeisen system. To the author the truth seems to lie midway between these two, i.e. the German Co-operative Law, on which our law was based and which, as we must not forget, was subsequent and not anterior, to practical Co-operation, naturally covered the two forms already in existence, i.e. the Raiffeisen and Schulze-Delitzsch systems, and culled from both, although there is no doubt that there is a strong leaning to the Schulze-Delitzsch system, which is explained by the fact that Schulze-Delitzsch and his party assisted in the drafting. Further, the conditions of Japan and the character of the Japanese necessitate culling from both systems, without adhering rigidly to the Raiffeisen system, as is the rule in other countries.* Even in urban credit societies we find, that with but few modifications, the rules of the rural credit societies are followed. Thus it must be noted that, although the present Japanese Co-operative Law draws a line between ordinary (or "rural") credit societies and urban credit societies, and makes special provisions for the latter, the line of demarcation between the two (rural and urban societies) is not so marked

carrying on of other co-operative business, e.g. purchasing of agricultural requisites, etc.

The Schulze-Delitzsch credit societies, on the other hand, have roughly the following principles: the area is not strictly limited; high shares; no indivisible reserve; loans usually for terms of three months; dividends, sometimes very high; carrying on of *purely banking* business and no other co-operative activity is undertaken (*see* Cahill, *op. cit.*, p. 15).

The principle of the Schulze-Delitzsch system was followed with some modifications by the Luzzati banks in Italy, founded in 1866 by Signor Luzzati. This modified system, on which the town banks in some countries are modelled, differs from the Schulze-Delitzsch system in that (1) the administration is more democratic; (2) the liability of shareholders is limited; (3) the chief channel of credit has always been the bill of exchange, advance bill or trade bill. (For details, *see* Fay, *op. cit.*, pp. 63–66; for the present condition of the Luzzati banks, *see* footnote on p. 162.

* For example, "In one or two respects, indeed, the Punjab (India) holds if anything more closely to the pure gospel of Raiffeisen's teaching than does Germany herself. Credit is more personal, management more entirely honorary, general meetings more frequent and corporate spirit stronger. . . ." (Darling, *op. cit.*, p. 189.)

as is the case in the Schulze-Delitzsch and in the Raiffeisen systems. (For details, see special section on urban credit societies.)

Although the Japanese co-operative societies, including credit societies, are under the careful and minute provisions and far-reaching regulations of the Co-operative Law, and further, although these societies, from their establishment to their dissolution, are subject to bureaucratic control and strict inspection by the authorities, it will not interest the reader to go into these legal details, and I shall only deal with the important points of the organizations and the *modus operandi*, principally reviewing how these societies are actually organized and conducted.

A credit society is usually started by a group of small producers, say fifty or sixty, living in the same village or township. The legal minimum number of members for such establishment, as under the German Co-operative Law, is seven.

The motives for which such a society may be established are manifold, but in most cases, it is the pressing need for protection against the abuses of usury and private money-lending that provides the impulse for its establishment. Some of the societies are started to provide a common fund for the adjustment of fields; and some of the older societies have been reorganized from the Hōtokushas described in a previous chapter.

It must be borne in mind, however, that in Japan the impulse for such a society nearly always comes from above. For example, if the Government finds in a certain village that the organization of a credit society is badly needed, it sends a lecturer there, with the idea of converting the inhabitants to the principle of co-operative banking; or the village mayor may start propaganda to that end. In many cases, I may add, the mayor ultimately becomes the President of the society, and the business of the society will be carried on in the village administration office. On the advantages and benefits derived from co-operative banking becoming known, the inhabitants of villages themselves begin to form societies without external influences being brought to bear.

The area served by the credit society is usually limited, as in the case of Raiffeisen societies, to a single village or town.* This limitation of area has been determined by the very nature of credit societies, which must of necessity be based on the mutual knowledge and on the confidence of its members in each other. Sometimes such an area may be further extended, but this requires the permission of the authorities of the particular Prefecture, in which the society in question may be situated.

The Japanese Co-operative Law, which is in the main a copy of the German Co-operative Law, also provides that the number of members of a co-operative society may not be restricted. This provision, of course, as Mr. Cahill points out, "does not imply that membership is open to every applicant, but merely that its members may not be permanently limited." (Cahill, *op. cit.*, p. 65.) In practice, the membership ranges between 100 and 500, but it is sometimes as small as under fifty and sometimes as large as over 2,000. The average membership of credit societies for 1919 was, as we have seen, 151.†

As I have explained already, a credit society may assume one of three different forms of liability: limited liability, unlimited liability, or liability limited by guarantee. Each society must choose one of these forms of liability, according to the economic and other conditions of the

* This legal limitation is confined to *credit* societies, and is not applicable to other types of societies.

† There is not sufficient material to gauge the number of members in each society. However, such number in 167 co-operative societies, which were recognized in 1916 as efficient by the Co-operative Union, showed the following results:—

Under 50 members	5	societies
51–100 "	10	"
101–200 "	25	"
201–300 "	38	"
301–400 "	29	"
401–500 "	27	"
501–600 "	14	"
601–700 "	7	"
701–800 "	3	"
801–1000 "	1	"
1001–2000 "	6	"
Over 2000 "	2	"
	167	"

village or town in which such society is situated. Although the advantages of unlimited liability over limited liability for rural credit societies are strongly set forth by writers on Co-operation and are universally adopted by Raiffeisen Societies (and their offshoots), as a matter of fact in Japan limited liability seems to be preferred to unlimited liability.*

It may be added in this connection that the law requires each society to announce, as part of the official title of the society, the kind of liability to which its members are subject, so as to avoid any misconception by the public as to their possible liability.

There is no special qualification for becoming a member of a credit society, such as we have seen enforced in the Hōtokusha system, where the morals of candidates are the first consideration.

Any individual, so far as he is an independent earner living in the society's area, may become a member of a credit society, provided that he is prepared to subscribe for one share (usually Y10–20) †; and further that (*a*) he be approved, in the case of societies of limited liability or liability limited by guarantee, by the directors; (*b*) in the case of societies of unlimited liability, by the whole body of members. A credit society, whatever its form of liability, must be open to people of all trades, not only for agriculturists, but also for those engaged in industry, commerce,

* For example, Mr. Wolff enumerates among other points the advantage of unlimited liability:—

1. That unlimited liability makes banks particularly careful in the acceptance of members.

2. That it secures efficient management, as officials who, just as other members, assume unlimited liability naturally are careful and alert as to financial engagements.

† Various endeavours are being made on the part of societies and of rural communities to make easy the joining of a co-operative society. To quote a few such examples from the Government report:—

1. Anyone wishing to become a member and yet unable to pay the price of the one share, as prescribed, may offer his products, which the society will dispose of, and the proceeds of such sale will be allocated towards paying for such share.

2. A part of the purchase money for the share to be taken up by a new member is contributed by the rural community from the common fund.

3. A savings-club is specially organized for the purchase of shares.

4. Sometimes the association of landowners will make a donation of Y1 per share towards the purchase of shares. Usually the price of a share is Y10–20.

fishery, forestry and so forth. It depends mainly on the location of the society, as to which of these occupations predominates in the society. Taken as a whole, agriculture predominates, as we have seen already.*

Where it is expressly stated in the rules of a credit society that loans may be granted for purposes of *domestic* economy, a person may become a member of such society, even if he is not engaged in any productive pursuit. This point was put to the Bureau of Agriculture, whose ruling was as above.†

Whether a corporate body, as distinguished from an individual, can become a member of a credit society, is a question of some legal importance,‡ and to a certain extent this question has economic consequences.§ It seems to

* Below I give a few exceptions to the rule that agricultural members predominate in credit societies. The following figures may be of interest as showing cases where this rule does not apply:—

	Agricultural.	Industry.	Commerce.	Fishery.	Forestry.	Miscellaneous.
Miyatsu Society.	84	690	620	144	—	420
Kawagoemachi Society	166	989	2,128	1	—	1,381
Kōsuisha Society	976	2,174	3,248	—	—	3,489
Hime Society	232	63	200	445	—	20

† The Japanese Credit Society manifestly has no intention of excluding the very poorest as does the Schulze-Delitzsch system. (The Raiffeisen system, on the other hand, makes a special effort towards the relief of the neediest, as is also the case in the Hōtokusha.) However, in practice our credit societies are said to be made up of middle and upper class membership. A certain Government official in the Department for Co-operative Societies is said to have declared that the members of Japanese Credit Societies are mostly drawn from the middle and upper classes, and another is also said to have expressed the opinion that, although the number of societies had increased, the persons constituting the membership of societies had no actual domestic necessity to combat with, and thus the first aim of co-operative societies, viz. to raise the standard of living, has in practice no part in the movement. *See Nihon-shinyō-kumiairon*, by Usami (Japanese Credit Societies), p. 243.

‡ A municipal corporation, for example, cannot become a member of a credit society, but it can become a *depositor* in such a society. Whether a co-operative society, which itself is a *legal person*, can become a member of another co-operative society, is also an open question. However, considering the provision made for federation of societies, it would be better to say, like Mr. Fujii, that a co-operative society cannot become a member of another co-operative society (viz. a unit society).

§ If, as is usually understood, a profit-making company is allowed to become a member of a co-operative society, there is a possibility of a society, consisting exclusively of such commercial companies, being organized for the sole purpose of *evading taxes*. As a matter of fact, such societies are not rarely met with in Japan. Evidently this contradicts the spirit of the Japanese legislation, which was primarily intended for *small* producers.

be usually understood that a company, including a joint-stock company, also can become a member of a credit society, provided that its head office is within the area of the society, and provided that it carries on some business enterprise.

The working capital of the Japanese credit society mainly consists of share-capital, reserve fund, deposits from members, supplemented by money borrowed from outside organizations. In the case of societies with unlimited liability, the joint and several liabilities of members furnish the *immaterial* portion of the society's capital. But in Japanese societies, stress is laid rather on the share capital and reserve fund—in particular, on deposits. Below I give a brief outline of how the share capital and reserve fund, viz. the society's own capital, is raised, and I shall deal with borrowed capital and deposits in the section on the society's business.

Share Capital.—As has been pointed out every member has to subscribe at least one share, the maximum amount of one share, excepting in special cases, is not allowed to exceed Y50 and, further, one member's holding of shares should not be more than thirty; only in exceptional cases the maximum of fifty shares is allowed. The value of a share varies from society to society. Some societies have shares as low as Y1, and other societies have shares as high as Y100. But in most cases the amount of a share ranges from Y5 to Y20.* The majority of members hold one share only. However, as there are a number of members in each society who hold more than one share, sometimes even ten shares, the average holding of share capital per

* In 167 efficient societies, of which mention has already been made, the nominal value of one share in 1916 is as follows:—

Nominal value of share.	No. of Societies.
Under Y5	2
Y5	18
Y6–Y10	71
Y11–Y20	45
Y21–Y30	14
Y31–Y40	2
Y41–Y50	14
Y100	1
	167

member in 1918 was reported to be as high as Y41·75.

The shares are usually paid for by small instalments, the methods of payment being various. The first instalment, however, must be at least one-tenth of the nominal value of the shares. Sometimes a member pays 20 *sen* each month, or Y1 half-yearly. All the dividends due to members who are paying up their shares by instalments must be allocated towards paying the balance of the shares. The statistics show that such payment in full is usually completed in the course of a few years.

Reserve Fund (Prescribed by Law).

Every year each society must, by law, set aside at least one-fourth of its net profits for the reserve fund until this reaches the amount agreed on in the rules of the society. The law prescribes that the minimum of the reserve fund must not be less than the total amount of the nominal capital of the society. The entrance fee charged to new members, the fees charged to a member wishing to increase his holding, and the balance of shares held by a member who leaves the society, must also be added to this fund. The percentage of the reserve fund (both compulsory and voluntary) compared to the total subscribed capital of credit societies (exclusively) and of credit societies (of all kinds) in 1918 was 36·25 and 34·43 respectively; and the percentage of the special (voluntary) reserve fund compared to the ordinary (compulsory) reserve fund in 1918 was respectively 37·26 and 41·97.

Special Reserve Fund (Voluntary).

Usually in co-operative societies a certain portion of the net profits is allocated to a reserve fund quite voluntary in nature. This fund is called the "special reserve fund" to distinguish it from the reserve fund required by law, already explained above. This voluntary fund may be a reserve fund for reconstruction of premises, or one for depreciation of furniture, etc. It is sometimes used for charitable purposes, or for death benefits, or to provide bonuses on the marriage of members and so forth; and, indeed, to meet miscellaneous unforeseen expenses.

It must be noted that these two forms of reserve fund,

unlike the *Stiftungsfond* in the Raiffeisen Societies or the *Dodaikin* in our Hōtokusha, are not the permanent indivisible property of the society, to which fund all the profits of the society are allocated. Although the reserve fund (of credit societies) as such, is the corporate property of the society, primarily accumulated to cover losses incurred by societies, yet in Japan each member can lay claim to it, i.e. when a member leaves a society or when a society is wound up, a member can claim a proportionate share of such reserve fund. A member's holding in the reserve fund is usually computed: (*a*) in the reserve fund, prescribed by law, in proportion to the amount of his paid-up shares; (*b*) in the special reserve fund, in proportion to the amount which he has contributed to the profits of the society, e.g. in the case of marketing societies, in proportion to the quantity of goods delivered by a member.

The net profits of the society, as a rule, are allocated as follows:—

1. One-fourth of all profits up to the amount required by law to be devoted to the reserve fund.
2. To dividends to members.
3. To a special (voluntary) reserve fund.
4. To bonuses to officials and employees.

After deducting the required percentage of the net profits for the reserve fund, as explained above, the society may distribute the remainder in several ways; either as dividends to members, or for the formation of a special (voluntary) reserve fund, or as bonuses to officials and employees.

Firstly, I shall examine the provisions of the law on dividends. According to the law, dividends may be distributed in the following two ways:—

1. They may be distributed among the members—
   (*a*) In proportion to a member's holding in the society, which consists of each member's proportion of the paid-up capital, reserve fund, special reserve fund, and the balance of net profits undistributed.

(*b*) Or in proportion to the share of each member, i.e. the paid-up share capital of each member.

In both cases the law limits such dividends to 6 per cent. and in exceptional circumstances 10 per cent. These dividends are really equivalent to interest on capital; in other words, these are dividends which each member receives as an investor in the society. Therefore, if all the dividends are distributed in this way the only difference from the distribution of dividends of joint stock companies is that in the former there is a legal maximum as to both the total holding of each member and the percentage of dividend, whereas there is no limit in either direction in the latter.

2. They may be distributed in proportion to the amount and prices of goods handled by the society or the amount of business executed by the society for each member. In other words, the dividends may be distributed in proportion to the extent in which each member has contributed to the net profits of the society. In this case each member receives his dividend as a member of the society, rather than as an investor.

This form of allocating dividends is unknown in capitalistic enterprise, and is one of the characteristic features of co-operative societies, by which one can distinguish them from joint stock companies. The world-famous "Dividend on Purchase," devised by the Rochdale Pioneers in England, is its most brilliant example.

So much for the legal provisions as to dividends. But how does this work in practice? In Japanese co-operative societies, in most cases, a combination of these two methods is followed; i.e. after distributing so much as a remuneration for capital, the rest is distributed, for instance, in proportion to the amount and/or prices of goods sold and purchased by its members. But in the credit societies (exclusively), as far as I can learn, all the dividends are usually distributed in proportion to the amount of the paid-up shares of each member. There is no dividend which each member of the society receives as such; although in

the younger societies all the dividends are usually allocated to form and augment the compulsory reserve fund, in order to place the society on a sound basis, each member has a right to claim on such a fund in proportion to the amount of his paid-up shares. In other words, the increase of such a fund results only in strengthening the interests of members as investors.

From the foregoing, I venture to say that the credit society (exclusively) is not altogether free from the criticism that it is, in this respect, capitalistic in nature.*

A suggestion made by Mr. C. R. Fay, in *Co-operation at Home and Abroad*, which I would also like to bring to the notice of Japanese Co-operators, is worth following, viz.: a fixed dividend of 5 per cent. on capital and the remaining surplus to borrowers in proportion to the amount of their borrowings, as adopted in Belgian Popular Banks, which is really identical with the practice of dividend on purchase in the co-operative stores in all lands.

In order to encourage officials and employees, or express gratitude to them for valuable services rendered to the society, so-called bonuses are sometimes given over and above their salaries. But they are usually very small in amount.

§ 4. The Business of Rural Credit Societies.

The business of the credit society, as such, is very simple as in the case of the Raiffeisen societies, viz. it consists of receiving deposits from members and, under certain conditions, from non-members, and of granting loans to members for productive purposes. In cases where a lack of working capital is felt, money is borrowed from the Federation or from individuals or from local banks, or, in cases where there is a surplus of working capital, such capital may be invested in Government bonds or debentures

* The relatively lower percentage of the special reserve fund as compared to the compulsory reserve fund in credit societies (exclusively) as against credit societies (of all kinds) will also illustrate this assertion.

or sound commercial securities, or may be deposited with the Federation or with commercial banks.

As we have seen in the preceding pages, rural credit societies in Japan, like Raiffeisen societies, are usually engaged in other co-operative activities as well, such as marketing and/or purchasing, but as these other activities are not the business of the credit society as such, I shall describe these in later chapters.

Further, owing to the influence of the Hōtokusha or other spiritual organizations in Japanese villages, and, in some cases, on its own initiative, the credit society by means of various methods, aims at cultivating the moral character of its members. However, there seems to be much left to be desired in the activities of societies in this direction.

(i.) Deposits.

Deposits, which are usually called *Chokin* (or savings), irrespective of their different forms, constitute one of the main sources of the loan-fund of the Japanese credit society.* As a popular system of savings bank is sadly lacking in rural districts of Japan,† the usefulness of the credit society in this direction is greatly appreciated. Further, in view of the fact that deposits from members stimulate thrift, besides being of benefit, in that such deposits augment the society's loan fund, societies do their utmost to encourage deposits from non-members as well as from members, as we shall see in the following pages.

The great stress laid on deposits by Japanese credit

* As we have seen, over 63 per cent. of the working capital of Japanese rural credit societies is formed of various deposits, while 26 per cent. of paid-up shares and reserve fund and the remaining 11 per cent. of money borrowed from outside sources. In Indian credit societies, the percentage of deposits in the working capital is much lower, and that of commercial credit is much higher, as shown as follows: 50 per cent. of shares and the surplus accumulated from the interest on members' borrowings, 10 per cent. of deposits, and the remainder of commercial credit (see C. F. Strickland, *op. cit.*, p. 51).

† The lack of proper savings banks in rural Japan may be judged from the enormous business done by the Post Office Savings Bank. In May, 1922, the total amount of such savings amounted to Y900,958,298—about nine times as much as received by all the co-operative societies.

societies may also be seen from the fact that some credit societies have evolved from mere savings clubs. At present, in most cases, 80–90 per cent. of the members are themselves depositors, and it is not rare to find that all members are depositors. It must be noted that in Japanese societies the percentage of borrowing members is much lower than that of depositing members,* the annual percentage of the former being 50–70 per cent. of the total members.

It is almost impossible to enumerate all the different forms of deposits in actual existence. We find in Japanese credit societies that deposits of the same nature are often introduced under different names. Roughly, deposits received may be classified under two headings, viz. voluntary and compulsory deposits.

The most common forms of voluntary deposits by members are as follows :—

1. *Deposits of Savings.*

These are deposits, as the name implies, for the purpose of saving money, and such deposits are usually made in very small amounts at a time, say 5–10 *sen*, and are withdrawable at any moment. This form is widely used, and the rate of interest ranges from 4 per cent. to 6·6 per cent. per annum, 6 per cent. being the normal rate. This rate is usually higher than the current rate of interest allowed by ordinary banks in the district.

2. *Current Account.*

This form is also in common use, especially in those societies, the membership of which comprises many persons of the merchant class. Its method is just the same as in ordinary banks. The rate of interest ranges from 1 *sen* to

* In seventy-nine efficient credit societies, recognized as such by the Co-operative Union in 1916, the percentage of depositors to the total membership was as follows :—

Percentage of Depositors.	No. of Societies.
Under 50 per cent.	3
51–60 per cent.	3
61–70 "	3
71–80 "	9
81–90 "	13
91–99 "	21
100 per cent.	27

1·8 *sen* per diem per Y100 (equal to 3·6 to 6·5 per cent. per annum).

3. *Fixed Deposits.*

This form is usually adopted by those members who have money to spare, and have no employment for it for the time being. The term is usually one year, or half a year; sometimes longer and sometimes shorter than that. The rate of interest on this fixed deposit is usually higher than on the deposits of savings, ranging from 4·5 per cent. to 7·8 per cent. per annum (the normal rate being 7 per cent.); and naturally it is higher in the case of long-term deposits.

4. *Deferred Deposits* (Sueoki-chokin).

This is of the same nature as the fixed deposit, but the term of deposit is usually very long. It has numerous categories, but, roughly speaking, it takes one of the following forms:—

(*a*) A certain sum of money is paid in and left for some years.

(*b*) A certain fixed sum of money is paid in monthly or daily, until it reaches a certain amount during a stipulated period.

(*c*) A certain sum of money is deposited daily or monthly at the discretion of the depositor, and after the expiration of a stipulated term the deposit is paid back to the depositor.

The rate of interest on this form of deposit ranges from 6 per cent. to 9 per cent. per annum, 7 per cent. being the normal.

5. *Commemoration Deposits* (Kinen-chokin).

This deposit has nothing new in its nature, but it is usually treated as a special form in the societies. The idea of this deposit is to commemorate the Accession ceremony of the present Emperor, or some occasion memorable to the society (for example, one society started this deposit when it was granted a large sum as a low rate loan by the Government). The working of this deposit is nearly the same as deferred deposits.

6. *Sinking Fund Deposits* (Gensai-chokin).

In this deposit, a certain percentage of the debt outstanding is paid in monthly or daily until the debtor can pay back the whole of his debt.

Compulsory deposits may take various forms, as, for example :—

1. *Deposits of Promise* (Yakusoku-chokin).

This deposit begins when a member is granted a loan from the society. The borrower promises to the society that he will deposit more than a certain percentage of such a debt, say 2 per cent monthly. This deposit is only applied towards the discharge of the debt. The rate of interest is very high on this deposit.*

2. *Taxation Deposits* (Nōzei-chokin).

The aim of this deposit is to provide members with the cash necessary for paying their annual taxes. Usually the amount of tax is ascertained ; and every month the member has to pay a little more than one-twelfth of this amount. This deposit seems to work satisfactorily in practice and it is fairly widely used.

Methods of Collecting and Encouraging Deposits from Members.†

As I have already mentioned, every society endeavours to induce members to deposit as much as possible, so far as this does not impair the productive capacity of the member. Especially in those societies which enforce a kind of compulsory deposit, do they employ rather interesting methods of collecting and encouraging deposits. On this point the Co-operative Union, in its report, published a fairly exhaustive description, the principal features of which I will enumerate.

* Mr. S. Webb says that this very complicated treatment of part payment of a loan as a special kind of deposit is unknown in Europe. What is done in Europe is always to accept any instalment towards wiping off so much of the loan, and then charging interest on the unpaid balance. This is an instance of what seems to him a Japanese tendency to over-complication. (Communicated personally.)

† Compare our method to that employed in the Raiffeisen societies :— " Not only are members urged to bring in their savings, but the savings of non-members are also welcomed ; and efforts are made to reach all ages and classes in the district. Farm hands and servants are recommended by masters to deposit part of their wages with the society ; teachers in schools distribute savings books ; savings boxes are given out free of charge ; and in many cases societies employ collectors who make weekly visits to houses for the sale of savings cards of different denominations " (Cahill, *op. cit.*, 77).

Methods of Collecting Deposits.

1. The officials and employees of the society visit each member at his house and collect deposits.

2. The officials of the village office take part in collecting deposits and take them to the society in a lump sum.

3. An area is divided into several districts, and in each district a deposit collector is appointed, or members take it in turn to collect. In this case, collecting boxes are provided by the society.

4. "Savings-clubs" are organized for this purpose.

5. On so-called "savings-days" agreed on by members, they take their deposits simultaneously to the district office of the society at a given signal, say the firing of a rocket or the striking of the bell.

6. Primary school students or members of "village young men's associations" take part in this business.

7. The whole or a part of the proceeds of sales of property is deposited (this constitutes a kind of compulsory deposit).

Special Methods of Encouraging Savings and Deposits.

1. Special provisions for encouraging savings are drawn up, and those members who show specially good results in savings are allowed a higher rate of interest, or are presented with money rewards or gifts by the society.

2. In case of a child being born to a member, such a member is presented with a pass book with a certain sum of money (the amount being only infinitesimal) entered to his credit; thus he is encouraged to add to this initial deposit.

3. A society issues "Savings coupons," which are used as presents among members, and from the society to members, or as lottery prizes, in the entertainment part of the General Meeting.

4. A certain portion of the crops at harvest-time is collected from each member and the proceeds of the sale of same are converted into deposits. The proceeds of sales at exhibitions of products are also treated as mentioned above.

5. Members are encouraged to start subsidiary industries, such as bee-keeping, breeding silk-worms, etc.

6. All dividends are converted into deposits.

7. The rate of interest on deposits may be raised above the rate current in the same district.

8. The society furnishes each member with a savings-box, for the purpose of putting money into it.

9. In order to stimulate emulation in saving money among members, a diagram showing the amount of savings of each village is displayed in the office, or copies are distributed among members.

10. Lectures on thrift are often arranged by the society; and special thrift-songs are composed to be sung by members.

Deposits from Non-members.

Although the credit society is a bank established for the benefit of its members receiving deposits only from members, it can, under certain conditions, also receive deposits from non-members. According to the law, such non-members are classified as follows:—

1. *Applicants for membership.* From such non-members the society can receive deposits to the amount of one share; the idea of such a deposit being to help him to become a member.

2. *The family of a member of the society.* The society receives deposits from people who live in the house of the member. Such may include employees of the member residing with him.

3. *Public Bodies.* This covers public bodies of cities, towns and villages, and also shrines, temples, associations for adjustment of fields, live-stock associations, agricultural societies, etc.

Deposits of all forms from members added together showed the following increase in the last few years:—

Year.	No. of Societies sending in Reports.	No. of Depositors.	Balance.
1904	463	?	Y242,953
1905	610	?	423,087
1910	3,892	232,485	7,204,824
1914	8,533	728,372	24,749,229
1915	9,040	840,932	29,599,159
1916	9,363	940,399	43,670,205
1917	9,715	1,057,325	73,976,183
1918	10,017	1,187,096	107,078,501

Deposits from non-members in 1918 were as follows:—

		No. of Societies whose figures are available.
Deposits of the first type	Y115,522	(4,507)
Deposits of " second "	14,294,777	(6,584)
Deposits of " third "	98,243	(25)

(ii.) MONEY BORROWED FROM OUTSIDE.*

The loan fund is mainly made up of share capital, reserve fund (Society's own capital) and various deposits from members and from non-members. Temporary deficiencies of this fund, however, must be supplied from outside sources. Theoretically speaking, such deficiencies of funds in unit societies are best relieved by their own Federation, no matter whether such loans to unit societies come from the Federation's own fund, or whether the Federation takes up loans on behalf of unit societies from the Hypothec Bank of Japan.

As things stand to-day, owing to the lack of close relationship between unit societies and the Federation, the former supplement their fund, roughly from the following sources :—

(1) From the Federation of Credit Societies.

(2) From Nippon-Kwangyō-Ginkō (the Central Hypothec Bank of Japan).

(3) From Nōkō-Ginkō (the Provincial Hypothec Banks).

(4) From local banks.

(5) From private individuals.

The Japanese Government, with a view to promoting co-operative societies, grants such societies vast sums each year from the funds of Post Office Savings Banks at a very low rate of interest through the intermediary of the above-mentioned banks, either from their Head Office or through local Hypothec Banks; and, further, such loans may be granted to the Federation or direct to unit societies themselves.† Although in theory the Central Hypothec Bank

* This section is mainly based on private information from the Co-operative Union. The author's investigation in this direction is not by any means final, nor was it possible for him at the time to procure further information.

† Practically, in like manner, the Minister of Agriculture in France grants loans to credit societies in that country from funds derived from the Bank of France. However, in France such loans are not given direct to a unit society, but are granted to the Federation or district bank ("Caisse regionale," to use the French term), which in turn divides such grants according to the need or as sought for by the affiliated societies. At the end of 1913, the various "caisses regionales" had received more than 100 million francs as loans from the State, 94 million remaining outstanding, while the subscribed and paid-up capital of the "caisses regionales" amounted only to 8 millions and, moreover, these loans had been granted free of interest. The dependence of societies on State help is thus more marked in France than in Japan (see *Impressions of the Co-operative Movement in France and Italy*, by O. Rothfeld, pp. 12–18).

aims at granting loans only to the Federation, which latter is then to accommodate its unit societies, the relation between unit societies and the Federation, as it stands to-day, is not such that this theory is practicable, so that fairly large sums are granted direct to unit societies by the Hypothec Banks. Such loans granted by these two types of Hypothec Banks to co-operative societies (unit societies and federations) in the last seven years were as follows :—*

1912	Y1,651,450
1913	906,900
1914	—
1915	1,043,000
1916	2,226,200
1917	1,236,580
1918	1,586,200

The rate of interest charged by the Central Bank was 5·6 per cent. and that by provincial banks, 6·1 per cent.

Further, according to private information from Mr. Sengoku, of the Co-operative Union, at the end of 1921, such loans granted by these banks from their own capital, together with those granted from the funds of Post Office Savings Banks, to federations and unit societies showed the following facts :—

Loans granted by	Fixed-term Loan.		Loans repayable by Yearly Instalments.	
	No. of Loans.	Total Amount.	No. of Loans.	Total Amount.
Central Hypothec Bank	35	Y5,914,559	79	Y1,340,225
Provincial Hypothec Banks	2,581	6,239,428	27	215,800

	No. of such Items.	Total Amount.
Discounting of bills	59	Y991,590
Overdrafts of current account	2	23,703

* Quoted from *Hompō-Nōgyō-Yōran* (the Outline of Japanese Agriculture) issued by Ministry of Agriculture and Commerce.

The rate of interest per annum charged by these banks in the first half of 1922 was :—

7·6 per cent. for loans repayable by yearly instalments.
7·9 per cent. for fixed-term loans.
About 8·3 per cent. (viz. 2·3 *sen* per Y100 per day) for discounting of bills.
About 8·7 per cent. (viz. 2·4 *sen* per Y100 per day) for overdrafts to the Federation.
About 9·1 per cent. (viz. 2·5 *sen* per Y100 per day) for overdrafts to unit societies.

At present, financial assistance given by ordinary local banks to *unit* societies probably far exceeds that given by the above-mentioned banks. However, there are no figures available to confirm this statement. Further, assistance given by private individuals must not be lost sight of.

Altogether, money borrowed by co-operative (unit) societies for eight years taken at random, was as follows :—

(Compare this amount with that of societies' own capital.*)

Year.	No. of Societies reviewed.	The total amount of Money borrowed from outside.	The total amount of Societies' own Capital (paid up Share Capital and Reserve Fund).
1904	634	Y217,412	Y1,193,200
1905	836	385,308	1,539,785
1910	4,922	3,258,780	8,885,130
1914	9,967	14,690,715	25,958,694
1915	10,374	16,247,713	30,146,301
1916	10,587	14,975,106	34,499,298
1917	10,919	17,575,104	40,208,891
1918	11,230	21,602,321	48,815,026

(iii.) Granting Loans to Members.

The primary object of the credit society is to grant loans to members for various productive purposes. The objects of such loans in Japan usually include the following :—

1. Purchase of land, manure, live-stock, seeds, young plants and agricultural implements.

* Quoted from *Sangyō-Kumiai Yōran*, 1922 (the Outline of Co-operative Societies), issued by the Ministry of Agriculture and Commerce.

2. The breaking-up and improvement of land.
3. Cocoon culture and other agricultural purposes.
4. Repair of houses and buildings.
5. Repayment of old debts.
6. Other miscellaneous purposes, including furnishing members with funds necessary for industry, commerce, fishery and forestry.

Loans may also be granted for domestic purposes, but only in cases where expressly stated in the rules of the society, as already mentioned. In accordance with universal custom, credit societies grant loans to members and not to non-members.

The most usual form of loan granted in Japanese credit societies—as is usually insisted upon as part of the principles of rural credit societies—is Personal Credit, viz., loans granted without any material security whatever.* Sometimes loans are granted without any other security than the good faith of the borrower himself (viz. *Blanco*, as it is termed in Germany), but usually the surety of one or two friends is required (viz. *Bürgschaft*, to use the German term).

However, when the amount of a loan is substantial and exceeds the credit limit of the borrower, or when the term of loans is very long, the society grants loans only against some tangible security, viz. Real Credit. The varieties of security accepted are manifold. They include such mortgages

* New loans numbering 91,191 to the value of £4,864,642 were granted in 1910 by the 4,165 societies of the Raiffeisen Federation, and the security furnished was reported as follows :—

Form of Security.	Number of Loans.	Amount of Loans.
Sureties	65,727	£2,573,914
Mortgage	18,187	1,805,935
Sureties and Mortgage	2,346	182,251
Pledging of Mortgage Claim and Scrip.	2,832	222,027
Other Security	1,939	72,728
No Specific Securities	160	2,787
Total	91,191	4,864,642

—(Cahill, *op. cit.*, p. 75.)

as land (paddyfields, farms, building plots, forests, etc.) and houses and such collateral securities as Government bonds, debentures and other sound securities.

There are no trustworthy statistics at hand to gauge the exact percentage of these two forms of loans (viz. personal credit and real credit), nor is there any material from which to see the comparative preference of societies for various material securities. To quote from Mr. Satō's book, *Shinyō-Kumiai-ron*, p. 313 (Co-operative Credit Societies), the loans on personal credit outstanding in 1915 in 9,040 societies, from which reports are to hand, amounted to Y85,570,920 and those on real credit to Y21,068,458, the percentage being approximately 80 and 20 respectively. Further, according to the Report of the Co-operative Union for 1918, the figures for these two forms of loans were Y167,374,815, and Y54,760,008, viz. 75·35 and 24·65 per cent. of the total amount of loans.

The term of loan fixed is usually a year, as stated in the model rules for credit societies, issued by the Ministry of Agriculture and Commerce, but when a loan is granted for such purposes as the purchase or improvement of land, the breaking up of fields, the repairing of roads, afforestation, the purchase of cattle, or machinery, the installation of factories, the repairing of buildings or the repayment of other debts, and for all purposes which necessitate the tying-up of capital for a long period, the term granted is three years or longer. Where the loan is repayable by instalments (yearly, monthly, weekly or daily) the term ranges from five to ten years, fifteen years being the longest, excepting in special cases.

Loans in the form of overdrafts of current account may also be found in some societies, especially in such societies where there are many merchants among the members. In this case, i.e. the loan by overdraft, as distinguished from loans of definite amount, the borrower may draw any amount required up to his maximum credit limit, as fixed by the society, and interest must be paid on the amount actually overdrawn. Such overdrafts are sometimes granted against material security, sometimes without security, or

with security in the form of sureties, as is the case with "cash credit," a system of credit devised in Scotland, and widely accepted in Continental countries. Cash credit is a form of personal credit, the difference between it and the ordinary personal credit being, that with ordinary personal credit a loan is granted as a single definite amount, and with cash credit it is granted in varying amounts as occasion demands, within the limit of such borrower.*

Loans in the form of discounting of bills of exchange, which are so widely used in the Schulze-Delitzsch societies, and in Italian town banks on the Luzzati system, are not allowed by law in rural credit societies. As we shall see in a later section, urban banks may grant loans in this manner.

Application for loans may be made to the society verbally or in writing, sometimes through the intermediary of the village mayor or of a director of the society, stationed in the district of the applicant, which (district) belongs to the society's area. The purpose for which such loan is to be used, and whether the amount asked for is in proportion to that purpose, or within the credit-limit of the applicant, etc., is carefully investigated before such loan is granted. It is the usual practice with credit societies to have, according to universal usage, a special organization for investigating the financial condition of members, called the Shinyō-Hyōtei-iin or Appraising Committee, generally consisting of eight to twenty persons, according to the size of the society. The members of this committee are elected at the general meeting, from among members, one or two persons being chosen for each district covered by the society.

Sometimes the Board of Directors assumes the function of this Appraising Committee, or, in rare cases, the credit limit for each member is left to be fixed by a secret ballot of the members of the society. This Appraising Committee, whose function it is to fix the credit limit for each member, generally makes its enquiries once or twice a year. It investigates minutely the financial position of each member from every aspect, the result being tabulated in figures; for example:—

* For details, *see* Wolff, *op. cit.*, p. 35.

Conduct	15
Confidence	20
Property	25
Public Spirit	15
Amount of Business	25
	100

The credit limit for each member is sometimes fixed in exact proportion to the total marks allowed, as shown above; or further classified into several grades on the basis of these marks.

There seem to be no special methods for investigating how the money thus borrowed is actually invested. Let it suffice to say that the directors, the head of each district, and the local member of the Appraising Committee keep a vigilant eye on this point.

What, then, is the average credit granted to members, and what is the rate of interest usually charged by credit societies?

1. Unfortunately there has not yet been issued any exhaustive survey by the Government or by the Co-operative Union in this direction. However, taking the Report of the Co-operative Union as a basis, we find that the average amount of loans granted per member in all the credit societies for the years 1914–1918 was Y66·56, Y67·28, Y70·98, Y87·95, and Y123·07 respectively, showing a steady increase year by year; and further, according to the report of the Co-operative Union on the sixty-nine credit societies, recognized as efficient in 1916 by the Co-operative Union, the highest credit limit was Y10,000 (in the Kōryō Credit Society, Unlimited, in Hiroshima Prefecture, and the Higashi-Tomita Credit Society, Limited, in Wakayama Prefecture), and the lowest Y200 (the Kitaga-Mura Credit Society, Limited, in Okinawa Prefecture). Generally the credit limit may be held to range between Y200 and Y500. The report also gives a table of actual sums granted to members as loans in 1916, which on analysis by the author, showed the following results:—

Loans.	No. of Loans.	Total Amount of Loans.
Under Y 5	1,115	Y4,279
Y 6–Y 10	2,899	24,528
Y 11–Y 20	5,250	84,427
Y 21–Y 50	8,273	321,606
Y 51–Y100	5,747	435,166
Y101–Y200	4,087	643,696
Over Y200	3,787	2,511,537

From the foregoing table one can see that most of the loans range between Y20 and Y100, while there are quite a number of loans over Y100.

2. The rate of interest naturally varies according to whether loans are granted against mortgage or other material securities or not, and whether the terms are long or short. However, it generally ranges between 8 per cent. and 12 per cent. per annum, 10 per cent. being the most usual rate. In comparing the rate of interest with that of commercial banks in the same locality, we find that there is not much difference. Sometimes, commercial banks work at the same rate as, and sometimes even at a lower rate, than the co-operative credit society. A pamphlet entitled *Hompō-Nōgyō-Yōran* (An Outline of Japanese Agriculture), issued by the Ministry of Agriculture and Commerce, even goes so far as to assert that the interest charged by co-operative societies (which was in 1916 10·7 per cent. on an average) is higher than that charged by ordinary banks (which in the same year showed an average percentage of 8·3.)

The relatively high rate of interest charged by Japanese credit societies may be due: (1) to the relatively high rate of interest paid on deposits, which was in 1916 about 6·2 per cent. on an average; (2) to the 6 per cent. dividend (viz. the legal maximum in usual cases) paid on shares in most cases, while in the Raiffeisen societies and the Hōtokusha the profits go to the foundation fund, and in most cases to promoting the interest of borrowers by conceding to them a low rate of interest; (3) generally speaking,

Japanese societies have not attained a position in which they can afford to concede an exceptionally cheap rate of interest as is possible in the Raiffeisen* and Schulze-Delitzsch societies.

No doubt there is much to be done in this direction by our credit societies, in order to fulfil the function of a popular financing system in reality as well as in name.

Loans are usually repaid punctually, but societies frequently find themselves compelled to agree to the prolongation of the term or a renewal of the loan. According to the reports, several methods are used to facilitate the repayment of debts. They are as follows:—

1. Special kinds of deposits, such as a sinking fund deposit, repayment deposit or a deposit of promise, are instituted with one of the following privileges:—

(*a*) An exceptionally high rate of interest is allowed on such deposits (sometimes as high as that on loans).

(*b*) Savings-collectors are sent to the members' houses for collecting savings.

(*c*) A part of the interest on loans is paid out to such depositors as have proved themselves punctual in the paying in of savings.

2. A certain percentage of the proceeds of the sale of crops is allocated to the repayment of debts.

3. In cases where loans are granted for the purchase, improvement, or breaking up of land, a part or the whole of the profit obtained therefrom is allocated to the repayment of debts.

4. The profit arising from subsidiary industries is also allocated to the repayment of debts.

5. The difference between the rate of interest charged by a

* The rate of interest charged by the rural credit societies in Germany ranges from 4 to 5 per cent. "This relative cheapness of rural co-operative credit is attained by reason of their large deposits, their non-speculative business, their competence for supervision, their low cost of management, the absence of aim at high dividends, their organization (provincial central banks, State or other large banks) and, of course, the good eventual security offered by borrowers who are for the most part landholders" (Cahill, *op. cit.*, pp. 76–77).

The rate of interest charged by Indian rural credit societies ranges between 9 and 18 per cent. This rate is, of course, far cheaper than that charged by usurers there, which is estimated to be 37½ per cent. compound interest. However, as in the case of Japanese societies, there remains much to be done to accommodate the needs of members at more moderate rates. (*See* Strickland, *op. cit.*, p. 51.)

commercial bank and that charged by the society is set aside towards repaying loans.

6. The borrower may do some work for the society and his wages are credited towards the repayment of the debt.

7. To those who are in difficulties over the repayment of their loans owing to accidents or some other unavoidable circumstances, lower rates of interest are sometimes conceded on the decision of the Board of Directors, who investigate the circumstances.

8. The directors give advice about the winding-up of family estates.

9. The date for repayment of the loans is fixed to coincide with the sale of crops.

10. Fixed-term loans are converted into loans repayable in instalments.

11. Payment by instalments is permitted, if desired by the debtor.

12. When the loan is repaid before it is due, a portion of the interest is paid back to the borrower.

13. If the borrower fails to repay for more than one year after the debt is due, he is fined 1 per cent. of the debt.

14. If the period of the loan is exceeded, the rate of interest is increased.

15. The area of the society is divided into several districts, and if all the borrowers in a certain district show good results in repaying their debts, they are invited by the society to a dinner and an entertainment, at such a place as the local town hall.

After examining all these methods of facilitating repayment one may come to the conclusion that little can be expected from these methods, unless the members are genuinely inspired by the co-operative spirit, and realize that the societies are their own, and that, therefore, the fortunes of the societies are in their own hands.

The loans granted by credit societies in various forms, as above described, showed an appreciable increase in successive years (*see* table on p. 145).

Yet credit societies have not by any means attained their complete efficiency. When one looks carefully at the interesting table on p. 146, quoted from *Hompō-Nōgyō-Yōran* (the Outline of Japanese Agriculture), one will realize to what an enormous amount Japanese agriculturists seek financial

assistance from various organizations other than co-operative societies.

The fact that private individuals, which, of course, include usurers and the like, head the list with 35·91 per cent. of the total of all loans, and also that pawnbrokers and money-lenders, etc. (to fight whom the credit society has been established), when added together, play a very important rôle, and further that this table only gives the figures for loans of agriculturists, shows the reader what a vast field is yet to be covered by co-operative credit societies.

It seems to the author that complete efficiency has not been attained: (1) because credit societies have not reached a position where they can grant loans at a low rate of interest; and (2) because in consequence of the above, and partly owing to the disloyalty of members, members are tempted to seek accommodation from outside sources, if these happen to charge a lower rate of interest than credit societies. Even in sixty-nine societies awarded prizes by the Co-operative Union in 1916 for their efficiency, the percentage of borrowers was much lower than that of depositors, as shown in the table on page 147.

Year.	No. of Societies reviewed.	Loans.		
		Granted.	Repaid.	Outstanding.
1904	463	Y1,972,748	Y857,213	Y1,115,535
1905	610	2,856,703	1,359,417	1,497,285
1910	3,892	25,411,054	13,505,480	11,905,574
1914	8,533	94,707,846	48,944,935	45,762,910
1915	9,040	106,639,379	54,420,207	52,219,172
1916	9,363	123,644,476	67,290,482	56,053,994
1917	9,715	154,955,588	90,033,963	64,921,625
1918	10,017	222,135,423	138,340,812	83,794,611

TABLE OF MONEY BORROWED BY FARMERS IN 1912.

Sources of Loans.	Under 10 per cent.		Over 10 per cent. and under 15 per cent.		Over 15 per cent. and under 20 per cent.		Over 20 per cent.		Total.		Percentage.	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
1. The Central and Provincial Hypothec Bank of Japan and the Colonial Bank of Hokkaido . .	75,318	Y68,738,343	13,577	Y7,790,612	224	Y72,715	—	—	89,119	Y76,601,670	1·14	10·27
2. Other commercial banks	187,895	67,954,130	272,642	59,037,374	32,001	4,168,328	2,708	Y203,384	495,246	131,363,216	6·36	17·62
3. Insurance Companies	3,012	534,572	602	96,544	36	4,503	14	3,100	3,664	638,719	0·05	0·09
4. Co-operative Societies and the Hōtokushas	132,493	10,097,219	197,729	10,331,042	19,286	969,338	8,812	424,379	358,320	21,821,978	4·60	2·92
5. Money-lenders (including individuals and companies) . . .	116,989	20,261,481	608,989	81,547,144	409,464	40,446,687	164,565	8,890,327	1,300,007	151,145,639	16·69	20·26
6. Pawnbrokers . . .	28,043	373,289	88,345	1,061,742	209,518	2,178,830	722,400	5,767,246	1,048,306	9,381,107	13·46	1·26
7. Merchants . . .	59,964	3,366,872	161,906	6,434,671	46,350	1,862,331	16,374	662,292	284,594	12,326,166	3·65	1·65
8. The Mujins . . .	553,111	35,199,513	361,370	20,409,637	95,879	5,281,754	39,943	2,019,111	1,050,303	62,910,015	13·48	8·43
9. Private individuals .	408,205	51,189,882	1,470,222	143,235,525	786,324	59,931,437	260,269	13,577,635	2,925,020	267,934,479	37·54	35·91
10. Others	82,872	5,006,297	103,413	4,947,610	33,884	1,390,203	16,085	566,212	236,254	11,910,322	3·03	1·59
Total	1,647,902	Y262,721,598	3,278,795	Y334,891,901	1,632,966	Y116,306,126	1,231,170	Y32,113,686	7,790,833	Y746,033,311	100·00	100·00

Note 1. Quoted from *Hompō-Nōgyō-Yōran* (The Outline of Japanese Agriculture), issued in 1920 by the Ministry of Agriculture and Commerce of Japan.
2. Per cent. shows the rate of interest.
3. (1) = the number of borrowers.
(2) = the total amount of loans.

Percentage of Borrowers.	No. of Societies.
Under 30 per cent.	7
31–40 "	6
41–50 "	9
51–60 "	10
61–70 "	14
71–80 "	10
81–90 "	10
91–99 "	2
100 "	1
	69

(iv.) Other Investments.

The most important way of investing the capital of credit societies is, and should be, the granting of loans to members. However, we often find credit societies depositing their idle funds with the Federation, and/or with local banks, or investing such funds in Government bonds, debentures or in commercial papers. Here, again, local banks loom very large in the eyes of credit societies. Very often credit societies prefer to deal with local banks rather than with their own Federation, if the rate of interest happens to be higher in the former than in the latter. This fact explains the inefficiency of the Federations on the one hand, and the disloyalty of unit societies on the other. Both sides should endeavour in the future to act up to the true principle of Co-operation, otherwise a healthy development of the movement is impossible.

There are no exhaustive statistics as to investments of idle funds, but it is not rare to find that interest realized from such investments amounts to about one-half of the total interest realized from loans to members.

(v.) Social and Ethical Activities of Credit Societies.

As has been often mentioned, the achievements of our credit societies in the social and ethical sphere cannot claim

an equal place with the Hōtokusha or the Raiffeisen societies. Whereas in the case of the last named the moral advancement of members occupies an extremely important place in the programme of the movement, and the moral and ethical mission of these societies is expressly stated in their rules, as we have already seen, such provision is entirely lacking in the rules of credit societies. No doubt conscious endeavours in this direction have long been made by our credit societies, and their beneficent effect on village life is already noticeable, as we shall see in a later section. I will here enumerate a few instances of such endeavours.

In most societies, lecture meetings are arranged on various occasions and professors, co-operative officials and experts are invited to speak at such meetings; young men's evening schools are sometimes instituted; the rewarding of loyal members and of the deserving in villages takes place at general meetings; death and accident benefits are granted, when occasion demands, and some societies provide special rules for the granting of such benefits, by which a certain portion of the society's profit is allocated to this fund; women's associations are formed; product exhibitions are held; libraries and circulating book boxes are provided for the education of young members; contributions are sometimes made for village schools and also for charitable purposes, and in some societies a legal advisory committee is instituted for giving legal advice to members, and so forth. However, much remains to be done in this direction.

There exists the opinion in Japan, which is expressed by many writers, that the credit society is primarily an economic, not a spiritual organization, and that credit societies should therefore concentrate their attention only on their material and economic development.

These writers hold that the moral advancement of members had better be left to other organizations in villages, such as the Hōtokusha, young men's associations, or to private well-wishers of villages. This opinion is fairly strong in official circles, and I once heard a number of officials, who maintained that the Co-operative Law should

be revised, in order to give a free scope for the economic activities of credit societies. If this assertion had the object of furthering the greater business efficiency of credit societies, I could agree with it, but if, as I opine, the idea is to sacrifice the co-operative principle by engendering too capitalistic a spirit, I must register my protest. Credit societies should succeed not only economically, but co-operatively. We must, by might and main, prevent the spread of the profit-seeking tendency among members, otherwise credit societies may achieve success financially, but co-operatively will end in failure, as we actually see in some of the Italian town banks,* and thus the primary object, for which such societies were established, viz. to grant cheap-rate loans to small producers, may disappear. Further, we must not forget that one of the most important missions of *rural* credit societies lies in the moral elevation of members, which was so strikingly achieved in the Raiffeisen societies and the Hōtokusha.

§ 5. The Management of Rural Credit Societies.

Now I come to the description of the machinery of management, by which the business of the society is conducted. Although the Co-operative Law makes rather elaborate provisions for three principal organs of management—the General Meeting (Sōkai), the Directors (Riji) and the Auditors (Kanji), and also of the Sōdaikai (the meeting of delegates)—the actual conduct of business is very simple.

Usually a village mayor, or one of the influential men in the locality, such as a landlord who, as a rule, is the founder of the society, is elected president. In smaller societies he works with one or two directors and an assistant clerk, and a cashier (sometimes the president of the society himself acts as a cashier). When the president happens to be the village mayor, which is mostly the case, the rest of the staff of such a society are drawn from among the village officials. When such is the case, the society has its head office in the rural district office (Mura-Yakuba); sometimes the society has its office in the house of the president, sometimes

* See footnote on (p. 162).

on the premises of an Agricultural Society or the local Chamber of Commerce, or in an old school building. A co-operative society may sometimes even occupy a small office on the premises of a commercial bank! In the case of bigger societies, the number of directors is increased to three or five, which is the usual number in Japanese societies; and in the case of a society with still larger membership the number of directors may even be increased to ten or fifteen. The directors are elected from among the members at the General Meeting, usually for the term of three years, at the expiration of which term they may be re-elected or their terms of office may be prolonged. As the directors are closely bound up with the prosperity of the society, their election has to be effected by a special method, i.e. at least half of the total members must be present, and in order to be elected, a candidate must have at least three-fourths of the votes of those present. These directors form a Board, which generally meets once a month to discuss any important problems at issue, and also the general policy to be adopted. In the larger societies, the directors choose from among themselves the president of the society, and also the managing director. A director is sometimes chosen who resides in a remote or inaccessible part of the area covered by the society, so that members of that district may be able to communicate and consult with him on all matters of importance without having to make the troublesome journey to the head office.

The directorship is usually an honorary post in Japanese societies, as it is elsewhere in societies on the Raiffeisen model, although sometimes a small remuneration is given. It is, however, customary to reward such directors with a small bonus at the end of the year over and above their salary. Whether directors should be remunerated or not is an open question, but in those countries, including Japan, where the movement is stimulated from above, it seems to me that a fair sum should be expended for those posts in order to encourage the diligence, and increase the working efficiency, of directors, and, indeed, to induce them to devote their whole lives to the cause of Co-operation.

To supervise and inspect, on behalf of all the members, the state of affairs of the society, and the conduct of its business by the directors, auditors are elected from among the members in the same way as directors. The appointment of auditors as of directors is obligatory on the society according to the law. Naturally, an auditor cannot also be a director, or another official at the same time. The number of auditors is generally two or three, and their term of office is one year; that term may be prolonged by the rules of the society, but not to more than three years. Auditorship is also honorary, but in many cases a salary or a bonus, or both, is given, the amount being quite small.

Needless to say, the General Meeting is the highest authority for deciding and expressing the will of the society. It is convened once a year, generally in January or February. This is called the ordinary general meeting. The members are also convened in the following cases:—

1. When the directors think it necessary.
2. When the auditors find it necessary to report to the members the state of affairs of the society, or any misconduct of the directors.
3. When more than one-fifth of the total members desire such a meeting, specifying the subject to be dealt with and showing a good reason why it should be convened.

Such a meeting is called an Extraordinary General Meeting.

At the ordinary general meeting (usually convened by the directors) the directors report the year's working of the society, and how affairs stand. They ask the consent of the members to the disposal of the society's profit, to the fixing of the maximum amount of money that the society may borrow from outside, and to the credit limits to be fixed for members for that business year. The directors also state the society's future policy. At the general meeting the principle of "one man, one vote," is observed, as in co-operative societies of all other countries. Members who cannot be present may be represented by their proxies, who must be members themselves. It is necessary that for settling any question the general meeting should include

at least one-half of the total membership; decisions are come to in the usual manner by voting; motions must be carried by a majority vote of those present or represented by proxies. For important questions, such as the reconstitution of the society, its amalgamation with any other society, or its liquidation, the election of directors and auditors and so forth, a three-quarter majority vote of those present or represented is necessary.

Although the general meeting is the most important organ of management in principle, it is inactive in practice. Generally the meeting is not very well attended owing to the apathy of the members. It is really a formal proceeding which passes off quite smoothly, excepting, of course, in cases where the financial position is found to be unsatisfactory, or where there has been misconduct on the part of the directors or staff. On account of poor attendance the meeting has often to be abandoned. The degree of inactivity may also be judged from the fact, that, of all the reports that I have been able to collect, very few even mention the general meeting, or any decision by it.

In order to attract a better attendance of members at the general meetings, various methods are employed; light refreshments, luncheon or *sake* (a Japanese spirituous beverage) are served; mementoes and prizes are given, or dividends are paid on that day; sometimes lectures are given or kinematograph or some other simple entertainments are provided. These amusements seem to attract country people. Further, to induce members to attend the general meetings non-attendance is often punished by the lowering of the absent members' credit limit.

Nevertheless, we must not forget that the general meeting is a powerful factor in the management, of which full advantage can be taken if the members wish to oppose the policy of their directors, or desire to reconstitute the Board. One may say that the general meeting does not govern, but it controls!

As to the presence of women members at the general meeting, the Co-operative Law does not forbid it. We may, therefore, assume that it is permissible. But in reality

this is not a serious question, because Japanese women do not at present seek to attend such meetings.*

In the case where societies have a large membership (some societies have more than 16,000 members), it is difficult for them all to meet in the same hall; therefore the law has instituted a special device. Groups of members may nominate from amongst their number a delegate to represent them at the general meeting. This assembly is then called Sōdai-Kai (or the meeting of delegates). This device is only permitted to be used in cases where the society has more than 500 members. At this meeting delegates have full power to vote on all matters, excepting those affecting dissolution, or the amalgamation of the society with others. In all cases where delegates are employed, provision to this effect must be made in the rules. As at such a meeting the interests of members are represented only indirectly through delegates, it is better to avoid the use of this device whenever possible. The same device as this meeting of delegates is used in English co-operative stores, namely the holding of the general meeting in various geographical sections and the treating of these as a single meeting. This English alternative device, which is new to political science as Mr. and Mrs. Webb point out, is sounder in principle than our meeting of delegates, for in the former the will of the members is better represented than in the latter.†

* "Women are now allowed to vote at general meetings, but this is a comparatively recent innovation. The old German idea which taught woman to care only for children, kitchen, church and Kaiser has had to be modified. During the war, when almost the whole manhood of the country was mobilized, many societies were only kept going by women, and the work was often so well done that many have been retained as secretaries. It is therefore impossible any longer to exclude them from general meetings, and even the conservative Raiffeisen Federation has been obliged to concede the vote." (*Co-operation in Germany, Italy and Ireland*, by M. L. Darling, 1922, p. 28.)

† "In order to avoid the inconvenience of meetings too large for discussion—sometimes too large even to get into the available halls—and with a view also to bringing them nearer to a widely scattered membership, the plan is being increasingly adopted, even in relatively small societies, of having, either regularly or on special occasions, a series of divisional meetings in the several districts. This is a novel device, hitherto unknown to political science. For these divisional gatherings are legally all parts of a single members' meeting. No member may take part in more than one of them. The same business is brought before all of them;

The general meeting, directors and auditors are obligatory organs of the society, for which detailed provision is made in the Co-operative Law. For practical purposes these three organs are not enough. The society must have some auxiliary staff to carry on its business properly; for example, the Appraising Committee, cashiers, managers, book-keepers, clerks, savings-collectors, etc. I shall here speak of these in passing. As to the Appraising Committee, I have already mentioned its function in connection with the granting of credit. Every society, without exception, has this committee. It is generally elected from among the members. They meet once or twice a year and draw up a table showing the credit-limit, that is to say, the total loans which may be granted to each member. Naturally, it is necessary that they should be just and honest in drawing up this table. This committee, as a rule, serves gratuitously.

It is a common practice with the societies to employ managers, book-keepers, clerks, cashiers, etc., to carry on every-day business. At present there has been no investigation into how many persons are employed by societies, and how they are remunerated. But in the bigger societies we may assume that their number is large, especially when the directorship is nominally and actually honorary. Of course, these employees are salaried. It seems to me that they are not very well remunerated at present. One danger accompanying the cutting down of their wages is, that they are apt to seek better posts with joint-stock companies or other capitalist enterprises, which results in the employment only of such people as have failed in obtaining situations in these enterprises and who are naturally of a lower standard of efficiency. They are not necessarily engaged by societies because they are interested in Co-operation.

To educate these clerks and other minor officials the

and only identical resolutions or amendments, of which previous notice has been given, may be put. All the votes are added together to produce the decision. This device of divisional meetings instead of a general meeting has often resulted in increasing the aggregate attendance of members." (*The Consumers' Co-operative Movement*, by S. and B. Webb, 1921, pp. 552–53.)

Japanese Co-operative Union in Tokio holds courses of lectures, which last sometimes for a fortnight or more. Professors of the different universities and experts in the business of co-operative societies are invited to give lectures to those who assemble from all parts of Japan. To mention one of these meetings, to which I was invited, the programme of lectures consisted of a brief outline of economics, an introduction to Co-operation, a detailed and practical explanation of each type of society, and the principles and practice of book-keeping.

It may be of interest to know that some societies in Japan open their offices every day, including Sundays and public holidays, from daybreak till late at night! In some cases the offices are open for certain hours, say from eight o'clock in the morning till four o'clock in the afternoon; and in other cases the offices are only open once every ten days.

§ 6. Urban Credit Societies.

So far I have dealt with those credit societies principally situated in rural districts, and which mainly serve as banks for small agriculturists. When the principle of co-operative banking is applied to societies established in districts principally populated by merchants and artisans, and where the economic conditions are different, the principles of these rural societies must necessarily be modified. Taking into consideration these facts and adopting some of the principles of Schulze-Delitzsch societies, the Japanese Co-operative Law in 1917 made special provisions for such societies. These societies are usually called *Shigaichi-shinyō-Kumiai*, or urban credit societies (or town banks), in contrast to so-called rural credit societies (or country banks) heretofore described.

However, the distinction drawn by the law between these two types of co-operative credit societies are not so striking as that which exists between the Schulze-Delitzsch societies and Raiffeisen societies. The greater part of the provisions for rural credit societies are applied *in toto* to urban credit societies. Therefore, it will suffice only to point out the main differences between these two types of credit societies.

1. In order to be registered as Shigaichi-shinyō-Kumiai, or urban credit societies, societies must be established in cities (in 1920 there were eighty cities), or in one of the quasi cities, authorized by the Minister of State concerned, which are treated as cities in this connection (at present these number eighty-seven).

2. Urban credit societies may grant loans by way of discounting bills of exchange, which is not permissible in rural credit societies. This is to accommodate the artisan and merchant class, who require short and elastic loans. The term usually allowed for bills, as in the case of Schulze-Delitzsch societies, is three months.

3. Urban credit societies have wider powers for accepting deposits from non-members than rural credit societies; i.e. besides applicants for membership, or people living with members of urban credit societies, or public bodies, who do not aim at profit-making, such as temples, schools, or irrigation societies, etc. (see section on deposits in rural credit societies), any persons residing in the area of urban credit societies are eligible to become depositors. The reason for this wider scope is that urban societies require more capital than rural societies, and in order to meet the competition of commercial banks, must be run on more commercial lines. However, the law sets a limit for the maximum of deposits that may be accepted from non-members.* Further, directors are jointly responsible for monies received from non-members, and a reserve fund for such deposits must be maintained strictly in accordance with the proviso contained in the Emperor's Edict, specially issued for this purpose.

4. Whereas rural credit societies may combine the business of other types of Co-operation, which is one of the distinguishing features of Japanese co-operative societies, urban credit societies must confine themselves to credit business only, for urban credit societies, which are to be established in the centre of commerce and industry, are intended to be fully engaged in credit business; and it would be both difficult for, and detrimental to, the proper conduct of business, if they were to devote their attention to other types of co-operative activities.

5. Urban credit societies stand under the supervision of the Ministry of Finance, whereas rural credit societies are under the control of the Ministry of Agriculture and Commerce. But theoretically they both belong to the same Co-operative Union.

* In the case of a society of limited liability the maximum is confined to an amount not exceeding the nominal capital, plus reserve fund; in the case of a society limited by guarantee, to the total amount above mentioned (viz., nominal capital and reserve fund) plus the sum guaranteed; and, lastly, in the case of a society of unlimited liability, to the amount of five times the nominal capital plus reserve fund.

Only a few years have elapsed since this new type of credit society was introduced; these societies are as yet in their experimental stage, and it is premature for any final criticism. However, they are increasing steadily, as shown below:—

1917	2 societies
1918	39 "
1919	54 "
1920	65 "
1921	85 "
1922 (March)	88 "

I shall briefly examine the present position of those urban credit societies, with the aid of the statistics of sixty-four societies, which sent in reports to the Ministry of Finance for the year 1920.

Of these sixty-five societies (viz. the total number in 1920), fifty-nine societies assumed limited liability, three societies being of unlimited liability and four societies of liability limited by guarantee.* The total membership was 29,788, with an average of 644 per society. One society had a membership of as little as fourteen, while another society had a membership of no less than 1,720.† The amount of one share ranged between Y5 and Y50, but the Y50 share (this is the maximum amount allowed by the law) is very widely adopted in these societies ‡ (viz. in

* I have already explained that in rural credit societies limited liability predominates. The Japanese character is cautious and prefers to run as little risk as possible. This tendency is to be observed in even a greater degree in urban credit societies. Experience of other countries, however, shows that whereas rural credit societies mostly confine themselves to unlimited liability, urban societies adopt both styles. It is a natural thing, therefore, that seeing we find limited liability predominating in Japan, this should even be more marked in urban credit societies.

† Membership under 100	10 societies.
" 100–500	31 "
" 501–1,000	13 "
" over 1,000	10 "
	64 societies.

	No. of Societies.
‡ Shares of Y5	1
" " 10	8
" " 20	14
" " 25	4
" " 30	10
" " 50	27
	64

twenty-seven societies out of sixty-four), whereas we saw in rural credit societies the normal amount of a share is Y5–Y20. The total amount of subscribed and paid-up capital of sixty-four societies aggregated Y10,724,425 and Y3,776,716 respectively. The Kōbe Society was the largest society as regards capital, which amounted to Y2,702,250 (subscribed) and Y540,450 (paid up); on the other hand, the smallest society had only Y1,000 subscribed capital (only Y100 of which was paid up). The following table will show the financial position of all urban societies for the same year.*

Subscribed capital	Y10,724,425
Paid-up capital	3,776,716
Reserve Fund (ordinary and special)	397,263
Deposits (balance in hand):	
1. from members	6,191,348
2. from non-members	2,788,568
Money borrowed from outside	708,801
Loans outstanding	Y3,116,486
Bills of Exchange discounted	1,547,500
Deposits in outside concerns	2,416,943

The reader can see from the above table that the discounting of bills, which is a privilege of urban societies, is made use of fairly extensively.

In order to give an idea of the practical working of urban credit societies, I shall describe the Kōbe Society (limited liability) †—as distinguished from the Kōbe First Credit Society, although the latter is also one of the most powerful societies. The motive for establishing the Kōbe Society is quite different from that for establishing rural credit societies, for it was in August, 1919, when the port of Kōbe (one of the most important ports for oversea trade in Japan) was booming through the influence of the European War, that this society was founded. The founder of the said society, Mr. S. Tominaga, foreseeing the coming reaction of trade, persuaded the merchant and artisan classes to

* Quoted from *Shigaichi-Shinyō-Kumiai-Gaikyō* (Condition of Urban Credit Societies), 1922, issued by the Ministry of Finance.

† This account is mainly based on "The Condition of Urban Credit Societies," by M. Wakabayashi in *Sangyō Kumiai* (Co-operation), No. 187, May, 1921.

start such a society, in order to prepare for the probable depression. After tiding over many difficulties, which are always present in the initial stage, the society gradually developed into one of the most powerful among urban credit societies. In 1920, this society had a membership of 1,388, and the subscribed capital amounted to Y2,702,250, of which Y540,450 was already paid up. Although this society was primarily started for the benefit of merchants and artisans, as is the case usually in urban societies, it includes also those engaged in agriculture and fishery, etc., as will be seen from the following table :—

OCCUPATIONS OF MEMBERS IN 1920

Commerce	863
Industry	84
Agriculture	16
Fishery	3
Miscellaneous	422
	1,388

Mr. S. Tominaga used great discretion when selecting members. Abandoning the general policy of bringing in every one residing in the society's area, Mr. Tominaga only accepted those whose financial position was sound, and in order to raise the reputation of the society he endeavoured to draw in all the influential men in the locality. As the reputation of the society became enhanced, there was a rush of depositors, among which number there were people of the salaried class, shop assistants, and even the people of the working class, to whom the society allows a slightly higher rate of interest than usual, and in some cases this society grants loans to these depositors. At present this society very often receives individual long-term (deferred) deposits, amounting to as much as Y10,000. At the end of 1920 the various deposits were as follows :—

Deposits.	Balance in Hand.	Rate of Interest per cent.
From members	Y695,521	3·65–8
„ families of members	261,636	5·48–8
„ public bodies	59,867	
„ other non-members	222,149	
	Y1,239,173	

Loans to members are mostly granted by way of discounting of bills, instead of ordinary loans, and the redemption is said to be quite satisfactory. The amount of, and rate of interest on, various loans in 1920 was as follows :

	Amount Outstanding.	Rate of Interest per cent.
Overdrafts on Current Accounts	Y406,550	6·5–13·8
Ordinary Loans . . .	36,500	9·6–10·8
Discounting of Bills . .	928,897	6·5–13·8

The following details of discounting of bills will be of interest :—

Class of bills discounted.	Balance outstanding at the end of 1919.	Discounting of bills in 1920.	Redeemed bills. in 1920.	Balance outstanding at the end of 1920.
Promissory Notes :				
Without material security . . .	Y126,599·12	Y1,390,354·29	Y1,170,321·32	Y346,632·09
With material security . . .	66,213·31	165,093·14	164,374·81	66,931·64
Bills of Exchange :				
Without material security . . .	70,433·82	1,644,267·06	1,399,963·80	314,737·08
With material security . . .	28,901·86	400,697·21	229,002·70	200,596·37
	Y292,148·11	Y3,600,411·70	Y2,963,662·63	Y928,897·18

Kinds of security.	The objects to which money obtained from the discounting of bills is put :			
	Commerce.	Manufacturing industry.	Purchase of land and buildings.	Repayment of other debts.
Negotiable instruments . .	43 cases	6 cases	3 cases	1 case
Land and buildings . . .	13 ,,	6 ,,	6 ,,	2 cases
Receipts of deposit . . .	12 ,,	—	—	—
Personal credit	399 ,,	48 ,,	7 ,,	9 ,,
	467 cases	60 cases	16 cases	12 cases

Successful as the Kōbe Society is, yet the following points are far from satisfactory: (1) The membership includes mostly people of the upper-middle class, and does

not extend to the lower class; (2) the power of ordinary banks, Mujins and of pawnbrokers is still as strong as ever in the locality in which the society is situated.*

As urban credit societies in Japan are still in their infancy, we are not in a position to discuss their effect on the economic and financial condition, or to forecast their future. But there is every prospect of their developing into powerful organizations.† For example, several societies in Tokio, Osaka and Kōbe (the industrial centres of Japan) although only recently started, are flourishing exceedingly; and there is every prospect that this fact will encourage the inauguration of similar societies elsewhere. At present there seems to be great enmity between commercial banks and these credit societies. For example, banks do not permit such societies to become members of the clearing-house. This antagonism springs, so one writer says, from two reasons: firstly, from ignorance on the part of commercial banks as to the nature of co-operative societies; and, secondly, from the fact that the co-operative societies invade the business sphere of commercial banks.

Already we may notice the danger that lies before co-operators, viz., that these societies may develop into ordinary commercial undertakings, as is often the case with

* Compare the rough estimate of the amount of loans granted, outstanding at the end of 1919, by various organizations in Hyogo Prefecture, where the Kōbe Society is situated:—

1. Ordinary commercial banks (in Hyogo Prefecture):	
Ordinary loans	Y345,676,554
Discounting of bills	98,837,017
2. Savings banks:	
Ordinary loans	Y66,932,763
Discounting of bills	8,199,121
3. Mujins (in the city of Kōbe, numbering 485)	113,252
4. Pawnbrokers (" " 242)	5,062,029
5. The Kōbe Society:	
Overdrafts on current accounts	Y134,732
Ordinary loans	7,000
Discounting of bills	292,148

† Throughout Japan, urban credit societies, which have subscribed capital of more than Y500,000, are as follows:—

The Tokio Credit Society (Tokio)	Y 822,900
The Osaka Credit Society (Osaka)	2,218,000
The Kōbe First Credit Society (Hyogo)	1,187,100
The Kōbe Credit Society (Hyogo)	2,702,250

the Schulze-Delitzsch societies,* or was recently shown by the Luzzati banks in Italy.† Urban credit societies are

* "They (Schulze-Delitzsch banks) represent in a large measure commercial, profit-seeking undertakings, being rather companies of lenders having as their primary object the earning of dividends rather than the provision of cheap credit. Many have developed into ordinary commercial banks, others have been absorbed or converted into branches of large joint-stock banks." (Cahill, *op. cit.*, p. xvi.). See also the footnote on p. 228.

† The following account of Mr. O. Rothfeld regarding Luzzati Banks in Italy may be taken as a word of warning to Japanese co-operators: "The tendency has undoubtedly been the same in all the Luzzati banks. Less and less loans are given to agricultural societies and the small artisan or small trader is also rather liable to be excluded. On the other hand, the banks flourish financially, and are still of undoubted benefit in providing safe media for deposits and also in financing Public Works and a rather higher class of trade and industry. I had a lengthy discussion on the subject with the Director of a People's Bank at Bologna, a gentleman of great intelligence and of a frankness unusual in Italy. He admitted that the Luzzati Banks had lost many of their co-operative features. Practically they hardly lend at all to primary agricultural societies. They do, however, finance co-operative urban societies of a productive nature to a considerable extent, and with some banks such amounts are equal to nearly half their loans. They are now not often asked for credit by or give it to small industries. To an enormous extent they depend for their profits upon discounting. In fact they work in the main as commercial banks on practically the same principles. The main differences that remain between them and ordinary joint-stock banks are that their managing committees are elected by members; that their dividends, though they are not limited by rule or law, are not in general too high; and that of the profits which remain, some part goes to reserve and some to works of beneficence. The excuse made for the position is that the economic development of the country has forced these changes on the banks. It is said that the small industrial owner or artisan has been definitely crowded out by competition and cannot be revived. His place has been taken by trusts or big companies. It is also alleged that peasants, at least those of them who are owners of the soil, are since the war so well off that they do not require credit any longer; what they want is a bank in which to deposit their savings. It is also said that the existence of commercial banks in all parts of the country, as well as of savings banks which are run on commercial lines, makes it imperative for the Luzzati Banks to compete with them on their own lines, if they are to continue to exist. I am not myself in a position to test the accuracy of these statements. I can only restate them as assertions made to me by a gentleman, who undoubtedly knew the subject thoroughly. I cannot, however, in any case agree that the competition of commercial banks can serve as an excuse for banks intended to be co-operative. What is clear to me is that whatever the cause, Luzzati banks can now hardly be described as really co-operative. Their chief educative value is that they do bring home to a popular urban clientèle the benefits of thrift and banking. . . . With the Italian model before us, with its co-operative failure and its financial success, it should be easier to guide our (Indian) urban societies into ways more truly co-operative, while assisting them at the same time to be more successful, by prescribing necessary changes in and additions to their bye-laws and their methods of working." (*Impressions of the Co-operative Movements in France and Italy*, by Otto Rothfeld, pp. 66–68.)

situated in the midst of commercialism, where competition is keenest, and they must be carried on on much more business-like methods than obtain in rural societies. Yet, they should be careful not to forget the primary aims of Co-operation, viz. to aid small merchants and industrialists, lest the *raison d'être* of a co-operative society be lost sight of.

I would here point out an abuse liable to occur in the establishing of urban societies by people who were not meant to benefit by the privileges of such organizations. Primarily, credit societies are intended for the smaller agriculturists, industrialists and merchants. It must be borne in mind that such societies are exempt from both income and business taxes. Therefore, it should be part of the duties of the Government Department concerned to investigate the status of persons proposing to form themselves into a co-operative society. Otherwise it may happen that, merely to evade taxation, large and wealthy industrialists and merchants form societies which are really nothing but joint-stock companies in disguise.

§ 7. Federations of Credit Societies.

As is the case in Germany and in several other countries, credit societies, and also other forms of Co-operation, are combined for business and propaganda purposes. In Japan, for business purposes we have the Sangyō-Kumiai Rengōkai (or the Federations of Co-operative Societies), and for propaganda purposes the Sangyō-Kumiai Chūōkai (or the Co-operative Union). The modern trend of economic societies being towards amalgamation, credit societies follow this natural course of events, in order that, by grouping together, they may reap the benefits that such amalgamation brings.

Already in 1905, as the number of the members and of societies increased, the desire among Co-operators became manifest to form a federation, as was the case in Germany. The impetus to this movement was given by the so-called

Minamisansha, the renowned silk-marketing societies. These societies had already been established twenty years before the Co-operative Law was passed, and were at that time in a flourishing condition. Before the federation was recognized by the law, these societies had been combined into three federations in order to reap the benefits of large-scale marketing and concerted action in all spheres; and it was their intention, dictated by necessity, to get legal recognition for their federations. In the chapter on Marketing Societies a detailed description will be given of the renowned Minamisansha, which may be of great interest to students of Co-operation the world over.

In 1909 the Federation of Co-operative Societies at last was recognized by the law, and in 1921 an amendment was made as regards the organization of federations, giving wider scope than the original provisions. As the provisions stand to-day, a federation may be formed in the following manner:—

1. Any type of co-operative (unit) societies may form a federation among themselves, e.g. a group of credit societies or marketing societies may form a federation of credit societies or marketing societies respectively. However, *individual* members are not eligible for membership of such federation.

2. One type of co-operative (unit) societies may join a federation, formed by any other types of co-operative societies. However, federations of marketing societies and of purchasing societies are not allowed to accept for membership such unit societies, as do not carry on the business of either marketing or purchasing.

3. A federation may become a member of another federation, with the exception of the federation of credit societies (which does not carry on any other business), which cannot become a member of another federation of credit societies (carrying on no other business) *; and further, the federation of marketing and

* Why a federation of federations of credit societies (carrying on no other business) is not permissible is explained by the official comment on the revision of the law, which says: "Mass production, and collective marketing and purchase being the object of co-operative societies, the fusion of such societies is to be encouraged, whereas no good purpose can arise from a fusion of federations of credit societies, the business of which consists of granting loans. Moreover, the area covered by the federation of credit societies, from the outset, can be made much larger than that of other types of societies." (*Sangyō-Kumiai* [Co-operation], No. 187, March, 1920.)

of purchasing societies which cannot include among its membership a federation of societies not carrying on marketing or purchasing respectively.

4. The provisions of the law regarding the organization and management of federations of societies are practically the same as those for unit societies. It will suffice only to point out a few minor differences. In the first place, the membership of federations must be confined to societies or federations as bodies (not as individuals), the minimum number being seven such bodies. It is required that societies (or federations) belonging to a federation must each contribute at least one share, and not exceeding thirty shares (in exceptional circumstances fifty), and the value of each share is not to exceed Y500.

5. Whereas the area of a rural credit society usually is the village, town, or city, in which it is situated, the area of a federation is generally fixed to comprise the prefecture, where it is located.

6. Unlimited liability is not permissible in the constitution of federations, because their members would be doubly liable, firstly, directly to their society, and secondly indirectly through their society to the federation. Therefore, the form of liability accepted in the case of federations is either limited liability or liability limited by guarantee.

7. The organs of management of federations are the directors, auditors, and the general meeting. The officials of federations must be elected from among officials of the societies that constitute its membership. When suitable candidates for the post of directors or auditors cannot be found among officials of constituent societies, such directors or auditors may be elected from among members of their societies, or from among their employees, or from outside. In the three latter eventualities, officials so elected must be recognized by the local authority. When the federation has a membership of more than 100 societies, Sōdaikai, or delegate meetings, may be resorted to, in the same way as reviewed in the section on rural credit (unit) societies.

So much for the legal provisions for federations of all kinds. I must now examine the actual development and present position of federations of credit societies. From 1910 to 1921 federations of credit societies in all forms have increased as follows :—

THE DEVELOPMENT OF FEDERATIONS OF CREDIT SOCIETIES.*

Year.	Federations of Credit Societies (exclusively).	Federations of Credit and Marketing Societies.	Federations of Credit and Purchasing Societies.	Federations of Credit, Marketing and Purchasing Societies.	Federations of Credit, Marketing, Purchasing and Machinery Societies.	Total.	Total No. of Federations of all Kinds.
1910	3	3	1	3	1	11	13
1913	19	3	10	12	1	45	52
1916	35	4	11	14	1	65	81
1919	38	4	18	12	2	74	103
1921	34	4	18	31	2	89	178

The reader can see from the above table that, at the end of 1921, federations concerned in the co-operative banking business were exactly half of the total number of all federations taken together. Of 178 federations, 120 assumed limited liability and fifty-eight liability limited by guarantee, the proportionate number of the latter showing an increase. The area covered by the federation is usually one prefecture (such federations in 1919 numbered forty-two), or one county (such federations numbered sixty-seven), but in 1919 there were three federations covering more than one prefecture. The co-operative (unit) societies and federations affiliated to one or other federation, in 1921, aggregated 9,129, viz. about 70 per cent. of the total number of co-operative societies. The number of unit societies affiliated in one federation in 1921 ranged from 355 down to seven, the average being fifty-nine.

* In this table, federations of *urban* credit societies are not included. As far as I can ascertain, there is not yet any federation among urban societies themselves and probably these are not affiliated to the Federations of credit societies mentioned in this table. Even in Germany town banks have no federation for business purposes. In Italian town banks, the big Luzzati Bank at Milan is actually playing the part of the federation or central bank. (*See* Fay, *op. cit.*, p. 51, *et. seq.*; Wolff, *op cit.*, p. 210.)

The capital of federations showed the following increase:—

THE INCREASE OF CAPITAL OF FEDERATIONS OF CO-OPERATIVE SOCIETIES (OF ALL KINDS).

Year.	No. of Federations reviewed.	No. of Affiliated Societies or Federations.	Paid-up Shares.	Reserve Fund.
1912	28	1,164	Y151,649	Y32,033
1915	72	3,654	527,168	143,360
1918	97	5,902	1,039,573	509,266
1921	156	9,129	3,062,336	682,768

The main function of federations of credit societies is to act as a bank for co-operative (unit) societies, accommodating the needs of all affiliated societies. For this purpose federations receive deposits from, and grant loans to, constituent societies (or federations). As we have seen; in order to assist the working of co-operative banks, the Government grants to federations a vast sum each year at a low rate of interest through the Hypothec Bank of Japan. Further, federations may become guarantors for constituent societies or federations for liability towards such banks, as the Central Hypothec Bank or the provincial hypothec banks, or the Industrial Bank of Japan, or the Colonial Bank of Hokkaido, and in this case federations may collect debts on behalf of such banks.

The figures on the following page will show the actual business done by the Federations of credit societies.

As has already been pointed out, excepting a few federations such as the Minamisansha, the relationship of federations to unit societies is very far from ideal, owing to a sad lack of the spirit of mutual help. Comparing the total amount of money borrowed by unit societies from outside (viz. Y105,621,890 by 11,230 societies in 1918) with the total amount of loans granted by the federations of credit

LOANS.

Year.	No. of federations which sent in reports.	Granted.		Redeemed.		Balance at the end of the working year.			
		Total amount.	Average per federation.	Total amount.	Average per federation.	Total amount.	No. of loans.	Average per federation.	Average per loan.
1912	25	Y1,085,776	Y43,431	Y749,670	Y29,986	Y336,102	583	Y13,444	Y877
1913	41	1,865,764	45,506	1,198,604	29,234	667,160	710	16,272	939
1914	46	2,377,886	51,693	1,425,834	30,996	952,051	1,004	20,696	948
1915	58	3,337,886	57,548	1,976,997	34,086	1,360,811	1,517	23,462	897
1916	64	4,089,458	63,897	2,485,571	38,837	1,603,887	1,486	25,060	1,079
1917	69	4,338,481	62,876	2,742,591	39,747	1,595,889	1,263	23,128	1,263
1918	73	7,338,415	100,542	4,571,515	62,619	2,766,900	1,486	37,902	1,861

DEPOSITS.

Year.	No. of federations which sent in reports.	Deposited.		Withdrawn.		Balance at the end of the working year.			
		Total amount.	Average per federation.	Total amount.	Average per federation.	Total amount.	No. of societies combined.	Average per federation.	Average per society in federation
1912	25	Y805,374	Y32,214	Y516,811	Y20,672	Y288,560	Y240	Y11,542	Y1,202
1913	41	1,310,018	31,951	919,328	22,422	390,689	415	9,529	948
1914	46	1,611,235	35,026	1,156,108	25,132	455,127	565	9,894	805
1915	58	2,775,646	47,855	1,695,425	29,231	1,080,221	1,000	18,624	1,080
1916	64	6,981,364	109,083	4,120,335	64,380	2,861,028	1,557	44,703	1,837
1917	69	14,513,478	210,340	8,629,964	125,071	5,883,514	2,140	85,268	2,749
1918	73	23,171,504	317,417	14,578,020	199,698	8,593,484	2,668	117,718	3,220

From *Sangyō-Kumiai Yōran* (the Statistics of Co-operative Societies), published by the Ministry of Agriculture and Commerce.

societies, one will find the greater part of the needs of unit societies being accommodated elsewhere than by their own federations. On the other hand, the fact that, while the federations have a vast total of deposits far exceeding that of loans, yet borrowing money from outside (such borrowed money amounting to Y30,447 per federation)* will reveal the inactivity of the federation, and the author wonders in what way this idle fund is being utilized. As the Co-operative Union itself admits, one of the most important problems of the future is how to bring into closer relationship the federations and their constituent societies. †

However, it is satisfactory to note that the plan of establishing a Central Co-operative Bank is nearing consummation of late. This has long been urged by writers, and especially by Japanese co-operators, who are eager to adopt everything that is good from every country. Thus, this question was often discussed at Co-operative Congresses, and Investigating Committees were organized for this purpose at various times. At the present moment, negotiations are being carried on with the Government. According to recent information, the Investigation Committee has drawn up the constitution of such a Central Co-operative Bank, which seems to the author apparently to have been modelled on the Prussian Central Bank. The Central Co-operative Bank now under consideration is to be over the federations, already described, and is to function as clearing-house and

* TABLE OF MONEY BORROWED BY FEDERATIONS OF CREDIT SOCIETIES.

Year.	No. of federations which sent in reports.	Total amount.	Average per federation.	Average per society in federation.
1912	28	Y344,636	Y12,308	Y296
1913	47	662,348	14,092	324
1914	53	866,651	16,351	335
1915	72	1,224,631	17,008	335
1916	80	1,237,053	15,463	290
1917	88	1,353,390	15,379	263
1918	97	2,953,387	30,447	500

† In 1921, 30 federations out of 157 (the total number, figures of which are available), were reporting losses on the year's working, ranging between Y56,530 and Y4.

ultimate source of funds for all co-operative societies in Japan. Below I give the salient points of the constitution proposed by the Committee :—

1. That the capital of Sangyō-Kumiai Chūō-Kinko (the Central Bank of Co-operative Societies) be Y10,000,000, which may (1) either be subscribed by the Government alone, (2) or jointly with federations of co-operative societies, or by the Government with co-operative (unit) societies.

2. That the scope of operations of such Central Bank be :—

(*a*) To grant to federations fixed-term loans, of not more than five years, usually without security ; to discount bills ; to allow overdrafts on current accounts and also grant loans, repayable by yearly instalments, extended up to the limit of twenty years. Such loans of the last category must not exceed one-half of fixed-term loans.

(*b*) To receive deposits from societies and their federations, or from non-profit-making public bodies.

(*c*) To buy and sell bills of exchange for all the co-operative societies.

(*d*) To do other minor banking business for co-operative societies, including the sale of Government bonds and other negotiable securities on commission, undertaking safe-deposit, and investing surplus funds in various ways (with the permission of the Government).

3. That such Central Bank issue debentures up to, and not exceeding ten times its paid-up capital.

4. That the general meeting be organized by members of co-operative societies, and directors and auditors be appointed by the Government, and that the Government supervise the amendment of the rules of the said Bank and the rate of interest on loans.

5. That the Government do not receive any interest for monies invested for fifteen years, but 5 per cent. dividend to be paid on shares held by co-operative societies and federations.

6. That such Central Bank be exempt from income and business taxes ; and that the Government grant solely to this Bank loans at a low rate of interest, which (loans) are now being granted to federations through the Hypothec Bank of Japan, etc., as before mentioned.

If this plan is brought to fruition, there is no doubt that the benefits accruing from such a central institution would be incalculable, and open the way to an unprecedented growth of Co-operation in Japan ! However, if the attitude of unit societies towards their federations continues as it

is to-day, and unless the paternal attitude of the Government is relaxed, the author cannot but feel great anxiety that such a central bank would become an institution merely in name.*

§ 8. The Co-operative Union.

In order to promote the development not only of co-operative credit societies and their federations, but also of the Co-operative Movement as a whole, and also in order to bring about a closer and more harmonious relationship within the movement, it was found necessary to establish a central organization (or Co-operative Union, as British co-operators call it), the function of which combines propaganda as to the principles and benefits of Co-operation, with the education and enlightenment of the members, the employees and the general public. In Japan, such a Co-operative Union was established in 1905 at the instance of Viscount Hirata, who is, as already mentioned, one of the most important personages in the Japanese Co-operative Movement. He occupied the position of President of the Union until quite recently. This Union, recognized by the law in 1910, is organized by co-operative societies, their federations (both of these are termed regular members), and individuals (other than members of societies) who, being specially interested in the movement, have volunteered to become members (these are called associate members).

It has its headquarters in Tokio, with forty-six branch offices distributed nearly all over the country. The number of members at the end of 1920 was 11,608 (societies and their federations being 9,494 and individuals 2,114). The chief business of the Union may be described as follows:—

1. The Union holds an annual Congress of all the co-operative societies in Japan, at which the necessary steps regarding the further development of the movement are discussed, and at

* According to the report of the Jiji-Shimpō, Feb. 16, 1923 (Tokio daily paper), a bill giving powers for the establishment of this Central Bank is to be presented in Parliament during this session (Spring, 1923).—The establishment of the Central Co-operative Bank, under the name of All-India Co-operative Bank, has also been urged by Indian Co-operators; but it seems as yet very remote from realization.

which honours are awarded to those societies and federations which have shown good results. The detailed descriptions of such awarded societies and federations are generally published in pamphlet form.

2. The Union encourages by various means the establishment of co-operative societies and federations, and gives any necessary advice and guidance to them.

3. The Union investigates the condition of societies and their federations, which annually send in detailed reports of the year's working. From this material books and pamphlets are compiled. But so far no book giving a complete review of the movement has been published by the Union.

4. The Union frequently holds courses of lectures on Co-operation, and sends lecturers to every part of the country where necessary, for the purposes of promoting Co-operation and persuading people to join or form societies. The Union has begun to hold special lecture meetings for women on the Co-operative Store Movement, for it noticed that the best and quickest way to develop co-operative stores is to obtain the goodwill of the housewives.

5. The Union issues a monthly journal entitled *Sangyō-Kumiai* (Co-operation).

6. Besides the above, the Union endeavours, by every possible means, to promote the development of the movement. For example, the Union acts as intermediary for societies wishing to obtain loans from the Hypothec Bank of Japan.

Further, the Union sometimes acts as a co-operative wholesale society by making collective purchases of fertilizers, or other commodities, for distribution among its members. The Union arranges for show-cases, display windows, and exhibition halls where the public may inspect the produce of the various societies. But this is only in the nature of a side line of the Union, the main purpose of which is propaganda for Co-operation in all its branches.

The working expenses are drawn from the following sources :—

1. The annual subscription of members (Y3.60 for a society, Y9 for a federation, Y2.40 for an associate member).
2. Contributions from members or patrons, and legacies from deceased associate members.
3. Revenue derived from business carried on by the Union or income from its property.
4. Subsidies from the Government or public bodies.
5. Miscellaneous receipts.

The management of the Union is vested in nine directors

elected from among the members of the Union. The directors in turn choose a president and two vice-presidents. Auditors are elected in the same manner as directors, and there are at present three.

The governing body of the Union consists of what may be termed associate members, that is, persons of influence, not necessarily members of societies, but who are interested in Co-operation. The term of office of the directors is three years and of that of the auditors two years, at the expiration of which they may be re-elected. All these posts are generally honorary, but a certain number of directors may be remunerated. Further, there are thirty high officials, generally unpaid, a number of salaried clerks and also what may be termed "Advisory Committees."

The general meeting of the Union is held once a year, generally in April or May. When some extraordinary circumstances make it necessary, a special meeting may be held. I need not go into details regarding the machinery of management of the Union, for it has no direct relation to the actual working of individual co-operative societies or federations.

It is gratifying to note the activity that the Co-operative Union has developed of late. The work it carries on is most praiseworthy, yet in the author's opinion, it would do well to confine this activity to propaganda and education and keep itself quite outside the sphere of the business of co-operative societies, for it can serve its greatest measure of utility as a propagandist organization, purely and simply.

It must also be remembered that, as I have elsewhere pointed out, at present all the co-operative societies, irrespective of their nature and tendency, belong to this one Co-operative Union, and thus the co-operative stores are directed by the same officials, who are also the mentors of the agricultural societies. However, the time may arrive when such a hotchpot system can no longer be maintained. The great increase of the working-class co-operative stores, which may develop a socialistic tendency, will naturally necessitate the forming of separate headquarters.

§ 9. State Aid and Supervision of Co-operative Societies.

Theoretically speaking, co-operative societies should be based on self-help, as contrasted to State help, as has been strongly advocated by Schulze-Delitzsch. However, in any country where a part, or the whole, of the Co-operative Movement is launched and fostered by the Government, it is a natural feature that State aid in various forms and in varying degree is given to co-operative societies. Experience in many countries shows that this is more applicable to agricultural societies than to consumers' co-operative societies.* It is beyond the scope of this book to go into details regarding the problem of State aid. I need only point out that, in my opinion, State aid to an extent that does not pauperize and degrade the movement, and State supervision to an extent that does not impair the vitality of the movement is permissible, and in some cases necessary, especially when the system of Co-operation is introduced into what may be termed a new country, such as Japan. The reader will find that even in Germany,† where the

* See *Co-operation for Farmers*, by Smith-Gordon, pp. 202–18, Cahill, *op. cit.*, pp. 266–273, and *Studies in European Co-operation*, by C. F. Strickland, pp. 138–149.

† "In Germany the attitude of the State towards the Co-operative Movement tended at first to be hostile" . . . (however) "this attitude changed, especially State assistance assumed important dimensions subsequent to the enactment of the Act of 1889. It usually took the form of small grants to cover the expenses of founding societies, contributions towards the cost of auditing by Co-operative Unions, and of propaganda, advances of capital to central banks at low rates; occasionally endowments of capital, or grants towards establishment expenses; in a few cases it took the form of assisting groups of societies to secure advantageous terms at banks; and throughout Germany public officials, especially the agricultural travelling inspectors and district governors, were urged to promote Co-operation. . . ." (Cahill, *op. cit.*, 266.)

In England, the Parliamentary Committee on Agricultural Credit appointed during the 1918–22 Parliament, in its report, recommends that, "the State should encourage the immediate formation of agricultural co-operative credit societies and should place a capital sum at the disposal of each society on the basis of £1 for every £1 of share capital raised by the society of which not less than 5s. in the £ shall be paid up. . . ." (See *The Times*, Feb. 24, 1923.) In commenting on this report, *The Times* (March 5, 1923) agrees with the recommendations of the Selborne Report, that, "the incorporation of credit functions into the scheme of the ordinary co-operative trading societies, . . . must be preferable . . . to the formation of the *ad hoc* credit societies. . . ." On this matter the knowledge of Japanese experience of combining various co-operative activities into one single society might be of value.

Co-operative Movement was not inspired from above, the attitude of the Government of late has become distinctly friendly towards co-operative societies.

In Japan State aid for co-operative societies takes the following forms: Firstly, co-operative societies are granted the following privileges over other trading organizations:—

1. Co-operative societies are exempt from both income tax and business tax, and the registration duty is considerably reduced, in comparison to other commercial companies.* It must be remembered that the Japanese law grants these privileges as long as the society is registered under the Co-operative Law, and does not, as is the case in some European countries† withhold this exemption when the society grows to a certain magnitude. Hence arise abuses, although they are small in number, i.e. societies may be formed merely to evade the burden of these taxes.‡ In the future, I believe that the attention of the enlightened Japanese Government will be directed to this question.

2. As has already been explained,§ the Central Hypothec Bank of Japan, local hypothec banks (or agricultural and industrial banks as they are called) and the Colonial Bank of Hokkaido grant loans to co-operative societies without material

* At the end of September, 1922, co-operative societies in twenty-four prefectures were further exempted from various local rates. (*Co-operation*, No. 205, November, 1922.)

† For example, "the Italian Government is seen to remit duties on deeds and contracts of co-operatives only so long as the Society is new and its funds of limited amount: the excess profit tax was paid during the war and the immediately following period: and income tax is paid. The total taxes, for instance, paid by the Peasants' Bank of Reggio, amounted to a tenth of the year's outgoings. It is clear that as the magnitude of co-operative business increases, the State cannot afford to forego the levy on so large a share of the Nation's wealth: should it do so, it would find that with the gradual transformations of commercial activity into the co-operative form, the taxable wealth from which the revenue is to be drawn would be so contracted as seriously to diminish its resources." (*Studies in European Co-operation*, by C. F. Strickland, 1922, p. 146.)

‡ The author himself discovered in Nagano Prefecture, which is famous for its silk industry, a co-operative marketing society for silk, the members of which consist only of big joint-stock companies and large manufacturers. This society is not a co-operative society at all; it is really a cartel. I mentioned the fact to an official of Nagano Prefecture, and his answer was merely, "We did not expect that such a society would develop." It is absurd to accord these privileges to capitalist cartels disguised as co-operative societies. If one were to investigate more carefully into the nature of co-operative societies in Japan, further examples could no doubt be pointed out.

§ See Chapter V, § 4, (ii), pp. 135–137, p. 167, and also the table on p. 146.

security; and the Government grants loans at a low rate of interest, usually 5 per cent. to 6 per cent. per annum, from the funds of its Post Office savings banks, through the intermediary of the above-mentioned Hypothec Bank of Japan—the latter at present to some extent playing the part of a central co-operative bank of Japan.

3. Direct subsidies are granted for agricultural warehousing business, whether carried on by co-operative societies, or by other public bodies, provided for in the Agricultural Warehouse Act.* This is an instance where direct subsidies are granted to co-operative societies, the reason for it being that, differing from others, such societies need a vast amount of capital for the building of warehouses.

4. The Government promotes the development of co-operative societies by making purchases from such societies; for example, the Japanese Army buys its necessaries, such as rice, wheat, barley, hay, and vegetables from co-operative societies. State assistance in such a form is probably the least objectionable.

Secondly, the Government endeavours to promote co-operative societies by giving friendly and sympathetic advice and guidance, appointing officials specially charged with this duty in almost every prefecture. It must be noted that these officials are at the same time entrusted with a far-reaching power of supervision.

The supervision of co-operative societies is carried on practically by the State itself, and with considerable stringency. At present federations and the Co-operative Union can hardly be said to supervise societies with efficiency. Moreover, as the modern Co-operative Movement is inspired from above, such State supervision is a natural feature in the circumstances. This supervision is not unified in one Government Department, but is spread over various departments, according to the nature of the society. Thus, rural credit societies and other agricultural societies come under the control of the Ministry of Agriculture and Commerce, and urban credit societies under that of the Ministry of Finance. The actual work of

* Also in Germany, Granary societies receive a large amount in subsidies from the Government of several states (Prussia, Bavaria, Baden, Würtemberg and Saxony). The preamble to the Prussian Act (1896), under which £150,000 (another £100,000 was voted under a second Act in 1897) was allotted for the construction and equipment of corn-houses. For details see Cahill, *op. cit.*, p. xxiv. (cf. p. 238).

supervision is mainly carried out by prefects and the head administrators of counties, under whom a great number of officials are employed. In 1922, there were about 200 officials in prefectural offices, and over 400 officials in county and municipal offices, who were charged with educational and supervising duties. The estimates for this purpose in 1922 amounted to Y700,000. The powers vested in these supervising officials seem to be unlimited, and their consent regarding any question of policy or any important step must be obtained by every society. Their functions include :—

1. Giving consent to the establishment of a society, to the revision of rules, to amalgamations and to liquidations.

2. The completion of the first payment on shares must be reported. Changes in any of the articles subject to registration under the law must be notified; notification is also necessary, when a society joins the Co-operative Union or relinquishes such membership.

3. Every society must produce its books for inspection and must render a full statement of its affairs, together with its balance sheet; it must report in what manner its profits have been disposed of; further, it must report the resolutions of the general meeting regarding the maximum amount to be borrowed from outside, and the maximum credit to be granted to each member, and also the maximum amount to be applied to the discounting of bills. In case of liquidation, full reports must be made regarding the election of, and any change in, the liquidators. Further, should, in the opinion of the supervising officials, any society exceed its proper sphere of activity, such officials may cancel any resolution affecting the policy of such society. They may order the dismissal of directors, auditors, and liquidators, or suspend its business for a time, as they may think fit, and, if necessary, they may order such society to be dissolved.

It will be unnecessary to go into further details regarding such supervision. I wish only to point out that supervision on the part of such officials tends to become bound up in red tape, especially as these officials are not necessarily well versed in auditing work. In the future, it will be necessary for the federations or the Co-operative Union to undertake the duties of auditorship. On this

point the German example is worthy of consideration.*

§ 10. The Advantages of Credit Societies.

As we have seen in the preceding pages, the Japanese credit societies have made gratifying progress during the last twenty years; and the magical touch of Co-operation has wrought wonderful results everywhere—both material and moral. It must be understood that when I speak of the advantages of credit societies, I incidentally refer to those of other types of societies also, because the economic and moral effects are attributable to the joint efforts of the whole movement. Although it is quite true that credit societies have not yet developed to such an extent in Japan as in Germany, they are gaining ground rapidly. As their benefits are becoming more manifest to every one who sees the wonderful effects of Co-operation with his own eyes, simple peasants are being converted to the principle of Co-operation, and there is every prospect that societies will develop even more rapidly in the future than in the past.

* "Over 60 per cent. of German rural co-operative societies are audited by auditors appointed by Unions; the alternative course open to a society is to apply to the district court for the appointment of an auditor on each occasion of audit. Co-operative societies are never audited by a State or other public authority. The frequency and scope of the audit is defined by the Co-operative Societies Act, which lays down that 'the organization of the society, and the administration of its business in all branches must be submitted in every second year at least to examination by an independent expert auditor.' The committee of management must allow the auditor to inspect all books, documents, cash in hand, stocks, shares, and other goods belonging to the society; the board of supervision must take part in the examination, and its results must be laid before the next general meeting of members. As carried out by most Unions auditing is not merely an accountancy audit, but rather a general audit and inspection of all the circumstances of the society. German experience is in favour of audit being entrusted to Unions of co-operative societies authorized for the purpose. Audits carried out by appointees of courts are apt to be perfunctory and not fruitful towards bettering unsatisfactory societies, because such auditors are not usually professional auditors or co-operators; and, once the particular audit is over, it is no longer their natural interest or business to see that their recommendations are followed. But Union auditors are professional co-operators, whose interest and life work are linked with Co-operation, and who are concerned to raise the level of good management and promote the success of their societies, while their familiarity with Co-operative principles and practice and their training provide a certain guarantee of efficient and rapid work, as well as of their capacity to give sound advice." (Cahill, *op. cit.*, pp. xxix–xxx.)

Before the inception of credit societies, small borrowers had to obtain loans from usurers, which led to great abuses, just as in India; or at best they could get loans from pawnbrokers, or from the Mujin, which I have already described; while even the least enlightened peasants nowadays understand the advantage of applying for assistance to a co-operative credit society, from which they can obtain money at a reasonable rate. We can apply equally to Japan Mr. Wolff's words on the need for Co-operation in India. He says: "If there is any one country in which the need of Co-operative Credit was written plainly on the face of things prevailing, and to which accordingly without question Co-operative Credit must come as a godsend, that country is India."*

To give a complete survey of the advantages of Co-operation, together with statistics, would require a volume in itself; but I may here state, on the strength of some of the best authorities,† that these advantages are enormous.

Since the establishment of credit societies, and also other co-operative societies, the productivity of their members has greatly increased, tending to show that Co-operation awakens a healthy spirit of enterprise among producers. Great improvements have been made in agriculture; adjustment of fields and irrigation have been carried out; higher productivity attained; new fertilisers and new machines have been introduced; barren land has been made fertile; agricultural experimental stations have been established; roads repaired; reservoirs deepened; plagues of insects stamped out; useless herbage has been dug in for manure; afforestation carried out to aid the sufficient retention of moisture, and many other betterments in agriculture effected. Although many of these things have been done prior to, and without the help of Co-operation, yet it has been on account of Co-operation that these have been made use of on a large scale. It is worth noting that new industries, such as straw-plaiting, have actually sprung

* *People's Banks*, by H. W. Wolff, p. 364.

† *Tsūzoku-Sangyō-Kumiai*, 1913 (Elementary Course on Co-operation), by S. Sako, p. 269.

up through the aid of Co-operation; further, by means of Co-operation common drying-houses for silk cocoons have been erected, by this and other means, greatly assisting the development of the silk industry. Co-operative credit societies, through granting cheaper loans, have actually helped to create to a large extent various industries subsidiary to agriculture, such as pig-breeding and poultry-farming. It is also noteworthy that the reports from every society mention that the numbers of livestock have greatly increased. Improvements in fishing boats and implements have also been accomplished. The granting of loans to members has enabled them to do away to a remarkable degree with that dependence on middlemen which was so rampant in villages. In cases of extraordinary rises in the price of rice, which often occur on account of slight fluctuations of demand and supply, the hardships caused by high prices have been greatly mitigated by credit and purchasing societies, which latter are able to sell at cheaper prices than are current among dealers. When a co-operative credit society has been established, it has had a salutary effect on the rate of interest on loans in that district; further, in many cases usury has been completely done away with; the migration of peasants to cities, which is described as the common regrettable trend in most industrial countries, has been lessened to a great extent; and societies have greatly helped peasants to pay off their old debts, which had always been hanging over them like a nightmare.

While dwelling on the great material advantages which Co-operation carries in its train, we must not forget that even greater moral benefits have been attained through this movement. The moral change brought about in Japan by Co-operation is simply enormous; thrift and industry have developed; laziness, thriftlessness and gambling, which have been distressing features of Japanese village life, have been to a great extent stamped out. The habit of punctuality, which in the past was sadly lacking in villages, has been greatly improved; and the whole moral tone has been changed almost beyond recognition.

The added interest brought about by subsidiary in-

dustries, fostered by Co-operation, has lessened to a great degree some of the evils attending the leisure hours of village life; the result in many cases has been that the village "rendezvous" or "tea-houses" have had to close their doors for lack of patronage. This has also had a steadying influence on the morals of the younger generation. Political strife also, which formerly was rampant in rural districts, has been appreciably lessened, with a most salutary effect on industry and agriculture, for the co-operative society has provided a common interest, where formerly even families were split up into contending parties.

Further, intellectual and social life has been stimulated by co-operative societies by their holding lectures, establishing libraries and arranging entertainments, founding social clubs and opening hostels, where members from distant parts are allowed to stay free of charge for a short while. By fostering thrift the non-payment of taxes has greatly decreased, criminality is on the wane, and litigation also has become less. It will be seen what an important factor Co-operation is in village life, when one remembers that a man's credit-limit in his society is determined by his moral character; and that in cases of marriage, the fact of a prospective bridegroom being or not being a member of the credit society is taken into consideration. Instead of giving luxurious and useless wedding presents, the young couple often receive savings coupons issued by co-operative societies, and the expense and burden of marriages has been lightened by the special provision made by societies for that purpose.

It will be illuminating also here to recount a little anecdote of an actual occurrence in a village school. The schoolmaster had been pointing out to his pupils the benefit of the co-operative credit society in the village, and all the boys were proud that their fathers were members; all saving one little boy, who was very sad and silent because his father was not a Co-operator. Conscious of this disgrace, he went home and stated to his father what the teacher had said. The father, who was a "ne'er-do-well," took the matter to heart, with the result that he

joined the co-operative credit society and became a useful citizen!

One could go on citing the benefits attending Co-operation *ad infinitum*, but perhaps the greatest of all benefits it bestows is the spirit of self-government and mutual aid; that is to say, people have been taught what can be done by united effort toward a common goal, and are beginning to appreciate the idea so finely expressed by the great Finnish poet, Z. Topelius, that "We are nothing in ourselves, we are nothing by ourselves, but we are strong indeed when we are united in co-operation for the common end and in an honest endeavour so far as in us lies to further the work of centuries."*

Of course it is self-evident that there is still much to be desired and many obstacles to be overcome, of which I shall speak in the following pages.

§ 11. Obstacles to Co-operative Progress in Japan.

In describing so far the development of credit societies in Japan, I have never alluded to failures; therefore, I may have given the reader the impression that Japanese societies have only records of constant success. In reality there are many obstacles with which Japanese Co-operators have had to contend, and many a society has fallen by the wayside.

Up to the end of the year 1919, according to the Government report, the total number of societies of all kinds which had been dissolved from various causes amounted to 4,234. The dissolution of credit societies (exclusively) accounts for 978, and if we add to this figure the number of credit societies which carried on other business that have gone into liquidation the number swells to a total of 2,458. The career of some societies was short indeed, in some cases extending over less than a year; the longest term of existence of unsuccessful societies was nearly eighteen years. On the next page is a table of the length of life of dissolved societies:—

* *Co-operation in Finland*, by H. Gebhard, 1916, p. 1.

Less than 1 year	122	societies
Less than 2 years	348	"
Less than 3 years	508	"
Less than 4 years	542	"
Less than 5 years	505	"
Less than 6 years	470	"
Less than 7 years	404	"
Less than 8 years	328	"
Less than 9 years	256	"
Less than 10 years	295	"
Less than 11 years	188	"
Less than 12 years	81	"
Less than 13 years	62	"
Less than 14 years	43	"
Less than 15 years	55	"
Less than 16 years	19	"
Less than 17 years	3	"
Less than 18 years	5	"
Total	4,234	

What were the causes of their failure? The study of the causes attributable to their failure is most illuminating. The Government has carefully investigated and prepared the following list (which I have freely translated). I cannot vouch for the scientific accuracy of the facts summarized in it, but it will be interesting to peruse it. Needless to say, the figures refer to every form of co-operative society, including credit societies.

A. Voluntary Dissolution	**3,550**
I. On account of defects connected with capital	**305**
1. On account of bad debts or mismanagement of capital	224
2. Lack of capital	81
II. On account of defects connected with membership	**1,011**
1. Lack of membership (insufficient members at the beginning, decrease of membership, inability to recruit fresh members)	431
2. Discord among members, apathy and misunderstanding	344
3. Disloyalty of members on account of membership being drawn from among upper-middle classes, who do not require loans or who purchase elsewhere	37

	4. Owing to financial failure of members .	70
	5. On account of non-payment of subscription or evasion of other duties on the part of members	129
III.	On account of defects connected with officials	**795**
	1. On account of dishonesty on the part of directors or other officials . . .	17
	2. On account of death or retirement of important or highly efficient officials .	693
	3. Discord among officials, apathy and misunderstandings	85
IV.	On account of discord between members and officials	26
V.	On account of mismanagement . . .	**598**
	1. On account of the area of a society being too large	92
	2. On account of the area of a society being too small	70
	3. On account of a big financial loss .	86
	4. On account of expenditure exceeding income	44
	5. On account of mismanagement generally	238
	6. On account of lack of initial success on establishment of a society . . .	98
VI.	On account of pressure or other circumstances from without	**688**
	1. On account of society being situated in a locality convenient for private enterprise, and the lack of loyal support of members	40
	2. On account of competition from other institutions	90
	3. On account of competition from, and opposition of, merchants	106
	4. On account of general economic depression	51
	5. On account of adverse influences re-acting on society's business	274
	6. On account of sudden fall of prices of products marketed by societies, and big fluctuations in prices of goods purchased by societies	82
	7. On account of loss of profitable markets	13
	8. On account of miscellaneous causes .	32
VII.	On account of various special reasons .	**689**
	1. On account of reconstruction of societies in order to convert same into companies or merge into some other institutions .	251

2. On account of the heavy loss in membership, joining other societies . . .	221
3. On account of inability to carry on the society's primary business or because the society has outlived its utility .	120
4. On account of flood, famine, fire and other unforeseen circumstances . . .	32
5. Owing to negligence of registration procedure or to other illegal conduct; members being harassed with a mass of legal formalities preferring to dissolve . .	20
6. Because the object of the society was in contravention of the Co-operative Law, or because the moment when the society was floated was not opportune for the flotation	45
VIII. On account of causes unknown . . .	29
B. Dissolution by Order 210	
I. On account of inability to continue business	174
II. On account of societies overstepping the limit of Co-operation laid down by the law, or on account of illegality regarded as detrimental to the community	30
C. Legal Dissolution 474	
I. Decrease of membership below legal minimum number	146
II. By amalgamation with other societies . .	141
III. The expiration of the society's term of existence agreed on in the rules of the society	201
Total 4,234	

N.B.—The total given sometimes does not correspond with the items, as in some instances one item belongs to two categories, and is, therefore, counted twice.

The principal causes of failure enumerated in this list are, in my opinion, to be summarized under three headings :—

1. Disloyalty, apathy, and discord among members.
2. Mismanagement.
3. Disloyalty, apathy, and discord among officials, or retirement of important officials.

Of course, all these three headings have a close interrelationship with one another. Co-operation differs from capitalist enterprise in that, in the former, loyalty and the united efforts of all are indispensable, the principle being

"each for all, and all for each." Therefore, in order to ensure the success of the movement, the loyalty of the members is the first condition. But, whilst the legislators have imported the forms of organization *en bloc* from Germany, they have been unable to import the spirit of Co-operation, which is its life-blood. Popular education in Japan has not laid sufficient stress on the fostering of good citizenship and *esprit de corps*, which are a necessary basis for Co-operation; and what we also lack in Japan is a spiritual leader, to inspire the rank and file and give vigour to the whole movement.

Mismanagement of societies is largely due to the inefficiency of the elected officials. It must be borne in mind that these officials are chosen from among a membership composed principally of simple peasants, so that one really cannot expect to find much business acumen or far-sightedness. It will no doubt become necessary in future that the co-operators turn their attention to the training of future managers, to fit them for these important posts; and also, if necessary, to draw competent managers from outside of the movement. There should also be a simplification of legal formalities, for (as was shown in the above table) a number of societies ceased activity on account of what were held to be vexatious regulations.

Political strife is often an obstacle to the development of the movement, although the movement itself is not divided, as in Continental Europe, into pro- or anti- socialistic factions, or under rival leaders. Co-operation is not a bone of political contention in Japan; rather is the strife caused through the various political parties in a town or village, who find it difficult to work together harmoniously in a society, thereby, of course, hampering its development and efficiency. While Co-operation, in a manner of speaking, pours oil on troubled waters, the futility of strife is not yet sufficiently clear to Japanese Co-operators. It is also found in many rural districts that the work of the society is hampered by members, who dispute over petty details, instead of working together harmoniously for the common good. To this reason we may attribute the fact that there

is often lack of proper co-ordination between federations and their constituent societies.

Local patriotism, also, is often a bar to the development of a society. It may be that, when the activities of a society overflow its boundaries, the prefectural governor into whose territory such society has intruded, will do his best to wreck it, from a narrow and misguided sense of local patriotism, with a view to starting a society himself.

Note on Statistics.

The tables and statistics given in the chapter on Credit Societies, unless mention is made to the contrary, are quoted from *The Co-operative Societies of Japan*, 1921, and *Sangyō-Kumiai Yōran* (Statistics of Co-operative Societies), 1922, issued by the Ministry of Agriculture and Commerce of Japan. However, the table given on page 108 is supplemented from Mr. Satō's *Shinyō-Kumiai-ron*, 1918 (Credit Societies), Mr. Kuwata's "Die Genossenschaftsbewegung in Japan" in the *Archiv für Sozialwissenschaft und Sozialpolitik*, Vol. 48, No. 3, 1921, and Mr. Fujii's *Sangyō-Kumiai Jitsumu-Shishin*, 1921 (The Guide to the Practical Business of Co-operative Societies). In this connection I should like to point out that care should be taken when quoting figures from Japanese books on, and statistics of, Co-operation, as more than once the author himself found serious misprints in the tables and experienced great difficulty in tracing the cause for such mistakes.

CHAPTER VI

MARKETING SOCIETIES

§ 1. Their Development and Present Position in General.

MARKETING societies represent the highest form of Co-operation for farmers, on account of the great technical skill required for grading and standardizing of goods marketed, and also on account of the commercial ability required to find a favourable market. Loyalty of members is more vital to the prosperity of marketing societies than to any other form of Co-operation. For this reason marketing societies in Japan are relatively slow in growth, as compared with credit and purchasing societies, just as is the case in European countries.*

In Japan there are two outstanding types of marketing societies which may be considered the pioneers of co-operative marketing. One is known as Beiken-sōko,† or the rice-warehousing society, the origin of which dates back nearly as far as the Mujin; the others are the silk-marketing societies, which had grown up in Gumma Prefecture long before the Co-operative Law was passed. These silk-marketing societies will be of special interest to European readers; firstly, because of their history; and secondly, because of their great importance to the silk industry in general. I will, therefore, in a separate section, try to explain their origin, development and organization, and

* See *Co-operation for Farmers*, by L. Smith-Gordon, 1918, p. 80 and p. 182; and also footnote on p. 281.

† The Japanese words, *Beiken-sōko*, literally mean a rice-granary which issues rice-certificates.

also forecast their future as an illuminating example of marketing societies in Japan. Some writers speak of the existence of pioneer marketing societies, besides the two mentioned above. However, there is not sufficient evidence to prove this. As far as the author's knowledge goes, all other marketing societies in Japan have, like other types of co-operative societies, developed only after the passing of the Co-operative Law; and, indeed, as a result of deliberate propaganda on the part of the Government and influential men in rural districts. The motive for their establishment was more or less identical, i.e. the members formed marketing societies for the purpose of eliminating the middlemen and saving their profits. The evil of dishonest middlemen in rural districts used to be as rampant in Japan, as was the usury that gave the impulse for the establishment of credit societies. Taking advantage of the helpless condition of the agricultural population, these middlemen, often dishonest and always cunning, dealt unfairly with them. Unless these agriculturists could form themselves into co-operative societies, they were in danger, not only of being cheated out of their legitimate profits, but also of being crushed out of existence by capitalist enterprise on a large scale.

In some cases marketing societies were started solely for the purpose of marketing their own members' produce; but in most instances, this marketing business is carried on in conjunction with other forms of Co-operation, notably as a part of the activities of credit societies.* It is obvious that marketing societies can better fulfil their functions when assisted by co-operative credit.

The following table shows that marketing societies (exclusively) are few in number and have been slow in development, in comparison with those carried on in conjunction with other types of societies:—

* The Minamisansha silk-marketing societies, as will be presently explained, are a notable exception to this rule. These societies were started for marketing, pure and simple, and the credit business was not taken up until later.

DEVELOPMENT OF MARKETING SOCIETIES.*

Year.	Marketing societies (exclusively).	Marketing and purchasing societies.	Marketing and machinery societies.	Marketing, purchasing and machinery societies.	Credit and marketing societies.	Credit, marketing and purchasing societies.	Credit, marketing and machinery societies.	Credit, marketing, purchasing and machinery societies.
1900	1	3	—	1	—	—	—	—
1905	92	142	63	47	—	—	—	—
1910	217	503	136	222	381	1,062	14	369
1914	224	498	139	242	370	2,461	73	878
1915	234	461	141	230	400	2,608	90	946
1916	221	402	127	195	370	2,795	117	1,044
1917	248	401	134	180	351	2,964	158	1,111
1918	290	412	163	170	317	3,252	145	1,236
1919	272	407	157	189	296	3,630	147	1,427
1921	251	380	175	194	232	4,150	155	1,892

The predominating form at present is, therefore, marketing societies carried on in conjunction with credit and purchasing societies. When one includes all marketing societies that constitute departments of other societies, these form 56 per cent. of all the co-operative societies in Japan. In marketing societies (exclusively) limited liability has predominated from the beginning, and is still on the increase, as will be seen from the following table :—

Year.	Limited liability.	Unlimited liability.	Liability limited by guarantee.
1903 . . .	51	7	3
1905 . . .	59	8	3
1910 . . .	178	31	7
1914 . . .	188	25	11
1915 . . .	195	25	14
1916 . . .	190	19	12
1917 . . .	217	20	11
1918 . . .	267	18	10
1919 . . .	251	12	9

* This and the following tables in this Chapter, unless mention is made to the contrary, are taken from the *Co-operative Societies of Japan*, 1921, and *Sangyō-Kumiai Yōran*, 1922 (Statistics of Co-operative Societies), issued by the Ministry of Agriculture and Commerce.

Membership, amount of capital and sales of marketing societies in all their various forms show the following progress :—

TABLE OF INCREASE OF MEMBERSHIP AND CAPITAL OF MARKETING SOCIETIES.

Year.	No. of societies which sent in reports.	No. of members.	Average No. of members per society.	Capital.		Average amount of capital per member.	
				Subscribed.	Paid up.	Subscribed.	Paid up.
1904	61	4,467	73		Y40,274	?	Y9·01
1905	114	12,129	106		116,258	?	9·58
1910	1,731	202,104	117		1,890,701	?	9·35
1913	3,972	483,693	122	Y9,433,032	5,956,715	Y19·50	12·31
1914	4,270	529,046	124	10,547,894	7,117,004	19·93	13·45
1915	4,554	573,601	126	11,672,088	8,202,621	20·34	13·37
1916	4,622	604,977	129	12,850,728	9,353,535	21·24	15·46
1917	4,956	696,282	140	15,626,265	11,336,234	22·44	16·28
1918	5,216	829,487	159	20,992,147	14,318,923	25·30	17·26

TOTAL OF SALES OF MARKETING SOCIETIES.

Year.	No. of societies which sent in reports.	Total sales.	Average amount per society.	No. of members.	Average amount per member
1904	61	Y885,296	Y14,513	4,467	Y198·10
1905	114	1,351,899	11,858	12,129	111·46
1910	1,731	11,276,067	6,514	202,104	55·78
1913	3,972	31,049,074	7,816	483,693	64·19
1914	4,270	31,295,630	7,329	529,046	59·15
1915	4,554	40,777,399	8,955	573,601	71·09
1916	4,622	59,090,177	12,647	604,977	97·67
1917	4,956	89,126,348	17,983	696,282	128·00
1918	5,216	116,800,006	22,394	829,487	148·09

According to the statistics for 1918, of all prefectures (forty-seven in number) Fukui, Nagano and Gumma occupy the most important position as regards the total sales. It must be noted that these prefectures are the strongholds of the silk industry in Japan.

Marketing societies in Japan, as in the case of credit societies, are predominantly agricultural in nature, both as regards the goods marketed and the members forming these societies. Of 1,342 societies in 1920, which were classified

in the Government report,* as principally engaged in marketing, 1,115 were agricultural societies, whilst 150, thirty-eight, thirty-seven and two were concerned with industry, fishery, forestry and mining respectively. Further, the various occupations of members in all marketing societies in 1918 were as follows:—

Agriculture	732,484
Industry	24,032
Commerce	36,784
Fishery	13,558
Forestry	932
Miscellaneous	21,697
	829,487

The most important commodities sold through these societies are raw silk and woven goods (the latter being mostly silk fabrics). The total sales of these two commodities, which alone amounted roughly to Y86,000,000, represent 73 per cent. of the aggregate sales of all marketing societies (Y116,800,007) in 1918. The following table will show the various goods sold by all marketing societies in 1918.

Raw silk	Y51,464,298
Woven goods	34,453,339
Rice	8,635,055
Cocoons	3,872,041
Matting fibre, straw and their products	1,799,392
Marine products	1,640,620
Various kinds of cereals other than wheat and barley	1,612,157
Wood and charcoal	1,596,718
Wheat and barley, etc.	1,498,446
Vegetables and fruit	1,482,489
Porcelain and tiles	1,150,500
Milk, eggs and livestock	589,408
Young plants and silk-worm eggs, etc.	226,534
Miscellaneous	6,779,010
Total	Y116,800,007

* *Seisan Shohi no Hōmen yori mitaru Sangyō-Kumiai no Jōkyō* (The Conditions of Co-operative Societies, as viewed from the Standpoint of Production and Consumption), 1922, issued by the Ministry of Agriculture and Commerce.

As is notably the case in the marketing societies for silk and silk fabrics, some marketing societies only handle the one commodity, for which such societies have been started, but a great number of societies market more than one commodity, according to the requirements of members. It must be noted that rice is also marketed by agricultural warehousing societies, besides ordinary rice-marketing societies.

According to the law, a marketing society, as such, may carry on certain completing processes upon the produce of its members, thus enhancing the market value of goods. We need not, however, concern ourselves as to exactly how much work is allowed to be done on the produce of members by marketing societies as such, for, in order to fulfil the requirements of the law, such marketing societies can always start a machinery society (productive society) and carry on manufacture to any extent they desire. As a matter of fact, excepting silk marketing societies, there are few marketing societies which undertake any elaborate process of manufacture.

THE DEVELOPMENT OF THE FEDERATIONS OF MARKETING SOCIETIES.

Year.	Federations of marketing societies (exclusively)	Federations of marketing and purchasing societies.	Federations of credit and marketing societies.	Federations of credit, marketing and purchasing societies.	Federations of credit, marketing, purchasing and machinery societies.
1910	2	—	3	3	1
1911	2	—	3	4	1
1912	2	1	3	7	1
1913	2	2	3	12	1
1914	3	2	3	13	1
1915	3	6	4	13	1
1916	3	7	4	14	1
1917	4	11	4	16	1
1918	5	16	4	16	2
1919	5	27	4	18	2
1921	6	53	4	31	2

I must here remind the reader that co-operative marketing is also carried on, to a certain extent, by the Hōtokushas, fishery societies, and by other organizations, which I termed quasi-co-operative societies. The marketing societies, like the credit societies, are combined into federations. These federations are sometimes formed among marketing societies exclusively; but in most cases they exist in conjunction with other types of societies. The growth of federations in their various activities may be gathered from the table on the preceding page.

As will be seen from this table, the increase of federations, both of marketing and purchasing societies, and of credit, marketing and purchasing societies, is noteworthy. Other kinds of federations are somewhat slow in growth, although, of course, we must not judge the development of societies simply by their increase in numbers.

The form of limited liability is predominant in the organization of these federations. The total sales of these federations showed the following progress:—

THE INCREASE OF SALES BY THE FEDERATIONS OF MARKETING SOCIETIES.

Year.	No. of federations which sent in reports.	Total sales.	Average per federation.	No. of affiliated societies.	Amount of sales per society.
1912	13	Y7,954,628	Y611,971	613	Y12,978
1913	18	8,406,871	467,048	722	11,643
1914	19	9,066,396	477,178	802	11,304
1915	27	8,903,025	329,741	1,039	8,568
1916	28	14,987,091	535,258	1,166	12,853
1917	33	18,118,934	549,058	1,334	13,582
1918	40	18,495,441	462,386	1,529	12,100

After reviewing the general position of marketing societies I shall describe their organization and activities. I shall do this in the following manner:—Firstly, I shall describe silk marketing societies as the model of Japanese marketing

societies; and then the rice granaries, although the latter cannot always lay claim to be co-operative in a strict sense; and lastly, I shall give a general survey of the various kinds of marketing societies, especially of the *modus operandi* of these societies.

§ 2. Silk Marketing Societies.

Co-operative effort among cocoon cultivators is of very old standing. Already as early as 1868 we find that in various parts of the country the culture and sale of cocoons were being carried on co-operatively in the modern sense of the word. Since the country was opened for oversea trade and the silk industry came to assume a place of the utmost importance in the national industry, a great impetus was given to the formation of various societies in the silk industry. By reason of the fact that, while cocoon culture is best carried on on a small scale, the marketing of silk is only advantageously undertaken when the producer can collect a large quantity of silk of equal quality and grade, Co-operation in this field of agriculture, therefore, became imperative. The co-operative principle is now applied to the various processes of the silk industry, from the culture of cocoons down to the sale of silk fabrics. Thus, when cultivators of cocoons combine together for the purpose of improving the quality of cocoons and also of marketing cocoons, we have what may be termed "cocoon marketing societies." When the cultivators of cocoons start a society for the sale of silk, individually produced at home, we have silk marketing societies, which at a later stage of their development may proceed to reel silk themselves. And, lastly, when the manufacturers of silk fabrics combine for co-operative marketing, we have marketing societies for silk fabrics.

Of all these different forms of Co-operation applied to the silk industry, silk marketing societies are the most successful and flourishing, and well deserve the attention of Co-operators the world over. For this reason I shall describe these in detail, even at the risk of enlarging this part disproportionately to other parts of my book. Such silk

marketing societies have most developed in Gumma and Nagano Prefectures and also have sprung up in other Prefectures, such as Kanagawa, Fukui, Gifu, Kyōto, Tottori, Nagasaki, Okayama, Shimane, Yamanashi, Chiba, Toyama, Ehime, etc. However, a description of the silk marketing societies in Gumma and Nagano will be quite sufficient to give a clear idea of all of them.

I was able to make an extensive personal investigation of all the silk marketing societies in Gumma and Nagano Prefectures (the centre of the silk industry), both in 1918* and in 1921. The survey of these silk marketing societies has a great significance in itself; for, the federations of the silk marketing societies in Gumma Prefecture, usually known as Jōmō Minamisansha, or briefly the Minamisansha, were started as early as 1878, twenty-two years before the passing of the Co-operative Law; and it is quite evident that this was not any imitation of the marketing societies of Europe, but the result of original thought on the part of Japanese peasants. At present the membership runs into tens of thousands, and the area of each federation covers several adjoining prefectures. Thus, the Minamisansha Federations constitute a tremendous power in the Japanese silk industry. An organization such as this, consisting of small peasant farmers, yet wielding the great power it does, is rarely to be met with even in Europe.

The object of my investigation, however, was not merely to inquire into the fascinating history of these silk marketing societies and their present-day importance, but also, by viewing the actual facts themselves, to ascertain how my conception touching the very nature of associations of independent producers, viz. their probable development in the future, is substantiated. In detail, the problem is this. The co-operative stores fulfil the function of supplying

* The result of the investigation in 1918 was published (in Japanese) in *Kokumin Keizai-zasshi* (an Economic Journal), September, 1918, under the joint names of Prof. Ueda and the author, the former having made most valuable corrections and additions to the latter's manuscripts. The following description of the Minamisansha is mostly based on this report, except that the author has adapted it for European readers, revising the statistics and making a few additions as a result of the second tour.

domestic wants of members, and as long as members require their domestic wants supplied, so long will the societies flourish and prosper as such, for every person is of necessity a consumer. On the other hand, an association of independent producers (or *Erwerbsgenossenschaft*, to use the German term) is, after all, a means of helping these small capitalists to become bigger capitalists, so that when such societies develop past a certain point, or when the method of profit-earning of members undergoes a change, the society no longer fulfils its original function and may be dissolved, or else the very nature of Co-operation may undergo a change.

For example, in the case of a group of small industrialists formed into a marketing society, what course should they take when it becomes manifest that large-scale production is more profitable than small-scale production by individual members, even when combined into a marketing society?

Two courses seem to be open to them:—

1. Either each member may extend the scale of his own production and develop into a big industrialist; or

2. The members collectively may erect and equip a large centralized factory for large-scale production.

When the first course is taken, viz. large-scale production by the individual, such industrialists (capitalists) may find it better to dissolve their society and devote all their resources and energies to their own individual enterprises. If this course is impossible they must endeavour to compete with the big manufacturers by means of the second course. But when this course should be adopted, it appears to me that the society may very probably, from the necessity of practical management, cease to be co-operative in any real sense, and take on the character of a joint-stock company.

As a matter of fact, one silk marketing society in Nagano Prefecture, styled the Kaimeisha, was formerly a society of small manufacturers of machine-reeled silk. But in consequence of the members enlarging their own factories and separately developing large-scale production, the society, after fulfilling its original function, was dissolved. On the other hand, in societies organized by cocoon cultivators, or

producers of hand-reeled silk, such as the Minamisansha, the possibility of their members becoming large-scale producers is out of the question; but with the technical progress in silk manufacture the co-operative factories constituting same will probably have to be run on more centralized, i.e. practically on capitalistic lines.

Now, in order to give a clear idea of the various types of marketing societies in Gumma and Nagano Prefectures, I will classify them as follows :—

1. Marketing societies for cultivators of cocoons, or producers of hand-reeled silk. There are three types in this category, which I will, for the sake of clarity, term as under :—

(*a*) The type of the Usuisha or the Minamisansha.

(*b*) The type of the Ryūsuisha.

(*c*) The type of the Ryūmeisha.

2. Marketing societies for large-scale manufacturers of machine-reeled silk, which I will term the Yotasha type.

These different forms, above enumerated, cover all existing forms of silk marketing societies in Japan.

(i.) Marketing Societies for Cultivators of Cocoons or for Producers of Hand-reeled Silk.

(*a*) Type I. or the Usuisha Type Societies.

The most notable example of this type of society is the Minamisansha (viz. Usuisha, Kanrasha and Shimonitasha). This type of society at present exists only in Gumma Prefecture. I was told during my investigation tour that once there had been a marketing society for hand-reeled silk of this type somewhere in Nagano Prefecture, but that it had had only a very short existence.

As will be explained later, these federations of societies are, however, undergoing a vital change in their organization; and it appears to me that they are getting closer to what I termed the II. type. Therefore, I can safely assert that the true type of I. category is really a thing of the past.

There seem to be three stages of development in the organization of the Minamisansha.

1st stage.—The Federation of marketing societies for hand-reeled silk.

2nd stage.—With the development of machine-reeled silk, the societies start a machinery society providing reeling-machines for the common use of the members.

3rd stage.—Besides the marketing of silk, the societies themselves undertake the reeling of silk.

This third stage conforms to Type II. society.

The Origin of the Minamisansha Silk Marketing Societies.

The motive for the establishment of these societies was to prevent scamped workmanship, and to reap the benefits of collective sale. To quote the historical survey issued by the Usuisha* (one of the federations) :—

"In Gumma Prefecture, for generations hand-reeled silk was produced by farmers as a cottage industry. This silk was famous for its excellence of quality. It was sent to the markets of Annaka and Tomioka (small towns in the same prefecture). This silk thread was used for weaving fabrics at Kiryū, a famous silk-weaving centre. The silk producers were very jealous of their reputation, endeavouring to produce only the finest quality, and they considered it a disgrace to sell their goods under the name of another person. On the opening of the country to international trade, the demand for silk increased enormously, and it became the most important article of export. In consequence, prices increased considerably, and silk production became a most profitable industry. This brought with it a number of evils and abuses, both in production and in sale. Quality was no longer the first consideration of the producer. The spirit of pride in the excellence of the product seems gradually to have died out, until it came to be considered foolish and unbusinesslike not to employ dishonest methods. As a natural consequence of this, prices began to fall, and the producers' profits to dwindle. The result was that mulberry fields were planted with wheat and barley, and the whole silk industry suffered. Such was the state of affairs up to 1877."

At this juncture it became evident to a number of influential men who interested themselves in the welfare of farmers that something would have to be done to lift silk production out of its unhappy state. In particular, it was

* *Usuisha Yōran* (an outline of the Usuisha).

due to the efforts of Mr. Ryōtarō Hagiwara and his adherents that the Usuisha silk marketing society came into being in 1878.

Now, whence sprang the idea of co-operative marketing? For until that time what we now term the co-operative society was unknown in Japan. Since the Restoration the question of collective enterprise had been very much in the air, and especially at the close of the Civil War in the tenth year of Meiji (1877), known as "Seinan-no-eki," large farmers and members of the *Samurai* class were engaged in floating trading associations and companies. In the author's opinion it was out of the traditional spirit of rural self-government, combined with the examples given by the formation of collective commercial undertakings, that there arose what must be termed the first co-operative society of *modern type* in Japan.*

The personal influence of Mr. R. Hagiwara,† the founder of this pioneer society, has been the strongest factor in shaping the destiny of the Usuisha Society, nor has there been in any single society any leader since then to equal him. Mr. Hagiwara sprang from the *Samurai* class, and had been prefect of his village and county. He had been several times elected deputy for the prefecture, and had once been elected a Member of Parliament for the same area. His talents lay not in politics, but rather in administration, for which he had a natural genius. He was far from being a scholar like Ninomiya Sontoku, the father of the Hōtokusha

* It is quite evident from an account in *Usuishahō*, No. 1, 1910 (an organ of the Usuisha), that this pioneer society was modelled on the silk-reeling company, named the Maebashi-seishikaisha, which was capitalistic in the main, organized by Mr. Yūzō Fukazawa. A copy of the articles of association of this company and also of the first rules of the Usuisha are reproduced by the author in *Ikkyōkaizasshi*, No. 100 (a periodical of the Students' Union of the Tokio University of Commerce).

From the material at hand, and also from the result of my investigation, it appears unlikely that this pioneer society was influenced in any way by the Hōtokusha, which at that time already had attained a position of solidity in Shizuoka Prefecture, nor must one forget that at that time means of communication between these two prefectures were very primitive, although the actual distance is not so considerable.

† *See* Mr. Hagiwara's speeches and writings, issued by the Usuisha, under the title of *Shagyō-Yodan*, 2 vols., and also *Hagiwara, Ryōtarō Ryakureki Ippan* (a Brief Biography of R. Hagiwara).

system, nor was he a prophet or idealist. Eminently practical, he was known to declare himself on the side of the liberal "laissez-faire" policy, as was advocated by Mr. U. Taguchi. Yet he does not seem to have gone deeply into these theories; his opinions, in short, were those of the practical expert. That he was a self-sacrificing and devoted worker, and that he enjoyed the absolute confidence and respect of thousands of members may be seen from the fact that they allowed him to become the sole manager, and, in a sense, even the dictator of their society, and that they entrusted to his judgment the sale of the silk that they produced by the sweat of their brow. At the time this society was formed, he was only a young man of twenty-one years; since his death in 1916, his memory is mourned and revered by all silk producers; and his portrait is to be found in every factory of the society.

Shortly after the inception of the Usuisha Society another society was started in 1888 with the same object, under the name of the Kitakanra Silk Manufacturing Company. This title was later changed to that of the Kanrasha Society. This society, or rather federation, embraced three townships and ten villages, and had a membership of 620. Its headquarters were at Tomioka, and a branch was established at Shimonita (a small town in Gumma Prefecture). At that time, the means of communication between the headquarters and this branch office were very primitive, making the collection of silk and the supervision of the accounts most laborious. For this reason the members of the Federation who resided in the area of the branch society decided to start an independent federation; and this was done in 1893 under the title of the Shimonitasha.

I would here point out that whereas the Usuisha originally started as a *unit society*, it had already become a federation, embodying thirty-three constituent societies at the time the other two federations came into being. Thus we come to the establishment of three federations of silk producers, which collectively have the name of the Minamisansha, meaning "Three Federations in Gumma Prefecture." It would be manifestly a sensible step for these three federations

with a common interest, to combine and to market their goods through one central organization. This has actually been under discussion, but from short-sighted motives the amalgamation has never been brought into being. What has stood in the way of amalgamation has been the failure to agree as to who should be the governing authority over the three combined organizations.

THE ORGANIZATION AND MANAGEMENT OF THE MINAMI-SANSHA IN THEIR EARLIEST STAGE

(Prior to the Passing of the Co-operative Law).

As has been pointed out in the preceding paragraphs, these pioneer societies (organized into three federations) came into existence for the purpose of dealing with hand-reeled, not machine-reeled, silk. There being at that time no law dealing with co-operative societies, it will be interesting to show how these Federations were organized and managed. This organization was quite empirical in its nature, and was evolved as necessity demanded.

In the Federation covering the area of several counties (*guns*) there were a number of subsidiary branches, one in each village. Each of these was equivalent to the modern Japanese co-operative society. They were financially independent, but were under the sole control of the head office, although the members had direct relationship with the branch society only.

There were three classes of members in each of these branch offices: Membership A, B and C.

Membership A. Members in this category had to take up shares in the branch society; and also to invest Yi in the central establishment. This entitled the member to a dividend on his investment in the branch and central establishment; to vote both in the branch and central establishment; to stand for election as an official in either body, and to vote at such elections.

Membership B. Members in this category were investors only in the branch society. Therefore, they were entitled only to dividend on their investments in the branch and they were not

eligible for election as officials in the central establishment, nor could they vote at such elections.

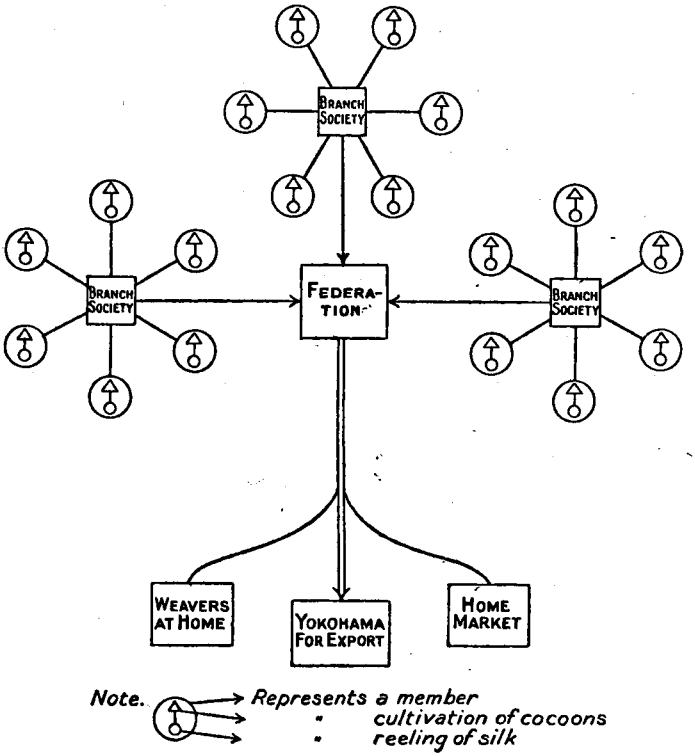
Membership C. This category embraced only members whose sole interest lay in the production and offering of silk to the branch society. These were not entitled to dividend, nor could they vote for the election of officials, nor stand as candidates for official positions.

The disposal of funds, and questions relating to the marketing of silk, were left entirely to the arbitrary power of the president of the central establishment. The effect of investing one man with such power, however, was entirely beneficial to the Federation, for the president in question was Mr. Hagiwara, of whose high sense of duty and self-sacrificing work I have already spoken. In this way were combined the benefits of Co-operation and individual enterprise, so rarely met with in collective concerns.

The members sent their silk to their branches, where it was packed and sent in bulk to the central establishment or federation. Here it was carefully examined and graded according to quality, and sent to silk-merchants in Yokohama under the trade-mark of the society. At the central establishment a record was kept of all silk received, its grade, and how disposed of; and in accordance with this account, monies were paid out to branch societies and members. Branches granted advances to their members in respect of silk delivered and not yet sold, which advances had to be below the prospective proceeds of sale. Members had to send the whole of their output to their branch society, and were not permitted to sell their product elsewhere. Further, they were restricted from establishing other societies or companies, or from becoming members of such bodies.

In short, these organizations in their early stages consisted of farmers who cultivated cocoons and themselves reeled the silk. These farmers formed a small society in their particular village, which in turn was affiliated to the central establishment, which collectively marketed all silk so produced, as shown in the following diagram :—

DIAGRAM ILLUSTRATING THE FIRST STAGE OF DEVELOPMENT OF THE MINAMISANSHA.



In this organization the silk production was carried on as a cottage industry, and the labour was supplied by the female members of the farmer's household. Consequently, the quality of silk varied greatly, and the need for Co-operation was most keenly felt. Mr. Hagiwara expressed himself to the same effect, stating :—

"Concerted effort is most necessary for the sale of hand-reeled silk. In the case of machine-reeled silk, the action of the machine, the skill of the working girls, the quality of the cocoons, and the effects of water are more or less uniform—therefore the quality of the silk produced will not vary a great deal. Accordingly the need for Co-operation is not so acute as in the case of hand-reeled silk."

The Development of the Minamisansha.

Since the establishment of these three Federations the increase has been enormous, alike in the number of branches, in membership and in the area over which these federations operate. The following table will convey some idea of their success before and after the coming into force of the Co-operative Law in 1900.

The Development of the Usuisha.*

Year.	No. of societies.	Output of silk.	Total of sales.
1878	1	238 *Kan.*†	Y10,944
1879	13	3,746 ,,	202,021
1882	14	5,549 ,,	310,362
1887	19	9,322 ,,	344,884
1892	33	15,786 ,,	702,953
1897	57	32,300 ,,	1,560,834
1902	111	50,120 ,,	2,909,957
1907	146	68,614 ,,	4,589,984
1912	173	72,844 ,,	3,986,108

The Development of the Kanrasha.‡

Year.	No. of societies.	Output of silk.	Total of sales.
1880	13	2,349 *Kan.*	Y110,517
1887	53	16,768 ,,	586,805
1892	58	17,541 ,,	820,360
1897	51	24,953 ,,	1,272,159
1902	88	43,271 ,,	2,523,683
1907	108	44,138 ,,	2,894,748
1912	137	54,726 ,,	?

* Quoted from *Usuisha Yōran* (outline of the Usuisha).
† 1 *Kan* = 8¼ lb.
‡ Quoted from *Kanrasha Jiseki Kogai* (the working result of the Kanrasha).

THE DEVELOPMENT OF THE SHIMONITASHA.*

Year.	No. of societies.	Output of silk.
1893	27	7,397 *Kan.*
1897	33	11,193 „
1902	41	17,728 „
1907	68	28,221 „
1912	71	22,113 „

The enormous development of these societies made it both difficult and unsafe for them to carry on business with no other legal protection than that provided by their own rules. Although the Co-operative Law came into force in 1900, no provision legalizing the status of federations was made, therefore they approached the Government and asked for an amendment of the Co-operative Law to include provisions applicable to their concerns. However, it was not until 1909 that their petition was granted and the status of federations was defined under the law. It must be noted that this addition to the Act was mainly due to the insistent efforts on the part of the Minamisansha. This revised law also defines clearly the relationship between the central establishment and the branches, and between the branches and the individual members. In 1916 the societies constituting the Usuisha, the Kanrasha and the Shimonitasha federations † numbered 175, 127 and 60 respectively. The silk produced by the first amounted to 85,928 *kan*, and the proceeds of sale to Y6,853,309. The silk produced

* Quoted from *Gummaken Seishi-Kōjō Ichiran* (Statistics of Silk Factories in Gumma Prefecture).
The figures for amount of sales are unfortunately not available.
† The areas covered by three Federations are as follows :—
The Usuisha Federation.
Gumma, Saitama, Ibaragi, Tochiki, Fukushima, Nagano, Chiba, Akita, Tottori, and Shizuoka Prefectures.
The Kanrasha Federation.
Gumma, Saitama, Chiba, Tochiki, Fukushima, Iwate, Nagano, Okayama, and Akita Prefectures.
The Shimonitasha Federation.
Gumma, Nagano, Niigata, and Iwate Prefectures.

by the second amounted to 59,569 *kan* and the proceeds of sale to Y4,648,685. The silk produced by the third amounted to 18,829 *kan*. The area covered by these societies comprised no fewer than thirteen prefectures. In the same year (1916) the constituent societies of these two federations (viz. the Usuisha and the Kanrasha), situated in Saitama Prefecture (the neighbouring Prefecture), broke away from these federations and formed an independent federation called the Saitamasha,* which had in 1921 sixty-three constituent societies, with aggregate sales of Y1,654,384.

As fully described in the following pages, from about 1914 the development of the two federations (the Usuisha and Kanrasha) has been mainly manifested in the change in the methods of production and management, rather than in the increase of federated societies. The number of societies has even shown a decrease in the last few years. In 1921, the last year for which figures are available (partly owing to the breaking away of some societies which joined the Saitamasha), the Usuisha and Kanrasha had only 129 and 103 constituent societies respectively. However, the total sales of silk by both Federations in 1921 were doubled, in each case, as compared with the figures of 1907.

To quote the words of Mr. Hagiwara, the causes for the rapid development of these Federations were briefly :—

1. The production of a large quantity of silk of uniform quality was made possible.

* The reasons for the establishment of the Saitamasha given by this new federation were briefly as follows: (1) The competition for new members between the Usuisha and Kanrasha has led to overlapping of societies in Saitama Prefecture, where there were in 1916 seventy-nine societies affiliated to one or the other of these federations. This naturally caused various abuses and evils. (2) These societies considered the method of silk production and marketing in the Usuisha and the Kanrasha to be out of date. The method of the former societies comprised the individual reeling of silk carried on under the organization of these federations. It was held that, in order to compete with capitalist companies, they should themselves undertake the reeling of silk, leaving to the members only the cultivation of cocoons. It may be mentioned that, as we shall presently see, these federations in Gumma were afterwards compelled to alter their *modus operandi* by force of circumstances and to adopt similar methods. These reasons appear to be quite sound. However, the author was informed by the Usuisha Federation that the real cause of separation was to be looked for in the local patriotism of the prefectural governor, who was the active spirit in the move for independence.

2. The risks arising from fluctuations in the price of silk were spread equally over all the members.

3. Members were enabled to borrow money at a lower rate of interest and to deposit money at a higher rate of interest than was current elsewhere in the locality.

4. With the increase of membership there was a proportionate decrease of overhead charges.

5. In order to secure the best quality of silk, and hence the highest profit, members produced only the highest grade of cocoons.

Possibly less potent were the following other reasons advanced by Mr. Hagiwara for the success of the movement: "To reel silk produced in your own fields means to carry on the production of silk in a cheerful atmosphere of home, making life happy; there is a world of difference between girls working at home and those working in factories. The Minamisansha Federations need no factory legislation or other instruments of social reform."

6. The financial strength of amalgamation enabled the Federations to do business on a scale impossible to any individual.

The Effect of Machinery on the Development of the Minamisansha. (The Second and Third Stages of Their Development.)

Hitherto these societies had marketed hand-reeled silk, this silk being produced entirely by their members, the cultivators of the cocoons reeling the silk-thread in their own households as one successive process. The function of the society, therefore, was only to examine the products, grade them according to quality, pack them, and undertake the marketing. Whereas cocoon culture continued to be eminently suited to domestic industry, the reeling of silk became more suited to the factory on account of the development of technical facilities. Although hand-reeled silk was once held to possess some unique virtues, which were particularly valuable in certain branches of silk manufacture, yet with the development of the technique of machine-reeling, it was found that machine-reeled silk could also be applied advantageously to uses which at one time had been monopolized by hand-reeled silk. Moreover, as an article of export, requiring as it does uniformity of quality, hand-reeled silk could not compete with machine-

reeled silk. As a matter of fact, the Federation's hand-reeled silk was superior in quality on account of the exceptional evenness and excellence of workmanship; yet, after a while, when the quality of machine-reeled silk had been improved, even the federation's product was greatly handicapped by its relatively high cost of production.*

It was in 1885 that the Usuisha Society actually began to produce machine-reeled silk. The number of factories rose to nineteen in 1890, with an aggregate of 1,000 basins. Owing to bad management, this number dwindled, but there was again an upward impulse, so that in 1911 we find the number risen to fifty-two factories, aggregating 3,000 basins. We find that in 1914 60 per cent. of the output of the federation was machine-reeled silk; and at the present time there

* The factory costs of silk-reeling are higher in the co-operative factory than in the capitalist one. On this point, the report of Nagano Prefectural Office is illuminating. In 1919, the costs of production in all the co-operative silk factories in the same prefecture, viz., the average figure for 100 *kin*, were estimated at Y510·47, while the costs of all silk factories taken together were Y442·25.

Further, it will be of interest to compare the efficiency of co-operative and capitalist silk factories in 1918, as given in the following extract from *Gummaken Seishikōjō-Ichiran* (Statistics of Silk Factories in Gumma Prefecture), issued in 1919 by the Gumma Prefectural Office.

Remarks.	Capitalist Factories.	Usuisha.	Kanrasha.	Shimo-nitasha.	Kōsuisha.
No. of factories . . .	57	144	60	35	13
No. of basins . . .	8,514	10,288	4,610	1,954	2,803
No. of re-reeling machines	4,298	5,803	3,085	1,158	1,580
	koku				
Cocoon consumed . .	152,685	65,373	36,888	15,932	66,266
	han				
Silk produced . . .	150,790	63,823	36,002	15,660	65,431
No. of working days .	279	161	163	163	309
	momme				
Average output per basin	19,709	6,329	7,975	8,290	23,343
	fun				
Average output per basin per day	706	393	489	507	755

Koku = 39·7 gals. or 4·96 bush.
1 *han* = 1,000 momme = 8¼ lbs.
1 *momme* = 10 fun = 2·11 drams or 2·41 dwts.

The fact that the Kōsuisha Society, which belongs to the Yotasha type, as described on pp. 225–6, shows the highest efficiency is easily understood when one remembers that, although co-operative in name, this society really partakes of the nature of a cartel, the members of which are large silk producers.

is hardly any hand-reeled silk being sold by the federation, except for the home market. Formerly, the entire activity of the societies belonging to the Federation was confined to the re-reeling of silk, whereas now practically every society has its own power-machine factory for actual silk-reeling, and in consequence the silk manufacture is no longer carried on in the members' households, but has become a factory process.

The problem that faced the Federation, in view of this change of process, was how best to keep alive the true spirit of Co-operation. This was done in the following manner. Societies build and equip the factories, but instead of running these factories in the ordinary commercial way the members are permitted to machine-reel their own cocoons on payment of a fee to the society. Thus we get the machinery society* (under the Co-operative Law), without departing from the co-operative principle. It will now be clear why we get diversity of forms within the federation. On the one hand there remain some societies for producing and marketing hand-reeled silk; and on the other hand, we get the more modern method of machine production under the organization of the machinery society. Outwardly, we may find in the latter form the appearance of ordinary factory management; but in reality these factories are only another form of domestic workshop. That is to say, the women and children of the members' households reel their own silk in the factories erected with their own money. A fee, ranging between 8 *sen* and 20 *sen* per day per basin, is charged for such use. It may happen, however, that some members of the society have an insufficient number (sometimes none at all) of women and children in their households, or they may have so great a production of cocoons that the labour supplied by their own households is insufficient to reel all of it; and therefore they hire labour from outside which they send into the factory to work for them. Working under the organization of a machinery society is manifestly more economical and

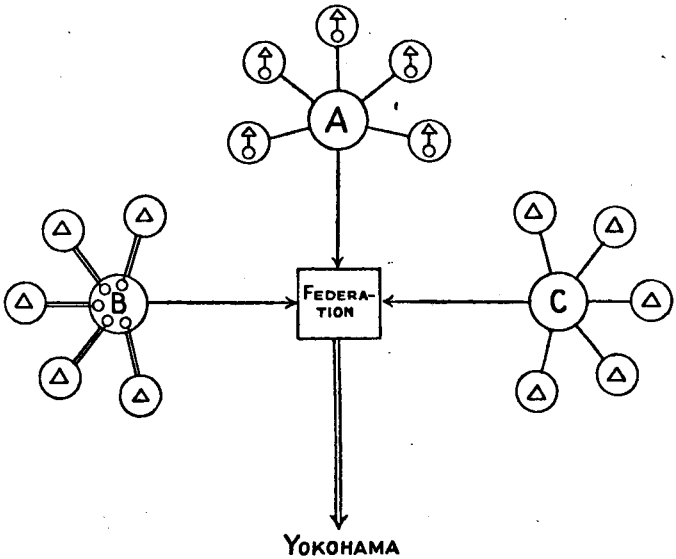
* For legal definition and scope of activities of Riyō-Kumiai (machinery societies), *see* Chapter on Machinery Societies.

productive than the old method of hand-reeling at home; but this new system is not economical in the exploitation of fixed capital, on account of the members working only when, and as long as, they desire, there being in consequence often a number of basins standing idle. Further, there is the difficult task of maintaining discipline in a factory run on these lines.

The necessity for reforming this condition brought about the third system, now working side by side with the two already enumerated. The society itself hires workers who reel the silk from the cocoons brought in by members. This form of society comes also under the category of the machinery society. A charge is made by the society for reeling silk from members' cocoons. At this stage, then, the members have become merely cultivators of cocoons, and have nothing to do with the process of reeling. In this type of society we naturally get the highest productivity; for there is no longer any waste of working time, and no standing idle of basins. The work goes on uninterruptedly so long as there is material (viz. cocoons) to work upon. With the improvement of cocoon cultivation, and the consequent higher productivity, the time of members is fully occupied; and therefore they have none left to devote to the reeling of silk. From this point of view, also, the third method of reeling, i.e. the society itself carrying on the reeling of silk in its own factory, justifies itself; and there is a decided tendency for this form to predominate in the federations. The diagram on p. 212 will clearly show the present form of organization and its mixed character.

Now, let us compare Types B and C from the standpoint of labour. In the factory of Type B the material manufactured is the property of the members themselves, who do not work for a wage, but only in order to manufacture their own product. In the factory of Type C the working girls are purely and simply wage-earners, and many of them are drawn from neighbouring prefectures to supplement the factory labour requirements. However, in some factories in Gumma Prefecture one part of a factory is used by the members themselves as a machinery society;

while another part of the same factory is run by the society itself. I may add here that this mixed factory brings about an anomalous state of affairs: the members who reel their own silk are very proud, and are conscious of their own independence as manufacturers; and, of course, they are not amenable to the Factory Law. The admirers and



A represents the marketing society for hand-reeled silk, produced individually at members' homes. (Cf. diagram on p. 204.)
B represents the machinery society in which the members themselves reel silk from their own cocoons.
C represents the society itself machine-reeling silk from its members' cocoons.

adherents of domestic industry do not like to see the springing up in their midst of a new class of female wage-earners.

It is, however, in order to keep abreast of capitalist competition that these factories have to be utilized to their fullest extent, and to this end the employment of paid labour, as a supplement of that of the members working on their own cocoons, is a necessity. Although many of these paid workers may be children who are relatives and dependents of the members themselves, their position as wage-earners in no way differs from that of factory labourers

in factories run on purely capitalist lines. It is interesting to note that Mr. Hagiwara, in his latter years, had to confess that the domestic industry of hand-reeling silk was a relic of old times; and he even encouraged the establishment of power-machine factories.

The followers of Mr. Hagiwara are not content with running factories under separate machinery societies for the common use of members, but are striving towards establishing standardized factories under centralized management. When the author visited the central office of the federation he was given to understand that the federation contemplated running their factories according to Type II. That is to say, that cocoon culture on the one hand, and silk-reeling on the other, would become two entirely separate processes. Members would confine their entire energies to the cultivation of cocoons, whilst the factories of each society would be entirely devoted to silk-reeling. Further, the federation is endeavouring to standardize both cocoons and mulberry trees, thus seeking simultaneously to standardize the raw material and the finished product. How vital standardization is becoming in each process of silk production, may be judged from the fact, that, in the factory of the oldest and most important company of silk manufacturers, Hara & Co., situated in the vicinity of the federation (i.e. in Tomioka), it has been made a condition with their purveyors of cocoons that they must use only a certain breed of silkworm supplied by the company itself, with the object of attaining the highest financial results both for themselves and for the cultivators of cocoons.

If this contemplated scheme of centralized management of factories is carried through, the result may be equally successful as in the case of the company above mentioned; however, the character of the Minamisansha federations will change from their original nature of marketing societies, pure and simple, to that of co-operative manufacturing societies. The only point of difference between such co-operative factories and ordinary capitalist factories will be that the former will be owned by the suppliers of the raw material themselves. Therefore, so long as these co-operative

factories draw raw material solely from their own members they will, in fact, remain co-operative in spirit and in function. But, if through any circumstances, raw material has to be purchased from other sources, the finished article then being sold for profit, the factory could no longer claim to be co-operative in any sense, but would be a profit-making concern.* The Co-operative Law, as well as the rules of co-operative societies, very definitely prohibit such procedure. Nevertheless, it is necessary to exploit to the full the fixed capital, and it may happen that the raw material furnished by the members themselves will prove inadequate to employ the factories sufficiently. The necessity may then arise of supplementing the raw material from outside sources, and this eventuality would change the whole nature of the society. In such circumstances a contravention of the Co-operative Law would be unavoidable, and the society would have to become a joint-stock company. How to retain their character as co-operative societies and yet successfully compete with capitalist silk manufacturers is the serious problem that faces the Federation.

The Financial Organization of the Minamisansha.

These Federations have been, from the very outset, carried on in the true spirit of Co-operation, and even their exact compliance with the Co-operative Law, which came into operation later, made no great difference in their constitution. As the branch societies in earlier stages were originally independent financially of the central establishment, these branches had, in order to conform with the law, only to change into co-operative credit, marketing, and/or machinery societies, with limited liability. As has been shown in the preceding pages, there were three types of membership, A, B and C, and only the A type contributed to the funds of the federation. In this reconstituted form, each society, as an entity, became a shareholder in the federation, so that the A type member was no longer

* As a matter of fact we find that the president of the Usuisha expressed his greatest regret that with utter disregard of time-honoured traditions and of the co-operative spirit, members evade this duty of delivery, being tempted by cocoon-dealers who offer higher prices. (*Usuishahō*, No. 50, p. 1.)

required directly to contribute to the Federation, but to the constituent society to which he belonged. The member of type C was originally required only to offer silk to the society, but under the new law he was also required to have a share interest in his society. Type B remained much as before. Dividends due to the members were used towards the completion of payment of the members' shares. Therefore, the former three categories of membership disappeared, and all became alike. These members, with equal rights and duties, constituted the co-operative society, and the societies in their turn constituted the Federation. Such is the present organization of the Minamisansha. At present the nominal amount of one share of each member is Y10, and that of one share of each society in the federation Y300. On these shares, both of individual members and of societies, a fixed dividend of 6 per cent. is paid annually.

Members are required to sell through the society all the silk that they produce. The procedure is that each society sends the products of its members to the Federation. The federation markets these, and allocates to each society whatever may be due to it (viz. the gross proceeds minus the miscellaneous expenses of sale); the society in turn pays out this money to the individual members. The administration expenses incurred by the societies are met out of the commission charged on the gross proceeds of sale. The net profit of the society is distributed, not in proportion to the share capital, but according to the amount of produce delivered. The fixed dividend of 6 per cent. is due only on the actual amount paid up on the shares held by members, and not on the total amount subscribed. These methods were adopted by the societies from the very outset, before reorganization under the Co-operative Law.

When the society undertakes only marketing, its principal source of revenue is the commission charged on sales, while the principal items of expenditure are the remuneration of officials, the salaries of clerks and miscellaneous disbursements. Therefore, after deducting a certain amount for the reserve fund as prescribed by the law, and 6 per cent.

for dividend on share capital, the rest is allocated to a special reserve fund; but this amount can, of course, never become considerable. Naturally, when the society, in addition to marketing, undertakes also the business of granting loans to members (viz. the business of a credit society), either with the share capital or with the deposits of members, or with money borrowed from outside, its sources of revenue may be increased considerably. Such is the present financial condition of the Federation. Further, in cases where the marketing societies also start machinery societies, providing reeling-machines for the common use of members, or reel silk themselves, they derive income either from fees for use of machinery or charges made for reeling the silk from the cocoons of members. Against this, however, must be set the maintenance charges of the machinery and motive power, and miscellaneous expenses; and where factories are run by the societies themselves there must be added the wages for labour.

We find, therefore, that the wider the scope of the activity of the society the greater, on the one hand, its expenditure, and, on the other hand, its revenue; and, as a rule, also its profits, so that after we set aside payments into the reserve fund, and dividends on shares, the sum to be allocated to the special reserve fund will be proportionately greater. And how to dispose of this special reserve fund is an important problem of finance. To what purposes is this special reserve fund actually applied? According to the report for 1918* of the Usuisha Feder-

* According to the statistics for 1921, issued by the Co-operative Union, the state of the Minamishansha (viz. Usuisha, Kanrasha and Shimonitasha) was as follows:—

Remarks.	Usuisha.	Kanrasha.	Shimonitasha.
No. of constituent societies	129	103	50
Subscribed capital	Y87,600	Y81,626	Y44,600
Paid-up capital	84,748	64,503	31,707
Reserve fund	48,051	56,136	20,506
Special reserve fund	43,619	57,613	28,360
Deposits	112,807	430,836	18,767
Money borrowed from outside.	444,686	22,455	—
Loans outstanding	—	15,031	5,927
Total of sales	9,161,413	5,436,071	1,944,956
Net profits	36,181	18,946	13,200

ation the capital was about Y100,000, the reserve fund Y25,000, and the special reserve fund Y37,000. It is most probable that these reserve funds are deposited with commercial banks. But these sums appear to be disproportionately small to the amount of marketing and credit business done by the Federation. When the new plan under contemplation is adopted, the capital of the constituent societies may be increased rather than that of the Federation; and consequently revenue derived from charges made for the reeling of silk in the society's factories. It seems only reasonable that money thus earned by societies should be devoted by them to improvements and extensions of factories. But to whom should such new equipment and improvement belong?

A light may be thrown on this question by the present rules of the constituent societies of the Federation, according to which each member's holding in the society's property is computed as follows:—

1. Each member's holding in the society's capital is computed in proportion to his subscribed shares.

2. Each member's holding in the reserve fund is computed cumulatively every year, in proportion to his paid-up shares.

3. Each member's holding in the special reserve fund is computed cumulatively every year in proportion to the total sum paid for the goods that such member has bought from the society, the fees paid for use of machinery, or charges of the society for the reeling of silk, and the total sum realized on silk sold through the society.

4. Each member's holding in other property of the society is computed in proportion to his paid-up shares.

Therefore, it will be seen from the foregoing that:—

(1) Each member is entitled *as an investor* to a dividend of 6 per cent. and also to a proportionate share in the reserve fund. It must be remembered that this reserve fund is increased until it reaches the same amount as the total amount of subscribed capital of the society.

(2) Each member is entitled *as a member* to claim proportionately to the special reserve fund, which fund is formed from the profit of the society minus the amount set aside for the reserve fund, and the 6 per cent. dividend on shares.

It must be borne in mind that the higher the amount to be allocated under the heading (1) above, the closer in nature this society will become to a joint-stock company and the greater the amount to be allocated under heading (2), the more effectually the society will retain its co-operative nature.

As has been pointed out, the principal sources of income of the society are commission on sales, fees for use of machinery and fees charged for reeling silk. The vital question thus arises: Should the society endeavour simply to increase its sources of revenue (i.e. fees for use of machinery, charges for reeling of silk, interest on loans, commission for marketing, etc.), or should the society, by lowering its charges, fees and commission, etc., endeavour directly to benefit members, thus adhering faithfully to its primary co-operative objects. In short, I must emphasize once again that if the society adopts such a policy as to allocate the profits chiefly towards increasing the reserv fund, the nature of the society will more closely resemble an ordinary profit-making joint-stock company. On the other hand, if the society strives to increase the profits, but allocates the greater portion of same to the special reserve fund, then the co-operative nature of the society will be effectively retained.

The other danger which may arise from an insufficient supply of cocoons as a consequence of the improvement and extension of the society's factories, has already been explained. Thus, the more the supply of cocoons is drawn from outside sources, the more may the features of a joint-stock company make inroads on the character of the society, and the membership will more and more partake of the nature of that of shareholders in a joint-stock company. Of course, the author does not at this moment prophesy or pretend to forecast a change in the nature of

the societies in question; particularly, when it is remembered that of late the societies have actively interested themselves in cocoon culture in order to improve the quality of the raw material, and thus to use only the finest cocoons, so that it would be manifestly unprofitable to purchase cocoons from outside sources. Therefore, to attain the best results the societies should endeavour, by increasing their membership, to obtain supplies of cocoons of the right quality and sufficient quantity for their more efficiently equipped factories.

When making a second personal investigation in 1921 of the silk marketing societies both in Gumma and Nagano Prefectures, I was struck by the fact that, as we shall presently see, there are several societies which seem to represent various transitional stages from Co-operation to joint-stock enterprise. Some co-operative enthusiasts may regret the fact that societies of such a tradition should gravitate towards purely capitalist enterprise. No one, however, can resist such a general economic trend. While neither defending nor condemning such transformation, the author feels that the facts must be faced, and, for an organization that has outlived its usefulness as a co-operative society (of producers) to continue as such merely to evade taxation, is neither advantageous to the Co-operative Movement itself, nor even moral. Therefore, when the capital of a society has been increased and consolidated and the management, of necessity, has become capitalistic, the only course open to such society is to change its form into that of a joint-stock company.

(*b*) Type II. or the Ryūsuisha Type Societies.

On account of their interest historically, and their important position in the silk industry, the organization of the Minamisansha has been given in detail. Now I must turn to the second type of silk marketing societies for the cultivators of cocoons, which for the sake of convenience I termed the Ryūsuisha type. The societies which belong to this category are the Ryūsuisha, the Ryūjōsha, the Inasha and the Fukyūsha (in Nagano Prefecture), and the Saitamasha, etc.

I will take the Ryūsuisha as a model of this type of society and outline briefly its organization and its probable future. The organization of these societies conforms to that of the Minamisansha in their latest form, which I have termed the third stage of development. These societies of the II. type were started from the very outset as marketing societies for machine-reeled silk.

In June, 1905, a silk marketing society was formed in Kamiina county (*gun*) under the name of the Kamiina Silk Marketing Society, with an initial membership of 143, all of whom were cultivators of cocoons. The motive for the establishment of this society was to free members from the evils of the manipulations of silk brokers, whose abuses were as rampant here as in Gumma Prefecture.

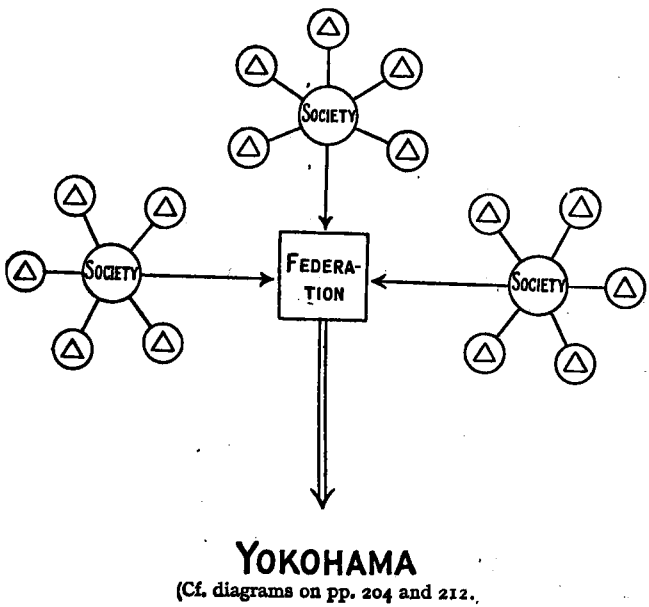
In 1912 the society, on adding a credit department, became the Kamiina Credit and Marketing Society (the membership had risen at this time to 224). One of the distinguishing features in the development of this society is that, instead of passing through the transitional stages, as was the case with the Minamisansha, the society has retained the same system of management from its inception to the present day. That is to say, the society undertakes the reeling of silk on behalf of the members (cultivators of cocoons). In 1912 eight similar societies made their appearance, and as in 1914 these societies increased to such a great number, a federation was formed by these societies under the provision of the Co-operative Law, under the style of the Ryūsuisha. When this Federation was established the representatives of all the constituent societies met and agreed upon the following as to the organization of unit societies:—

1. Each society to be limited in liability.
2. The area to extend to Kami-and Shimo-Ina counties.
3. The value of one share to be Y50, and each society to contribute to the federation at a ratio of one share per ten basins.
4. The term of existence of each society to be twenty years.
5. The number of directors to be five and that of auditors two.

In 1920 the constituent societies of this Federation numbered twenty-one, and the total membership 76,120. The business of these societies is carried on briefly as follows :—

Each society, in its own factory, undertakes the reeling of cocoons supplied by the members, and each member can obtain an advance for his cocoons according to the quality and quantity supplied (generally 80 per cent. of the current price of silk) ; and the silk thus reeled is sold through the Federation, generally to the silk merchants in Yokohama, who in turn export to silk merchants abroad. After the goods have been marketed, each society and each individual member receives whatever may still be due to it or to him. (The principal deductions from the gross proceeds of sale are : commission on sales and the charges for reeling of silk.)

The following diagram will elucidate the organization of this Federation :—



(Cf. diagrams on pp. 204 and 212.)

One of the most important duties of a member is to supply the society with at least 20 *kan** of cocoons for each share held by him. Evasion of this duty is punishable by a fine computed at 60 sen per kan of non-delivered cocoons. I could go into further details as to the organization of this federation, but the greater part of the explanation regarding the Minamisansha in their latest form may be applied to this Federation.†

For this reason I shall hasten on to the survey of the probable development of the Ryūsuisha Federation in the future. As has been pointed out, one of the characteristics of the co-operative silk industry is that silk is produced from the cocoons of members only. But in order to succeed as a silk manufacturing industry the societies' factories must be highly efficient. A small factory in each village is, of course, not able to compete with capitalist enterprise. The author was assured by one of the officials of this Federation that recently a scheme for closing all the factories in villages and erecting one big factory in each county (or *gun*) was under consideration. If this new plan is adopted in the near future it is quite evident that even though each member offers all his output of cocoons to the factory a shortage of cocoons may occur, and consequently it would become necessary to draw material from outside sources. As a matter of fact, we hear complaints frequently from the society that some of the members are tempted, when the price of cocoons rises to an abnormal level, to sell their cocoons to outside merchants, instead of fulfilling their duty of delivering their whole output; and, on the other hand, when the price of cocoons falls, members deliver (in addition to their own cocoons) those produced by non-members. Similar evasion of members' duties is noticeable in the co-operative grain-elevators in the United States ‡ and in corn-selling societies in Germany § and elsewhere.

* 1 *kan* = 8¼ lbs.

† Further detailed description may be obtained from a pamphlet entitled *Ryūsuisha no Kenkyū* (Studies of the Ryūsuisha), by U. Yamasaki.

‡ See *Marketing of Farm Products*, by Weld, 1916.

§ Cahill mentions the difficulty of enforcing this duty in his report on German Co-operation. "In the model society all members should

This is the most difficult obstacle in the management of co-operative marketing societies. We cannot expect to eliminate such evasion of the members' duty by merely levying fines. The only effective cure for this evil is the cultivation of the co-operative spirit.

We must consider it also from the standpoint of finance, as in the Usuisha a member receives, as an investor, 6 per cent. dividend on shares; and also, as a member, he receives a certain percentage of dividend in proportion to the quality and quantity of cocoons delivered by him. But with every augmentation of the working capital, such members as participate in the business of the society as investors only, not as cocoon producers, who are thus under no obligation to supply produce to the society or who intentionally do not fulfil their duties of delivery, would be likely to make their appearance.

When the number of such offending members is small, they can easily be expelled from the society, thus maintaining co-operative discipline, but once these members become preponderating, there is no way of stopping this un-co-operative trend and the society must gravitate towards capitalism.

As will be seen from the foregoing remarks, the author holds rather a pessimistic opinion as to the future of silk-marketing societies. His views are borne out by the facts themselves.

deliver all their corn, but in practice it is extremely difficult to enforce the principle or to exact the penalties for its violation. Members do not readily renounce their right to dispose of their production as they think fit, and this is especially true in the case of large farmers, who, by reason of their larger sales and the relatively small cost of time or expense in marketing, are in a better position to make terms with dealers than small farmers. The examples of Würtemberg and Baden show that the observance of compulsory delivery of all corn in societies composed of small and medium farmers is comparatively rigid, as owing to the small quantity produced by individuals they are not worth marketing singly; but as already noticed the Bavarian societies complain of the want of 'co-operative loyalty.' No society can, however, conduct a profitable business unless it is assured of a certain proportion at least of production of its members; and the danger arises that if only a certain proportion is stipulated, the inferior corn will fall to the society, the better corn being sold to dealers at good prices. Members then become dissatisfied with their societies when they do not obtain similar prices for the inferior qualities." (Cahill, *op. cit.*, p. 203.)

(c) Type III. or the Ryūmeisha Type Societies.

A case in point is the following :—

In Inamachi (a small town) a new federation of silk marketing societies was organized by societies which had at one time belonged to the Ryūsuisha. This newly-started Federation, which is named the Ryūmeisha, may be said to represent a fourth stage of development in the co-operative marketing societies of cocoon cultivators. The constituent societies of this Federation, which are at present three in number, are joint-stock companies formed by small cultivators of cocoons. The independence of this Federation was brought about so recently that its rules were only in the process of being drawn up, when the author visited its headquarters. When asked by the author as to the reason for this secession from the Ryūsuisha, an official replied that the new Federation deemed it wiser, and more advantageous to the ultimate benefits of members, to throw off the hampering restrictions imposed by the Co-operative Law, and thus be able to act freely on strict business lines.

Here I must add that, although these three constituent companies of the Federation are legally joint-stock companies, from the economic standpoint they are still co-operative societies. For it is the duty of every shareholder to supply the company with the whole of his output of cocoons.* Thus, as already explained regarding other societies, these companies carry on the manufacture of silk from cocoons exclusively produced by their shareholders, and market the finished product. However, the author believes that, sooner or later, the function of supplying raw material and that of supplying capital will no longer be united, so that a shareholder will have no duty of compulsory delivery of cocoons, and raw material will be purchased from outside sources, and these societies will

* An analogy may be found in Germany, where one finds, beside one or two registered co-operative sugar-beet factories, a number of joint-stock sugar-beet factories. They are, however, practically co-operative undertakings, as they require of shareholders to deliver their beet crops, and profits and losses are divided in proportion to these supplies.

drift into capitalism, pure and simple, and the last vestige of co-operation will disappear.

As a matter of fact the Gunzè Silk Manufacturing Company in Kyōto Prefecture has long since reached this stage (i.e. the membership consists of those who are investors only, but nevertheless about 80 per cent. of such investing members are said actually to supply the company with cocoons). Again, the "mutual" joint-stock company in Annaka in Gumma Prefecture, strange as the title sounds, is a joint-stock company, pure and simple, organized by cultivators of cocoons.

So far, I have been describing the co-operative silk marketing societies of hand-reeled silk producers or cultivators of cocoons. I must now turn to the other type of marketing societies, that is, the

(ii.) MARKETING SOCIETIES FOR THE OWNERS OF FACTORIES OF MACHINE-REELED SILK (OR THE YOTASHA TYPE SOCIETIES).

Several societies of this type may be found in both Nagano and Gumma Prefectures, viz. the Kōsuisha in Gumma Prefecture, and the Yotasha and Junsuikan in Nagano Prefecture. As the organization of these three societies is more or less alike, I shall describe the Yotasha as representative of this type.

This Yotasha Society was started from the very outset as a marketing society for manufacturers of machine-reeled silk. In 1889 a society was established under the leadership of the late Mr. K. Shimomura, who advocated the necessity and proclaimed the advantages of reeling silk by machinery. At the beginning the society had a small membership. In 1914, when Mr. Z. Kudō took over the chairmanship in succession to Mr. Shimomura, the society was reconstituted and became a co-operative credit, marketing and purchasing society, (limited in liability), in conformity with the Co-operative Law. In 1921 the society's factories numbered twenty-seven, their basins totalled 3,664 and their re-reeling machines 1,980; and the output from these factories

amounted to 509,182 *kin*.* The number of paid employees totalled more than 5,000, and all the factories were organized on a commercial company basis. The reader will see for himself that it is an open question whether such a marketing society, from the economic standpoint, really belongs to the co-operative category.

Moreover, I ascertained that this society was not being carried on in a co-operative spirit, or on the co-operative principle. For example, the dividend on shares was usually as much as 10 per cent. (that is, the maximum dividend allowed by the law only in exceptional circumstances); and the society does not act in accordance with the principle of "one man, one vote," but it has been tacitly agreed among members that each member should have one vote per sixty basins, so that the greater the number of basins the greater the number of his votes.

It is clear that this society partakes of the nature of a cartel, i.e. a central marketing organization for large capitalists.† I do not think that I go too far in my criticism when I say that this society was organized for the sole purpose of obtaining the privileges granted by the Co-operative Law, such as exemption from income and business taxes, etc.

Apart from this criticism, let us consider the future of such a society. I believe that when each member, who is already a large manufacturer, finds himself able to produce a quantity of silk large enough for export by himself, without the assistance of the society,‡ the latter will be dissolved, as was the case with the Kaimeisha, of which I spoke in the preceding pages. When I raised this question at the time the officials of the Yotasha and Kōsuisha agreed with me that such would be the case.

I must here point out that in the neighbourhood of

* *Kin* = 1⅓ lb.

† See footnote on p. 209.

‡ I was assured by an expert in the silk industry that, in order to be able to market silk independently of any organization, a factory must have 300–600 basins. I may add that a factory of 300 basins is believed an ideal size, i.e. the *typical magnitude* of a silk factory, as defined by economists.

Suwa Lake (the centre of the silk industry in Nagano Prefecture) I found a number of voluntary associations of small factory owners, organized for the purpose of co-operative marketing. These are not registered under the Co-operative Law, but are actually more co-operative in spirit than the Yotasha and others! There are two reasons why these societies are not registered as co-operative societies, viz.:—(1) the promoter cannot, or finds it unnecessary to, enrol the legal minimum membership of seven; (2) the society finds it better to undertake business unfettered by the restrictions imposed by the Co-operative Law.

My investigation of the silk marketing societies in these prefectures thus led me to the conclusion that, when the co-operative principle is applied to the silk industry, which (industry) requires a huge outlay of fixed capital in the form of factories and the highest grade of commercial skill in the purchasing of raw material and in the selling of the finished product, there seems to be a certain limit within which societies can succeed both *financially* and *co-operatively*. Once the Minamisansha had changed from the stage of marketing societies of hand-reeled silk into marketing societies of machine-reeled silk they were soon confronted with the serious problem of how to move with the times and yet retain the co-operative principle. The stronger and more efficient co-operative societies become, and the more the capital of societies is increased, the keener will become the conflict between strictly commercial principle and the pure principle of Co-operation, until the latter threatens to be entirely ousted by the former. It appears to me that all the silk marketing societies in Japan are faced with the same problem. How to deal with this dilemma is the formidable task of Co-operators in the future.

This probable transformation of the nature of co-operative societies is not confined to the silk marketing societies of Japan. The same tendency may be observed in societies of a similar nature the world over. For example, Dr. W. Wygodzinski describes the existence of the same tendency

in the credit societies and other societies in Germany.* As the result of my investigation I have also ascertained

* The following quotation from Dr. W. Wygodzinski's book, *Das Genossenschaftswesen in Deutschland* (pp. 276–278), will be of great interest as dealing with this point. The passage, translated, runs: ". . . But the individualistic side which does not regard the society so much as it does the member becomes ever stronger. This tendency was consciously utilized by Schulze-Delitzsch to strengthen the society itself; his dividend-policy manifestly aimed at a speedy paying up of shares, in order to contribute towards strengthening the means for carrying on the society's business—not the society's own capital in the narrowest sense—of course, in urban credit societies the strengthening of reserve fund is urged also, but from purely business considerations. Moreover, the development of at least a number of the larger urban credit societies in a capitalistic sense cannot be denied. It must be noted that it is by no means only in such larger societies that these features appear; for example, I know of a credit society in a small mountain town, the shares of which are actually being bought and sold. This development, which is, of course, absolutely contrary to the co-operative spirit, presupposes the actual closing of the society; the *beati possidentes* simply do not admit new members. We have already learned an analogous phenomenon in the artisans' productive societies; we know that Oppenheimer has formulated a law of transformation, according to which, especially in flourishing societies, a tendency obtains that the societies cease to operate as such and change into purely business enterprises, carried on by the former members. The same tendency, in the case of credit societies, finds expression in the transformation into joint-stock companies, and where possible, in the linking up with a large bank, as a branch of same, in which the modern movement of bank concentration acts as a contributory agent.

"Of course, the General Union opposes the transformation of credit societies into joint-stock companies; the General Co-operative Congress at Westerland expressly stated its regret at the tendency in question in the resolution passed. This condemnation in principle, of course, does not prevent it. It would be quite interesting to ascertain how many of our banks, especially smaller banks, have had their origin in societies; for this phenomenon has also appeared in the past. Of thirty-two joint-stock banks existing in the Kingdom of Saxony in 1892 only six were newly established, while all the others had developed from loan societies. In the years 1889 to 1905 161 societies were transformed into joint-stock companies, while in 1905 the General Union counted only 966 credit societies.

"This transformation, however, is not always to be ascribed to the self-interest of the members at that time. It may also inversely be due to the fact that the membership had grown too large to retain an intimate relationship with the society. When the primary character of co-operation has disappeared, a number of advantages speak for joint-stock companies; above all, simplified management and the stability of its own capital. But even then it is the disappearance of conditions favourable to Co-operation, which leads, as a matter of course, to the dissolution of the Co-operative form. The maintenance of Co-operation in agricultural societies is guaranteed less by the foundation fund, which, anyway, is only known in the Raiffeisen societies proper, than by its smallness, which serves as a preventive against the transformation into any other form of enterprise. With the growth of these societies, sooner or later, the conflict between individualism and collectivism will simultaneously appear. . . ."

See also footnote on p. 162.

that in the case of the silk marketing societies of factory owners there is a tendency, after a certain point is reached in the development, of members desiring to dissolve the society, in order to market silk independently, instead of enlarging the society's business and thus gradually developing into a cartel of large capitalists. It is worthy of note, that while in Germany, as a part of the actual movement indicates, or as an economist, such as Dr. Liefmann* predicts, marketing and purchasing societies tend to develop along the lines of the cartel with a monopolistic object, as a counter-weapon against the cartels of large-scale producers, in Japan, even in the silk marketing societies, which are highly efficiently organized, there seems to be no tendency of this description; still less so in other marketing societies, which are far behind these in development. The fusion of all the purchasing societies under contemplation seems to point in this direction, yet how it actually will work is a great question.

As has been pointed out, silk marketing societies are not confined to these two prefectures, Nagano and Gumma, but are found in many parts of Japan where cocoon culture is carried on. Recent statistics,† issued by the Co-operative Union, regarding marketing societies, give the number of silk marketing societies in various prefectures as follows:—

Gumma	158	Shimane	2
Nagano	64	Ibaragi	1
Saitama	37	Yamanashi	2
Kanagawa	25	Toyama	2
Gifu	9	Mie	1
Chiba	2	Aichi	4
Tokio	7	Oita	2
Kōchi	1	Niigata	3
Kyōto	2	Fukushima	7
Okayama	2	Kumamoto	4
Iwate	7		
Yamagata	1	Total	343

This table,† as the title infers, is intended as an exhaustive survey, yet there is reason to believe that the total of 343

* *Die Unternehmungsformen*, by R. Liefmann, 1921, pp. 181–188.

† *Zenkoku Hambai-Kumiai Ichiran* (The Exhaustive Survey of all Marketing Societies in Japan), 1922.

is an under-estimation. As to the organization and methods of management of all these societies, there is no necessity to explain same, for a great number of these are actually affiliated to the Minamisansha or come under one of the categories of which I have given details (the Ryūsuisha type being predominant). It must be remembered that silk is also marketed by societies other than those exclusively handling this commodity.

(iii.) Other Marketing Societies in the Silk Industry.

Besides these silk marketing societies there are hundreds of cocoon marketing societies (or cocoon culture societies) in various parts of Japan. The object of these societies is: firstly, to undertake the marketing of cocoons in the original state, i.e. without reeling, that have been produced by the members; and, secondly, for the purpose of marketing, to co-operate in improving the quality of cocoons by various methods, e.g. the standardizing of silkworm eggs, of mulberry trees, and the employment of experts, etc. The total number of such cocoon marketing societies is very difficult to gauge; for in some cases these societies are organized in accordance with the Co-operative Law, while in other cases they come under the ordinary law. The Co-operative Union estimates the number of cocoon marketing societies, registered under the Co-operative Law, at 189 (in thirty-six prefectures). The co-operative principle is also applied to the marketing of silk fabrics. Such societies are most developed in Fukui Prefecture, where in 1920 there was one federation with twelve constituent societies, and apart from this, seventeen independent societies. The sales of these societies added together, aggregated for the same year about Y33,000,000. Besides in Fukui Prefecture such marketing societies (including marketing societies for cotton fabrics) are to be found in various parts of the country, totalling in 1920 forty-two. It is unnecessary to go into details. The principle is the same as in the case of silk marketing societies, except that the commodity marketed is silk fabrics instead of silk thread, and, natur-

ally, that the members are mostly factory owners instead of cultivators of cocoons.

§ 3. The Rice Marketing Societies and the Co-operative Agricultural Warehousing Societies.

Another important article marketed through the channel of co-operative societies is rice. At the end of 1920 there were over 680 societies engaged in the marketing of rice, either exclusively or together with other kindred produce. This article (rice) is also sold by agricultural warehousing societies, which numbered in June, 1922, 1,082. Thus, the number of societies which market rice far exceeds that of silk marketing societies. However, it is not necessary to go into details regarding the ordinary rice marketing societies, their organization and activities being much the same as other marketing societies. What needs special elucidation here is the Co-operative Agricultural Warehousing Society, especially by reason of its ancient origin and rapid growth into its present day importance.

(i.) The Origin of the Co-operative Rice-granaries.

The origin of the modern rice-granary movement—it would perhaps be more accurate to say the agricultural warehousing movement*—can be traced back several centuries, and thus is very much older than the Hōtokusha.

In the days of feudalism, under the rule of the House of Tokugawa, many governmental rice-granaries were established in each clan for the storing of the rice delivered by farmers as tribute or taxes to their clan-chief, who issued a kind of receipt or certificate representing the rice stored in these granaries. These certificates were used for paying what would now be understood as salaries or wages to retainers and followers of the clan, who could always collect from granaries whatever quantity of rice they required

* An agricultural warehouse must be clearly distinguished from a warehouse for agricultural products, because the former means a warehouse for agricultural products organized by, and, in the first place, in the interest of, farmers; while the latter may be organized by various kinds of organizations or individuals, not necessarily established in the interest of farmers.

against these rice certificates, thus greatly simplifying the handling of goods. After paying such wages to retainers, the remainder of the certificates were sold to rice-merchants in the locality. The modern rice-granary is said to have originated in the old system of these governmental rice-granaries.

It is also a noteworthy fact that rice exchanges had sprung up in places where there was abundance of rice left in the clan-chief's granaries after payment of retainers. At the time of the Restoration payment in kind was abolished, and naturally these clan-granaries fell into disuse and were transferred to the hands of the companies (or individuals) that started the modern warehousing business.

(ii.) THE RICE-GRANARIES IN YAMAGATA PREFECTURE.

History tells us that already 300 years ago, the system of rice-granaries and the issuing of rice-certificates had developed most extensively in Sakata (a small town) in Yamagata Prefecture. In this town seven granaries, called Nanatsugura, were established, and two-thirds of the rice delivered by farmers was there stored. This rice was used for feeding the clan-chief and the whole of his retainers down to the humblest. There also existed a rice-granary, called Niidagura, which had a holding capacity for 70 per cent. of the whole of the tribute, for which, as in the former granaries, rice-certificates were issued. The remainder of these certificates, after paying wages to retainers, were sold to rice commission merchants. Since the establishment of rice-exchanges in Osaka, Kanazawa and Sakata, these certificates are said to have saved an enormous amount of trouble in the handling of rice.

Whether these granaries adopted the system of "storage for exchange," on which the modern rice-granary lays great stress, is not clear. However, it is manifest from ancient literature that these granaries were very careful in the inspection of rice as to its quality and quantity, and the condition of the packages, on which depends the successful working of the system of "storage for exchange." This

inspection naturally resulted in a great improvement in the quality produced. Therefore, there was no necessity for the merchants who collected rice from such granaries to inspect again the rice purchased as to its quality and quantity. When I investigated the old rice marketing system in Kumamoto Prefecture about seven years ago, I ascertained that the clan-chief granted advances from his privy purse on rice in storage, which practice led to a peculiar method of speculating in rice.*

The downfall of feudalism brought about a change in the ownership of these granaries in Yamagata, which now came under the direct control of the newly-established Central Government. In 1876, the payment of taxes in kind being abolished, these old granaries naturally fell into disuse, and were taken up by an association of shipping brokers. Thus, these governmental granaries came within the province of private enterprise. Since then there have been several changes in their ownership, until finally they came under the control of Mr. Homma, a big landowner in this locality. In 1892 the private warehousing business of Mr. Homma was re-organized into a joint-stock company. These rice-granaries, which are being run on a joint-stock company basis, are at present under the control of the rice-exchange in the same town. The system of "storage for exchange" has become firmly established. Thus, from the old system of rice-warehousing has sprung up what we now call Beiken-sōko, or rice-granaries.

The present mode of business of these granaries is briefly as follows: When farmers bring their rice it is inspected and graded into four classes, according to quality, and warrant certificates are issued for it. The stored goods are insured against various risks, and sometimes advances are made on goods so stored. In most cases these warrant notes are utilized for speculating in rice, thus greatly saving time and trouble in delivery, as the mere passing of these certificates from hand to hand means the delivery of the rice which these certificates represent; and also these

* *Buhuda Torihiki no Kenkyū* (Studies of a Method of Speculation in Rice), by K. Ogata.

certificates are sufficient guarantee of quality and quantity, so that the buyers need not personally inspect the goods.

Of late, branch warehouses have been established at several places, bringing the greatest blessing to the farmers. There is also a group of granaries, under the management of the Turuoka Rice-Exchange, which was first started in 1895. At present these granaries at both places are still carried on as joint-stock companies,* and appear to be utilized principally by rice-dealers and brokers, thus they cannot truly claim to be co-operative in the strict sense of the word. Yet there is a great difference between these granaries and other forms of capitalist warehousing business, nor has there ever been any complaint that they are capitalistic in nature, a charge which is often brought against American grain elevators. These Sakata and Turuoka granaries constantly keep in mind the interest of the small farmers; and, moreover, the shareholders and officials of these granary companies are composed mostly of descendants of the *Samurai* class of their old clan, who conduct the business in an unselfish and co-operative spirit.

The advantages of these granaries and their beneficial effect on the quality of rice, on the rice-trade and on rural life in general have been simply enormous. They well deserve the honour of being called the pioneers of co-operative rice-granaries in Japan. Hundreds of rice-granaries, which have arisen in Japan during the last twenty years have been started on the model of, or at least have derived their impulse from, these granaries in Yamagata Prefecture.

* It is not without good reason that these granaries adopted the form of joint-stock companies. For co-operative societies were not permitted to issue transferable warrant notes, which legally represent actual goods stored. This means that the buying and selling of such warrant notes are treated as if these notes were actually the commodity for which they stood. Moreover, in order to build warehouses and carry on such a business, a large capital was necessary. When the special Act regarding the co-operative agricultural warehouse was passed I at once wrote to these granaries in Sakata, asking whether they were revising their rules. In reply they declared that the passing of this Act had nothing to do with them; they could carry on business as they had been doing hitherto, for the spirit and mode of management of their warehouse were co-operative, as embodied in the new (co-operative) Agricultural Warehouse Act.

(iii.) The Rice-granaries in Kumamoto Prefecture.

In 1904 a much more democratic and more obviously co-operative form of rice-granaries made its appearance in Kumamoto Prefecture, famous both for the excellent quality and the large production of rice. Here also, while feudalism lasted, many governmental rice-granaries, which issued rice-certificates, were scattered all over the clan. As far as I could ascertain, these granaries, which fell into disuse when payment in kind was abolished, had no direct connection with the modern rice-granary movement here, except that the question of how to make use of these old granaries, which were lying idle, gave an impulse to the establishment of the present granaries. The direct motive came rather from the necessity of maintaining the quality of the rice, which had once been noted for its excellence, but which had gradually declined since the Restoration.

Although, as early as in 1898, a guild of rice merchants was organized for the purpose of improving the quality of rice, this guild as such could not fulfil the function of granting advances on rice. In 1904 a rice-granary was started in Kagami-machi in Kumamoto Prefecture on the model of the rice-granary in Yamagata Prefecture, and under the direction of this guild of rice-merchants. One must remember, however, that this rice-granary, differing from its model, was organized primarily in the interest of small farmers. Year after year similar types of rice-granaries were started in all parts of the prefecture. When I made a personal investigation seven years ago such granaries were established in about sixty-five different villages in that prefecture. Now, the granaries in Kumamoto Prefecture far outnumber those in Yamagata, both as regards the number of warehouses, and also in their importance in the rice trade, and Kumamoto now ranks as a model for co-operative granaries in Japan. The rice-granaries which have been or are being started on the model of the granaries in Kumamoto are innumerable. In 1908 a federation was started by these Kumamoto granaries as a joint-stock company with a capital of Y100,000. This

development owes a great deal to the awakening of farmers to their own interests, and to the zealous guidance of the local government, which even renders financial assistance for the development of this granary system; but, above all, to the devoted effort of Mr. T. Nakamura, the president of the federation from its inception to the present day. His high character and practical efficiency in management have always guided the movement in the right direction. It is not too much to say that he is the driving force of the granary movement, not only in Kumamoto, but throughout the whole country. His advice and help are eagerly sought wherever the establishment of granaries is contemplated. One must bear in mind that in this way the movement in Kumamoto has not been inspired from above but has come from below.

Here I give a brief outline of the organization and mode of operation of these granaries in Kumamoto (until 1917, when the special Agricultural Warehouse Act was passed). All the granaries were organized on the basis either of a sleeping or of an ordinary partnership. The membership comprised farmers, both of the tenant and landowner class, and it also included rice merchants, but in the first place special stress was laid on the furthering of the interests of small farmers.

The main business of these granaries was as follows :—

1. Storage of rice.
2. Advances on stored goods.
3. Packing of rice on the instruction of warrant-note holders.
4. Collective marketing of rice on commission.
5. Collection of farm-rents in kind on behalf of landowners.

However, it must be remembered that these granaries at first devoted more attention to the storing of rice and the issuing of rice warrant certificates than to collective marketing. Rice was stored according to the system of "storage for exchange," i.e. rice, when brought to the granaries, after severe inspection by the prefectural inspector, was classified into several grades (of course, rice below a

certain grade was not taken into the granaries at all); and should the depositors so desire, two certificates, one for the purpose of sale and the other for borrowing money, were issued against the stored goods. (It would take too long and would hardly come within the scope of this book to give a detailed account of how these certificates are put into circulation).*

The final holder of these certificates takes delivery of the rice (not necessarily the identical rice stored, but rice of the same quality and quantity as was deposited), on production of such certificates and payment of a certain storage fee. Rice was most carefully stored, the granary itself being responsible for damage arising from rats, rain, theft, loss and breakage of packages; and, further, the granary was insured against fire.

Advances were made by the granary against the goods stored, which enabled farmers to await the most opportune moment for selling, and thus they were not compelled to sell in order to raise necessary cash. Of course, the holder of these warrant certificates could, if necessary, obtain an advance at any ordinary commercial bank, if that happened to be more convenient. Sales by granaries were conducted once or oftener each month, generally by tender. Farmers generally sent their certificates to the granaries, stating the minimum price they would accept for their products. The proceeds of such sales were paid to the farmers, less money advanced, and interest charged, and various fees for cartage, inspection and packing.

The Federation of these granaries was, as already mentioned, a joint-stock company, and its principal business, besides such as is undertaken by the unit granary, was as follows:—

1. Transport of rice from one granary to another.

* See *Organized Produce Market*, by J. R. Smith. In this book, detailed accounts of "storage for exchange" and use of warrant notes are given, with regard to cotton, grain and iron, etc. However, no mention is made of the Japanese rice-warehouse.

See also the following Japanese books. Dr. R. Uchiike's *Sōko-ron; Nosanbutsu-Sōkoron* (Warehousing Business; Agricultural Warehouses). Mr. T. Suzuki's *Beiken-sōko Yōsetsu* (Outline of Beiken-Soko).

2. Acting as agents for insurance companies.

3. General control of the constituent granaries and propaganda for further extension of the movement.

These granaries, although outwardly ordinary profit-making concerns, were in practice imbued with the co-operative spirit, and fulfilled the function of a co-operative society proper. The Prefectural Authority of Kumamoto granted annual subsidies, amounting to Y2,500 for their further development. In conclusion, I would say that the majority of these granaries were re-organized, in accordance with the special law already mentioned, which came into force in 1917, when they became co-operative credit and marketing societies. In the main, however, the *modus operandi* has not been affected by the passing of this Act.

(iv.) The Rice-granaries in other Prefectures.

Observing the signal success achieved by the granaries in Kumamoto Prefecture, other prefectures, such as Akita, Hiroshima, Tottori, Kagawa, Shiga, Tochiki, Saga, Shimane, Kagoshima and Miyagi followed the example, and fairly good results were shown everywhere. Thus the movement has permeated the whole country. The Government gives financial assistance in one form or another; for example, Mie, Tottori, Saga, Shimane, Kumamoto, Kagoshima, Ibaragi and Miyagi Prefectures have provided the necessary funds for the building of warehouses. The warehousing society in Miyazaki Prefecture was granted by its local government a non-interest loan to enable the promoters to erect granaries. Hiroshima and Nagasaki Prefectures gave a bounty on stored rice. Tochiki and Akita Prefectures remitted the building tax, and so on. Besides this financial assistance, the Government endeavours by every means to further the movement as a whole.

(v.) The Passing of the Agricultural Warehouse Act and the Development of Agricultural Warehousing Societies.

In view of the important function fulfilled by rice-

granaries, and the necessity for furthering the movement, a special Act dealing with these granaries and classifying them under the name of Agricultural Warehouses was passed in July, 1917. The important points of this law are as follows :—

1. An agricultural warehouse can be established only by co-operative societies, by agricultural societies (non-trading associations), or by other public corporations and local governments (including cities, towns and villages).

2. An agricultural warehouse cannot carry on business for the purpose of profit-making.

3. Such warehouses can handle only rice and other cereals and cocoons produced or owned by farmers or landowners.

4. The chief business of such warehouse must be :—

(*a*) Storing goods on the system of "storage for exchange."
(*b*) Further handling, packing and re-packing of stored goods.
(*c*) Acting as intermediary or commission merchants for the sale of stored goods.
(*d*) The issuing of warrant certificates, having the same legal status as those issued under the commercial code of law.
(*e*) Advancing money against such warrant certificates.

5. Such warehouses are exempt from income and business taxes.

Thus the law has drawn a definite line of demarcation between capitalist and co-operative warehouses; and most of the rice-granaries then in existence revised their rules under this law.

According to the statistics issued in 1914 * by the Ministry of Agriculture and Commerce, agricultural warehouses in Japan showed the following figures :—

* Quoted from *Nōsanbutsusōkoron* (Warehousing Business for Agricultural Products), by R. Uchiike, 1917.

The classification of organizations.	The number of such organizations.	The area of building sites.	The amount stored per year during the last few years.								
			Producers.			Merchants.			Total.		
			Rice.	Wheat, barley, etc.	Cocoons.	Rice.	Wheat, barley, etc.	Cocoons.	Rice.	Wheat, barley, etc.	Cocoons.
		Tsubo.*	Koku.†	Koku.	Koku.	Koku.	Koku.	Koku.	Koku.	Koku.	Koku.
Companies or partnerships	204	29,976	337,544	1,651	—	153,914	14,052	3,976	491,458	15,703	3,976
Co-operative Societies	171	5,168	48,744	16,715	19,139	4,330	405	519	53,074	17,120	19,658
Agricultural Societies (Nokai)	7	214	2,188	260	—	—	—	—	2,188	260	—
Other Societies or Associations . . .	353	7,803	62,448	7,762	2,250	97,700	11,384	5,265	160,148	19,146	7,515
Total	735	43,161	450,924	26,388	21,389	255,944	25,841	9,760	706,868	52,229	31, 149

* 1 Tsubo = 3·300578 sq. m. or 3·95383 sq. yards.
† 1 Koku = 39·70339 gallons or 4·96292 bushels.

As may be observed from the foregoing table, the agricultural warehouses carried on by co-operative societies in 1914 were still very small in number in comparison with other categories. However, the development of the former during the last eight years has been simply astounding. The Government report at the end of June, 1922, shows the following figures:—

Agricultural Warehousing organized by—	
Co-operative Societies	1,082
Agricultural Societies (Nōkai)	75
Non-profit-making public bodies (Koeki Hojin)	53
Local Governments (towns and villages)	13

Thus, co-operative agricultural warehouses exceed by far the other three categories, and with the exception of Okinawa Prefecture (where there is as yet no agricultural warehouse of any kind), these warehouses are to be found in every part of the country.* The reason for this big stride made by co-operative warehousing, besides insistent and energetic propaganda of the Government, is due to the fact that under the new Act, co-operative societies can now legally issue negotiable warrant certificates (with the right *in rem*). But there seems to be yet another obstacle, so writes Dr. Uchiike, an authority on this subject, i.e. a co-operative society has not, as a rule, sufficient funds for building an expensive warehouse with all the necessary modern equipment. Therefore, Dr. Uchiike advocates

* Agricultural warehouses carried on by co-operative societies proper are distributed all over the land as shown below:—

Hokkaido	44	Shizuoko	11	Shimane	14
Tokio	2	Yamanashi	8	Okayama	23
Kyoto	19	Shiga	33	Hiroshima	38
Osaka	15	Gifu	36	Yamaguchi	38
Kanagawa	11	Nagano	22	Wakayama	6
Hyogo	33	Miyagi	2	Tokushima	13
Nagasaki	11	Fukushima	11	Kagawa	30
Niigata	28	Iwate	14	Ehime	3
Saitama	15	Aomori	12	Kōchi	8
Gumma	7	Yamagata	24	Fukuoka	69
Chiba	19	Akita	20	Oita	12
Ibaragi	44	Fukui	28	Saga	16
Tochiki	9	Ishikawa	18	Kumamoto	35
Nara	9	Toyama	66	Miyazaki	31
Mie	62	Tottori	22	Kagoshima	22
Aichi	29				

most urgently "a federation of such warehousing societies," which would provide sufficient means for building such warehouses. In this connection I would add that co-operative societies doing warehousing business should not overlook the utilization of old governmental rice-granaries, which may still be lying idle and waiting to be turned to account. The rice-granaries in Kumamoto Prefecture may here be quoted as a case in point: in its early struggles the society did not lose sight of the utilization of old Government granaries, and certain landowners generously offered their private warehouses for the use of societies. The rice, wheat and barley, and cocoons handled by these agricultural warehouses, including capitalist enterprises, are still small in quantity, in comparison with those marketed through the ordinary channels of trade. The following table* will show the percentage of these goods handled by these organizations to the whole production of Japan (in 1913).

Commodities handled.	Amount handled by agricultural warehouses.	The production of the whole country.	Percentage.
	Koku.	Koku.	
Rice	706,864	50,255,000	1·4
"Mugi" (or wheat and barley, oats, rye, etc.).	52,225	25,172,000	0·2
Cocoons	31,145	4,591,000	0·7

When compared to similar movements in the two leading countries, viz. the grain-elevators in the United States of America,† and the corn-granaries in Germany,‡ it is satis-

* Quoted from Uchiike, *op. cit.*

† (In America) "the marketing of grain has for many years been a subject of great interest to the farmers of the middle and western States in particular, and has given rise to much heated controversy. Constant charges have been made, both against the companies which control the line elevators and against the Chambers of Commerce or Boards of Trade, which have practically a monopoly of the central grain markets in such cities as Minneapolis, Chicago and Duluth. The attention of the Federal Government has been frequently directed to these matters, and many inquiries have been held into the whole system; at the present moment experts in the employment of the Office of Markets are investigating conditions in the various grain-selling centres. Meanwhile, the farmers

factory to note, firstly, that Japan is no longer left behind by these countries; and secondly, that the history of our granary movement has never been darkened by monopoly, nor by the manipulations of selfish merchants, or similar abuses, as was often the case in America, where the majority of grain-elevators are utilized by merchants and are decidedly capitalistic in nature; and, further, that whereas in Germany the corn-granary movement seems to have been stationary during the last few years, our movement is progressing by leaps and bounds, which is evidently due

throughout the grain region decided to take the matter into their own hands, and there are at present in existence several thousand elevators controlled by farmers and working in opposition to the old line companies. Of these farmers' elevators, many are really joint-stock companies, some of which are only nominally worked in the interest of farmers, while others are co-operative in intention but not in form. There are also a very large number which have some co-operative features, such as the limitation of voting to one vote per head, while in other respects, such as distribution of profits, or the restriction of membership, they follow ordinary joint-stock principles. There are, however, a very large number of truly co-operative elevators, and this number is increasing under the influence of propagandist work. . . ." (*Co-operation for Farmers*, by L. Smith-Gordon, 1918, pp. 189–190.) The reader might also refer to *Marketing of Farm Products*, by Weld, 1916.

‡ The corn-granary movement in Germany dates back to 1890. The impetus was given by Grass (Klanin), who advised the farmers to imitate American grain elevators, but in the form of co-operation. The task was then assiduously taken up by several States, such as Prussia, Bavaria, Saxony, Würtemberg, which granted substantial financial assistance to the movement. "In 1896, Prussia lent 5,000,000 marks, but gave little outright; Bavaria, on the other hand, gave largely. Würtemberg and Saxony did something in both ways. It would appear, however, that the Government acted too lavishly, so that many of the corn houses were built on too large a scale and equipped with machinery which the farmers did not understand how to use. The Prussian 'Corn House Commission,' appointed to inquire into the results of the Five Million Loan Fund, reported in 1904 that thirty-six corn houses were thus erected, eight had been re-let after sale of the apparatus and eight (seven in Pommern) stood empty." (Fay, *op. cit.*, p. 87.) "There are at present about eighty or ninety independent granary societies in Germany. The majority are to be found in Bavaria and Baden. They vary much in organization and character, some have only individuals as members, others only societies; others again have both. Some societies, too, like those in the province of Saxony, embrace a whole district, while those in Bavaria have a radius of only ten or fifteen miles. Not infrequently, especially in Bavaria, an ordinary co-operative village bank will build an elevator and add the sale of grain to the advance of loans. Finally there are, as in Munich, Nuremburg and Halle, central banks or agricultural wholesale societies which control and operate a number of up-to-date granaries distributed over wide areas. At present the future would seem to lie with these." (M. L. Darling, *op. cit.*, p. 76.) The reader may find in Cahill, *op. cit.*, pp. 193–204, a detailed account of the movement in Germany.

to the propaganda work of the Government. As the advantages to the farmers arising from such organizations are obvious, and are being recognized by the farmers themselves, especially as our farmers are not inexperienced in co-operative warehousing, irrespective of whether or not such warehouses were carried on in a capitalist form, further progress may be confidently expected in the next few years.

As to the future development, let me utter a few words of warning to those concerned. Hitherto, our rice-granaries have laid great stress on "the storage for exchange" and the issuing of warrant certificates, to which I have frequently referred, and apparently collective marketing has been looked upon as of secondary importance. Therefore, as a natural consequence, granaries have been much more utilized by the merchant class than by the producers themselves. In future the society must endeavour to undertake this co-operative marketing much more energetically than in the past. Moreover, when these granaries are carried on by co-operative societies, and the use of the organization is naturally confined to members, societies must see to it, by some means or other, that every member delivers the whole of his produce to his society. Further, as Dr. Uchiike points out, the society should not under any circumstances issue warrant certificates without actually holding the goods represented by such certificates, a course which has not been unknown. And also, in order to enhance the value and reputation of the stored goods, and as a necessary condition for carrying on "the storage for exchange," the strict and impartial inspection and grading of the stored goods should be insisted upon, no matter whether this task is undertaken by prefectural inspectors or by the society itself. Only thus can the co-operative granary fulfil its proper function, and the movement as a whole be guided in the right direction.

§ 4. Other Marketing Societies.

Besides silk and rice marketing societies, there are still a great number of marketing societies, co-operatively selling various goods, already enumerated on page 192.

Of these latter, the relatively noteworthy ones are:—

	No. of Societies (in 1920).
Marketing Societies of—	
Wheat and barley, etc.	689
Straw products	215
Charcoal and wood	154
Spices and various cereals	138
Vegetables	105
Fruit	75
Milk	64
Eggs	59
Tea	47
Marine products	47

However, these societies are far less important in comparison to the marketing societies of silk and rice, and do not deserve special treatment, as has been given to the latter. These miscellaneous societies have mostly been started with the same purpose in view, have the same constitution and the same mode of operation. The majority of these societies form activities subsidiary to credit societies and, as a rule, are carried on in connection with co-operative purchasing.

The organization and management of these societies is practically the same as that of credit societies, except in one point; that is, in societies which carry on marketing business it is necessary to employ people who are versed in the technical side of the production of the goods handled by the societies. For example, in silk marketing societies it would be necessary to have persons who have great skill and experience in inspecting and grading the silk and the cocoons delivered by members.

For this reason I shall here describe chiefly the various modes of operation employed in the Japanese marketing societies. The material for the following description has been drawn chiefly from the reports issued by the Co-operative Union and by the Ministry of Agriculture and Commerce.*

* In the main, the following details have been culled from *Yūryō-Kumiai Jirei* (Examples of Efficient Co-operative Societies), 1920, which reviews among others thirty-nine marketing societies. It is fairly safe to assume that what has been written about these thirty-nine societies can be taken to apply to practically all marketing societies in Japan.

§ 5. The Modes of Operation of Marketing Societies.

The Methods of Marketing.

There are two marketing methods :—

1. Where the society acts only as a commission agent, viz. *sale on commission.*

2. Where the society buys members' produce outright and markets same at its own risk and on its own account, viz. *outright purchase* (to employ the term used by Mr. C. R. Fay).

Most societies market according to the first method, and those that employ both methods amount in number to about less than half of the former. Societies which market exclusively by outright purchase are very few. AsM r. Fay points out (Fay, *op. cit.*, p. 185), the second method " is the most desirable form of bargain from the standpoint of the individual farmer, especially if the society can through the economies of co-operative organization secure for itself a profit, which will be returned in part to the supplying members in proportion to their deliveries. From the standpoint of the society, it has the advantage that it enables the society to be on an equality with the private dealers in the offer of a definite price."

However, as will be easily understood, outright purchase is accompanied by great risk on the part of the society. For there might be a sudden and unexpected fall in price between the times of purchase and sale. One such fatal blow will be enough to lead the society to ruin. It would, therefore, be advisable that younger societies, which have not yet ample capital and a reserve fund, and experience in co-operative marketing, should always adopt the sale on commission basis.

In either case there are two important primary conditions for the success of marketing societies, i.e. :—

1. Loyalty of the members.
2. Efficient managers.

1. *Loyalty of the Members.*

The necessity of compulsory delivery for the success of marketing societies as such, has already been discussed at

some length in the section on Silk Marketing Societies. This duty of delivery is and must be strictly insisted upon by the societies, the evasion of such duty being made punishable by a fine, or by lowering the credit limit granted to each member, or by expulsion from the society.

According to Mr. C. R. Fay, "this duty is strictly enforced in the co-operative dairies in Denmark, and disobedience is punished by a fine per gallon of milk withdrawn, so heavy in amount and so rigidly enforced that disobedience is unprofitable. In German and other Continental co-operative dairies, the Danish regulation is usually introduced in a modified form but it does not appear that the regulation is in practice strictly enforced." (Mr. Fay's *Co-operation at Home and Abroad,* pp. 169–170.)

Punishment for evasion of such duty of delivery by members is in Japan usually expressly stated in the rules of the society. At the same time, the following other methods for encouraging the loyalty of members obtain in marketing societies:—

1. After deducting a certain percentage for reserve fund and interest on capital, the rest of the net profit is distributed as dividend *in proportion to the amount of goods delivered by members*; or when such dividend is paid into the special reserve fund, members have a claim to it in proportion to the amount of goods delivered by them.
2. *Subsidies* are granted to such members as deliver all their produce to the societies.
3. Compensation is paid by the society when there happens to be a difference between the selling price of the society and the price that would have been obtained if members had sold goods themselves.
4. Cartage of goods may, in some cases, be defrayed by the society.

However, as will be seen from the experience not only in Japan, but in every other country, conscientious observance of this important duty by members and efficient supervision of the same by the society is very difficult. The only effective means, it appears to me, of preventing such evasion would be the development of the co-operative spirit.

The report of the Ministry of Agriculture and Commerce for 1916 on thirty-one marketing societies which were commended by the Co-operative Union as efficient societies,* affords proof of considerable loyalty among the members, and below I give a table of the proportion of members who sold their entire products through the society.

100 per cent.	4 Societies.
Over 90 per cent.	6 "
" 80 " "	7 "
" 70 " "	7 "
" 60 " "	4 "
" 50 " "	1 Society.
" 35 " "	1 "
Uncertain	1 "
	31

2. *Efficient Managers.*

The management of marketing societies is far more difficult than that of purchasing societies. For the latter buy goods to satisfy the demand of their members, which can easily be gauged beforehand. The marketing societies undertake the marketing of members' produce in the open market, and in competition with other dealers, where the consumer's demand is subject to constant flux, both as regards quality and quantity; consequently, the management of marketing societies involves more risk than that of purchasing societies. The officials who are in charge of the sales must, of necessity, have a shrewd knowledge of marketing conditions, and a steady and unruffled power of decision as to the best opportunity of the market; in short, they must possess all the qualities of a good business man. But in practice the officials, elected from amongst farmers, are more often than not, far from being good business men. This is the great drawback of a co-operative society in comparison with capitalistic business. It will, therefore, be necessary to give a proper commercial education to these

* Every year the Co-operative Union selects a number of societies for special commendation, and societies so mentioned receive certain monetary grants.

officials, or to employ outsiders, if necessary, who are versed in business routine.*

Part Manufacture of Members' Products.

As has been mentioned elsewhere, some marketing societies have only the function of collecting the members' products and marketing these, whereas other societies undertake certain productive processes to increase the marketable value of members' products, either as part of the society's function as a marketing society, or, should such part-manufacture exceed the legal limit, by establishing a machinery society for the purpose. From this standpoint marketing societies may be classified into :—

1. Simple marketing societies.
2. Marketing societies which carry on the part-manufacture of their members' products.

According to the report of the Ministry of Agriculture and Commerce the various processes carried on are as follows :—

(*a*) Reeling of cocoons, or re-reeling of silk.
(*b*) Converting husked rice into polished rice.
(*c*) Painting on lacquer ware.
(*d*) Preserving of raw fish.
(*e*) Condensing and canning of fresh milk.
(*f*) Pickle-manufacture.
(*g*) Extracting of oil and manufacturing of soap from silk-pupæ and manufacturing of floss-silk from double cocoons, etc.

It can be seen from the foregoing that the manufacturing processes undertaken by these societies are comparatively simple. Highly elaborated and complicated processes, which require expensive machinery and big capital, are not carried on. Probably silk-reeling is the highest grade of manufacture undertaken on a large scale in this connection.

I would here add that when the society starts an elaborate

* "The lack of business experience on the part of farmers themselves, which naturally constitutes a serious difficulty when they enter into big business undertakings, can only be compensated by their consenting to hire at a proper price the ability and skill required" (Smith-Gordon, *op. cit.*, p. 52, also pp. 56–57).

machine-production a large amount of capital must be sunk for this purpose. In such a case the same problem as we have discussed in silk-manufacturing societies must be faced, i.e. how to succeed in business while at the same time retaining the co-operative spirit and organization. At present only the silk marketing societies have this problem to face. After the foregoing description, I shall here give a detailed account of the actual processes of the marketing societies from first to last.

1. *Delivery of goods by members.* Generally, members themselves deliver their products to the office or warehouse of the society, or some other place provided for that purpose, on a certain date appointed by the society, or, in some cases, whenever convenient to members. But sometimes the society's employees are sent round to collect members' goods.

2. *Inspection of goods.* When the members' goods are delivered they must undergo inspection. In the case of rice, the inspection is undertaken mostly by prefectural inspectors at rice-granaries, or at some other places provided by the societies; but in the case of other goods the directors themselves, or their own inspectors, or members who have experience in the commodity handled, undertake this function. This inspection is sometimes made at members' own houses.

3. *Fixing purchasing prices.* When the society buys the members' products outright and markets them on its own account, the problem naturally arises how the purchase price should be determined. In most cases, taking as the basis the price ruling in that particular locality, the directors themselves, in some cases arbitrarily, in others in conjunction with a specially appointed committee, determine at what figure they should buy from members.

4. *Advances on goods delivered.* In most cases, an advance is made on the goods delivered by members, the amount of such advance being mostly 80 per cent. of the current price of the goods in question, but in some cases only 50 per cent. The rate of interest on such advances varies, 3·5 sen per 100 yen per day (about 12¾ per cent. per annum) being

the normal rate; but sometimes no interest at all is charged.

5. *The storage of delivered goods.* When the society has its own warehouse, all the goods may be stored therein until delivered to the purchasers, storage fees sometimes being charged. But if the society has no such warehouse the goods are stored in the members' private warehouses, or sometimes an agricultural association may furnish suitable warehouses for the use of its members.

6. *Actual methods of sale.* The sale of the goods, thus collected and stored, is effected by one of the following methods:—

1. By ordinary methods of trading.
2. By special contract with purchasers.
3. By tender.
4. By auction.

These methods apply both in cases in which the society acts as commission agent, and in those in which the society buys from members outright.

7. *Markets for the society's goods.* The customers of Japanese marketing societies are generally wholesale merchants (sometimes manufacturers and retail merchants, etc.). It seems to be impossible, at present, to sell direct to associations of consumers (or to consumers individually), thus eliminating all the middlemen between producers and consumers. When the society's goods are produced mainly for export, as in the case of silk, the society does not enter into direct relation with the merchants abroad, but mostly with silk-exporters in Yokohama or Kōbe or elsewhere. The plan of direct exporting is often discussed in the silk-marketing societies, but it has so far never been realized, for the societies find it less risky to sell such goods as silk, which are subject to frequent and serious fluctuations, to shippers at home than to export themselves, as there seems to be great difficulty in correctly gauging the condition of foreign markets.

It must be remembered that sometimes a market is furnished by the Commissariat Department of the Japanese Army, especially for the supply of rice. It would be most advisable if, as advocated by many writers on Co-operation,

the marketing societies in rural districts and the co-operative stores in towns were to get into touch with each other; but unfortunately such a relationship has not yet come into being in Japan. Although marketing societies may also be carrying on retail business, such business seems to be confined to horticultural societies or societies of small handicraftsmen.

Some societies market all their goods under their own trade-marks, as we see in the case of Minamisansha silk. But the Governmental reports tell us that many societies have no distinctive trade mark for their goods. To market under a distinctive trade mark is essential in order to make societies and their members realize the necessity for producing reliable goods and thus enhancing the reputation of their own societies. I would urge that every society should, if possible, market its goods under its own trade mark.

8. *Delivery of goods and payment by purchasers.* When the sale-contract is concluded, in most cases the goods are delivered to purchasers either at the society's (or federation's) warehouse, or at the office of the society (or federation); and usually payment is made against such delivery. However, the following methods are sometimes employed for delivery and payment:—

(*a*) Goods may be delivered at a railway station or quay in the presence of the purchasers.

(*b*) Goods are delivered to purchasers direct or entrusted to their forwarding agents.

(*c*) A fixed contract may be entered into with a special broker and goods may be delivered to his order from time to time.

(*d*) Part payment may be made by purchasers, and the balance may be paid in from two to six months, or at the end of the business year.

(*e*) For the option of purchasing certain goods a price is sometimes paid, as a rule, 15 per cent. of the amount of the invoice, and actual payment is made after a week against way-bill.

(*f*) Option money, 20 per cent. of the amount of invoice, is paid on signing sale contract. The society will sometimes draw a bill of exchange on the purchaser or forward the goods only after full payment.

(*g*) Sometimes payment is made by postal-cheque as practised in Germany, or the money is collected by the society's collector.

(*h*) When the society acts as purveyor to the Commissariat Department of the Army the goods are delivered at the nearest railway station, or at the warehouse of the said department.

9. *Payment of proceeds to members.* In most cases the proceeds of sale or the price to be paid by the society for goods purchased are handed over to the members who delivered the goods as soon as full payment has been made by the purchasers. When the society acts as a commission agent, a certain percentage, usually from 1·5 per cent. to 15 per cent., is charged on the gross amount realized, 5 per cent. being the normal, or such commission may be computed in proportion to the quantity of goods delivered by members; for example, 2·5 *sen* to 15 *sen* per *koku* of rice, or 4 *sen* to 10 *sen* per *koku* of wheat delivered. This commission, together with the money already advanced, is deducted from the gross proceeds of sale. Of course, in the case of purchase outright, only the advances made are deducted from the amounts due to members.

However, in some cases—

(*a*) Settlement of account may be effected every second month or three times a year.

(*b*) The proceeds received from the federation are distributed among the members four times a year, and a final settlement of account is effected at the end of the business year.

(*c*) Eighty per cent. of the current price of goods is advanced to members and payment of the balance is made, irrespective of whether the goods have been sold or not.

(*d*) Payment is made on delivery of the goods.

(*e*) In rare cases, the amount due to a member is transferred to his deposit account.

10. *Division of profits.** After deducting a certain percentage for the reserve fund and for interest on capital, the net profit of the society is sometimes distributed in proportion to the quantity or price of the goods delivered by the members, but sometimes the net profit, instead of being actually distributed, is paid into the special reserve

* "On this point all countries are practically agreed; a fixed rate to capital, where shares exist, and the remainder, after provision for the reserve fund, to the farmers, proportionately to the raw produce supplied." (Mr. Fay, *Co-operation at Home and Abroad*, p. 167.)

fund, to which the members can lay claim in proportion to the price or quantity of the goods delivered by them. (Cf. the Financial Organization of the Minamisansha.)

In conclusion, I may add that the following methods are employed for the purpose of improving the members' products :—

1. Young plants of good quality are distributed among the members at cost price, and advice is given as to the choice of manure and the best time and method of manuring.
2. Various agricultural improvements are made in conjunction with, and with the assistance of, the agricultural associations.
3. Fines are imposed on products of poor quality and prizes are distributed for excellence of quality.
4. Exhibitions of rice are frequently held for inspection by members generally.
5. Technical experts are employed to give proper advice to paper and silk manufacturers, etc.

For the purpose of extending the market for the society's goods, the president himself, or some of the officials, may visit important or prospective markets, investigating the demand and noting any criticisms on the goods of the society. Sometimes advertisements are inserted in newspapers, or circulars are sent out for this purpose.

§ 6. The Advantages of Marketing Societies and Obstacles to their Further Development.

The advantages and the beneficial effect on the economic and moral conditions of rural districts brought about by marketing societies were described when I discussed the advantages of credit societies. For, needless to say, the advantages of both these types of societies are inseparable, especially in Japan, where marketing societies are usually carried on with the assistance of credit societies. Although one cannot as yet see any remarkable effect on the marketing system of farm products in general, and although there seems to be no appreciable lessening of the number of hands through which the goods pass before they reach the consumer, yet the various material benefits arising from such farmers' organizations cannot be denied.

Through these organizations farmers, who had formerly

been in a position of abject dependence on local dealers, have found a suitable market for their products, which could not otherwise have been sold through their unaided individual efforts. An illuminating example is furnished by the Minamisansha. The hand-reeled silk marketed by this federation has realized a higher price than the machine-reeled silk, manufactured by capitalist enterprises.

The farmers in Gumma Prefecture, where neither climate nor condition of soil are very suitable for the cultivation of rice, have received a better return from cocoon culture than they would have done had they grown rice, and they have thus attained a better position even than the farmers who chiefly cultivate rice. Again, the improvement in the quality of rice brought about by rice-granaries has been wonderful. Furthermore, marketing societies have made it possible for farmers to refuse to sell at absurdly low prices merely from lack of ready money. Government reports are full of examples of members having been able to sell through their organizations at much higher prices than as individuals. For example, in some societies rice, wheat and barley have been sold at 20 or 30 *sen* per *koku* higher than when sold individually; cocoons 30 *sen* per *kan* higher, sugar Y1 per 100 *kin*, apples 15 to 17 *sen* per *kan*, etc. Indeed, the dishonest tricks of various middlemen, which do not prove effective with societies, are gradually disappearing from rural districts. I may quote from Mr. Cahill's report on German Agricultural Co-operation, an extract of a statement made by Dr. Grabein (the General Secretary of the Imperial Federation of Agricultural Co-operative Societies of Germany, a recognized authority on this branch of Co-operation), on the advantages of co-operative corn-selling in Germany, which may be taken to apply in equal measure to Japanese marketing societies.

"It (the co-operative corn-selling) has removed the previous relations of dependence upon dealers; it has improved the condition of sale in the interest of the sellers; by reason of cleaning, warehousing and drying of corn, it has led to a betterment of its quality; it has furnished the possibility of warehousing corn and raising money on it while awaiting a favourable

turn of the market; by the bulking of scattered supplies into large quantities of like grades it has eliminated small dealers and made possible the seeking of the most favourable markets, thus bringing about an essential improvement on the former monetary returns of corn. Finally, through the care of the societies for a better cultivation of the soil, for the cleaning and selection of seeds, as well as for securing greater uniformity in their quality, a considerable improvement in the technique of production is to be observed." (*The Report on German Agricultural Co-operation*, p. 204.)

Besides these material benefits the moral effect on the life of members and on rural conditions in general has been marvellous, just as in the case of credit societies. Farmers have derived an invaluable lesson that great power in the sale of their goods may be wielded when they are joined together for a common purpose.

However, we must not forget that there have been a great number of obstacles which have led to the complete dissolution of societies, or to the temporary depression of the business of others. Below is a summary of the causes of these failures which have been enumerated in Government reports, in addition to those given in the preceding chapter.

1. Sudden and serious fluctuation in price.
2. The smallness of quantities handled.
3. The society having no proper warehouse.
4. Adverse manipulation by the exporters, who bought from such societies.
5. A concerted opposition on the part of merchants.
6. Deterioration of goods.
7. Bad debts.

(1), (3), (4) and (6) can be averted, although the task may be difficult, by an increase in the society's capital and by having efficient managers; (2) and (7) bear on the loyalty of members, which I have already discussed at some length. The opposition of merchants is frequently experienced, wherever societies are threatening to become powerful. But, as the experience of Germany will show us, when societies really prove powerful such opposition will soon disappear, and former opponents will even become converted to the principles of Co-operation.

CHAPTER VII

PURCHASING SOCIETIES

§ 1. Two kinds of Purchasing Societies liable to be Confused.

UNDER the Japanese Co-operative Law two kinds of purchasing societies, one quite different in its nature from the other, are both styled Kōbai-Kumiai or "purchasing societies." The first clause of the law gives the following definition of the object and scope of purchasing societies: "Purchasing societies may purchase goods for distribution among their members for purposes of industry or economy,* may partly manufacture such goods before distribution, or may wholly produce such goods for distribution." The true line of demarcation between the two kinds of societies termed purchasing societies is, whether the goods purchased, or partly or wholly produced, are designed for *household consumption*, or *for the purpose of industry*.

* The word "economy" used here and throughout the Co-operative Law is a translation of the German word "Wirtschaft" (meaning domestic or household economy), but it is used here in a wider sense than the German definition, the reason for such use (say the explanatory remarks on the law revised in 1921) being to permit "co-operative stores" to sell to their members goods having no direct relation to the domestic economy of the members themselves. For example (according to the explanatory remarks):—

1. To sell to members school requisites for the use of children.
2. To sell to doctors medicine or surgical instruments.
3. To sell to hotel-keepers or public-bath proprietors charcoal or provisions for use in their businesses.

Therefore, "economy" here includes what might possibly come under the description of "industry." The propriety of this use of the word "economy" is questionable, but it is a proof that the Japanese Law intended to extend the advantages of a co-operative store proper (an association of consumers) to such persons as doctors and hotel-keepers, who, strictly speaking, carry on business, and purchase such goods for their business use. (*Sangyō-Kumiai* [Co-operation], No. 187, May 1921.)

Thus, two categories of purchasing societies actually come under the same name :—

1. Associations of producers, which supply members with raw materials and other goods necessary for carrying on the members' independent industries (Rohstoffvereine, as they are called in Germany).

2. Associations of consumers, which purchase the "necessaries of life" of the household, viz. "co-operative stores."

The difference in nature and effect between these types of societies is obvious enough. A co-operative store is organized by consumers as such for the purpose of buying the necessaries of life more cheaply than could be done through capitalist channels, and of eventually eliminating "profit" and "profit-making" from the economic organization. Societies of the other type are, after all, only associations of small capitalists, and they have always primarily in view how to increase the profit of the members individually. Hence arises much confusion in the statistics, and also in the control and supervision of societies of both types. The reason why such misleading provisions have been made in the Japanese Co-operative Law appears to me to be, so far as I can make out, that, when the legislators imported the Co-operative Law *en bloc* from Germany, the primary object in view was to further the interests of small producers, who were in a lamentable condition, while the interests of consumers hardly occupied the legislators' thoughts. As the *prima facie* object of both types of societies, viz. to purchase collectively the goods required by the members, is identical, the co-operative stores (associations of consumers) found a place alongside associations of producers. The same comment may be made regarding the "machinery societies" (Riyō-Kumiai, which will be explained in a later chapter.)

However, the Japanese name for "co-operative societies" disclosed the primary object which the legislators had in view. For the Japanese words "Sangyō-Kumiai," when literally translated, signify "Industrial Associations or Societies." Although the model law of Germany is expressly termed "das Gesetz betreffend Erwerbs-und Wirtschafts-

genossenschaften,"* the drafters of our law, who took the German law as their model, simply dropped the last part, viz. "Wirtschaft," and termed the Japanese law, the law concerning "industrial societies." This name is misleading.

Of late there have been economists, such as Professor Ueda, who have advocated changing this Japanese name; and who themselves have in their writings coined appropriate Japanese words for rendering more faithfully the word "Co-operation,"† but these terms are not yet generally adopted. Most of the Japanese economists, although conscious of the fact, use this misleading term simply because it has been in use for a long time. It must be said that it is unfortunate that, in compiling the statistics of both types of purchasing societies, they are still nearly always‡ reviewed under one heading. However, when the Co-operative Store Movement in Japan, although still in its infancy, develops in importance, a change of title and of classification in statistical tables will of necessity occupy the attention of the legislators.

* The commission which first reported on the laws of co-operative societies in Germany (a copy of which report I was fortunate enough to obtain from its part-author, Dr. Yokoi), drew attention to the word "Wirtschaftsgenossenschaften." This pamphlet was entitled *Credit Societies*, with an appendix of the opinions regarding "productive" and "economic" societies. Nevertheless, when the law was ultimately drafted the word "economic" was dropped.

† "The Japanese term, 'Sangyō-Kumiai' (literally meaning Industrial Society) is apparently copied from a part of the German term, Erwerbs- und Wirtschaftsgenossenschaft, viz. Erwerbsgenossenschaft. The adoption of this name is not adequate; as the Japanese term, "Kumiai" (meaning society) does not fully convey the meaning of "Genossenschaft," it would be better to use Kyōdō-Kumiai (Kyōdō meaning "Co-operative") or Kyoei-Kumiai (Kyōei meaning "concerted management"). Thus, in Japan stress was laid on the word industry (Sangyō), but the word "society" was not sufficiently stressed. The organization of co-operation was copied from Europe, but the spirit was not sufficiently inculcated. Most of these societies in Japan are devoid of this co-operative spirit, merely aiming at buying cheaply or selling at a high profit, under the ægis of the Government. Thus Japanese societies have no social reconstructive element, and even the spirit of self-help propounded by Schulze-Delitzsch is lacking. This is one of the causes for stagnation of Co-operation in Japan." (*Shōgaku-kenkyū*, Vol. 1, No. 1 [Study of Science of Commerce, an organ of the Tokio University of Commerce, pp. 92–93], Professor Ueda's article on Self-governing Workshops.)

‡ A noteworthy exception to this undistinguishing use of the term "purchasing societies," is the statistics, issued in 1922, under the title of *Conditions of Co-operative Societies, as Viewed from the Standpoint of Production and Consumption*, to which I have frequently referred.

In the following pages I shall deal exclusively with purchasing societies of producers, combined for the purpose of increasing their profits as producers.

§ 2. Their Development and Present Position in General.*

The organization of producers for the purpose of purchasing in common such articles as are necessary for their respective industries is of modern origin. The story of its development is of no special interest, unlike that of credit or marketing societies. Of course, at some time there may have been a spontaneous effort of Japanese farmers and artisans temporarily to join together for common purchase; but as far as I can ascertain, there is little evidence of the existence of such effort in any durable form before the Co-operative Law came into force. However, the passing of this law, together with the energetic propaganda work of the Government, gave a great stimulus to the formation of purchasing societies in their various forms. Especially, it must be noted that the extensive use of chemical fertilizers† made such combination imperative. Moreover, co-operative purchasing being the most simple form

* "It must be noted that purchasing societies in industry in any durable form are unknown in Great Britain. British retailers or independent handicraftsmen or small manufacturers have occasionally joined in small, informal and always quite transient combinations, to make collective purchases. But no durable society has resulted. The reason probably is the high development of the wholesale dealer in all trades who lays himself out to accommodate the small man. But they exist in Germany and other continental countries for independent handicraftsmen, small shopkeepers, hotels and restaurants, etc." (The above was communicated to the author by Mr. S. Webb.)

† "Formerly night soil, barnyard manure, fish guano, wood ash and rice bran have been chief items of manure, especially the first, but with the introduction of the modern science of agriculture chemical fertilizers have come into use to the extent of over Y100,000,000 annually. The Thomas phosphates, Chili saltpetre and other commercial fertilizers have become very common, while several factories have been started to manufacture them. There is a growing tendency among our farmers to use the "cash manures" as these chemical fertilizers are called, being handy and genteel. This is discountenanced by agronomists. They enjoin the farmers to rely first of all on their own manufactures and to use commercial manure as little as possible as supplement" (*Japan Year Book*, 1920–1921, by Takenobu, p. 537).

of Co-operation, these purchasing societies developed most rapidly, soon outnumbering marketing societies.

Let us now examine more closely the progress and condition of purchasing societies by means of actual figures.

First, I give the statistics of the growth of purchasing societies in their various forms:—

THE DEVELOPMENT OF PURCHASING SOCIETIES.*

Year.	Purchasing Societies (exclusively).	Purchasing and Marketing Societies.	Purchasing and Machinery Societies.	Marketing, Purchasing and Machinery Societies.	Credit and Purchasing Societies.	Credit, Marketing and Purchasing Societies.	Credit, Purchasing and Machinery Societies.	Credit, Marketing, Purchasing and Machinery Societies.
1900	2	3	1	1	—	—	—	—
1905	273	142	30	47	—	—	—	—
1910	772	503	49	222	1,239	1,062	26	369
1914	599	498	41	242	2,479	2,461	46	878
1915	535	461	37	230	2,583	2,608	57	946
1916	448	402	29	195	2,692	2,795	56	1,044
1917	414	401	25	180	2,710	2,964	49	1,111
1918	419	412	27	170	2,790	3,252	57	1,236
1919	456	407	30	189	2,948	3,630	74	1,427
1921	436	380	38	194	3,059	4,150	155	1,892

It will be seen from this table that, as a general feature of Japanese societies, purchasing societies in the majority of cases are combined with other types, the form of purchasing societies combined with credit and marketing in 1921 showing the greatest number. It must be noted that, for the reason already mentioned, the number of purchasing societies (exclusively) include that of co-operative stores; therefore to get at the real figures of such purchasing societies we must deduct the figures for the co-operative stores, e.g. (according to the estimate of Mr. Motoida), eighty-five in 1919. Thus, the number of purchasing societies (exclusively) is a very small fraction, viz. 4 per cent. of the total. The proportion of purchasing societies in all their various forms, in relation to all other societies in Japan

* This and the following tables are quoted from *The Co-operative Societies of Japan* (in English), 1921, and *Sangyō-Kumiai Ichiran* (Statistics of Co-operative Societies), 1922, issued by the Ministry of Agriculture and Commerce.

in 1919, was 69·9 per cent. As pointed out above, purchasing societies, from necessity, are carried on in conjunction with other types; the function of co-operative purchasing in such societies is of far greater importance. Of the total number of 9,161 purchasing societies, 4,648 were estimated in the Government report for 1920 as organized principally for co-operative purchase, other functions being only of secondary importance.

Of these 4,648, 4,523 were agricultural societies, while those concerned with industry, commerce and fishery were 96, 14 and 15 respectively. The predominantly agricultural nature of Japanese purchasing societies may also be judged from the following classification of the occupations of their members in 1918:—

Agriculture	938,791
Industry	41,303
Commerce	52,613
Fishery	15,962
Forestry	1,144
Miscellaneous	63,508
Total	1,113,321

It will hardly be necessary here again to point out that limited liability is the usual form of liability chosen, and the percentage of this liability, as against the two other forms, is on the increase, as the following figures for purchasing societies (exclusively) for the last few years will show:—

Year.	Limited Liability.	Unlimited Liability.	Liability limited by Guarantee.
1903	59	64	5
1905	128	129	6
1910	524	238	10
1914	455	140	5
1915	409	121	6
1916	366	76	6
1917	336	72	6
1918	350	56	7
1919	405	44	7

The following tables may be useful as showing the progress of membership, the amount of capital and the volume of business done, etc., by purchasing societies of all types.

THE INCREASE OF CAPITAL OF PURCHASING SOCIETIES.

Year.	No. of Societies which sent in Reports.	No. of Members.	Average No. of Members per Society.	Capital.		Average amount of capital per Member.	
				Subscribed.	Paid-up.	Subscribed.	Paid-up.
				Y.	Y.	Y	Y.
1904	129	7,160	56	?	56,776	?	7·92
1905	164	13,605	83	?	110,458	?	8·12
1910	2,932	320,633	109	?	3,035,092	?	9·46
1913	5,970	691,363	116	13,491,993	8,668,207	19·51	12·53
1914	6,442	776,627	121	15,214,885	10,440,405	19·59	13·44
1915	6,732	830,603	123	16,539,161	11,856,189	19·91	14·27
1916	6,863	865,917	126	17,984,431	13,214,855	20·76	15·28
1917	7,157	956,632	134	20,333,881	15,189,005	21·25	15·87
1918	7,452	1,113,321	149	26,946,316	18,493,227	24·20	16·61

THE AMOUNT OF BUSINESS DONE BY PURCHASING SOCIETIES.

Year.	No. of Societies sending in Reports.	The Amount of Goods Purchased by Societies.		The Amount of Goods sold to Members.			
		Total.	Average per Society.	Total.	Average per Society.	No. of Members.	Average per Member.
		Y.	Y.	Y.	Y.	Y.	Y.
1904	129	155,007	1,201	?	?	?	?
1905	164	506,675	3,089	?	?	?	?
1910	2,932	7,461,130	2,544	?	?	?	?
1913	5,470	24,621,693	4,124	25,041,532	4,194	691,363	36·22
1914	6,442	23,336,260	3,622	21,391,985	3,320	776,627	27·54
1915	6,732	27,549,914	4,092	28,312,753	4,205	830,603	34·08
1916	6,863	32,865,072	4,793	33,814,481	4,927	865,917	39·05
1917	7,157	53,361,492	7,455	51,306,617	7,168	956,632	53·63
1918	7,452	78,235,842	10,498	77,940,316	10,461	1,113,321	70·00

The various articles handled by these societies (viz. 5,806 societies sending in detailed reports for 1918) were as follows (fertilizers being the most important):—

Fertilizers	Y23,773,286
Lime	171,311
Other chemicals	1,843,233
Silk-worm eggs	55,903
Various implements for cocoon culture	155,833
Fishing implements	59,907
Agricultural implements	129,274
Young plants	159,820
Miscellaneous	29,711,892

Purchasing societies sometimes supply to their members the necessaries of life, i.e. they act in the capacity of co-operative stores.* Commodities supplied to members for their domestic consumption amount to a fairly large sum, especially in agricultural societies (about one quarter of the total purchases). If we dissect the whole survey we find that in 1919, in 1,545 agricultural purchasing societies, the sale of articles for domestic consumption exceeds that of agricultural requirements, so that these societies really function more as consumers' societies proper. The total value of commodities for domestic consumption purchased in 5,494 societies (including a very small number of co-operative stores proper) in 1918 amounted to Y21,879,567, including the following :—

Rice	Y8,029,509	Charcoal	Y771,939
Wheat and barley	240,960	Fish	259,611
Other cereals	396,359	Petroleum	596,329
Salt	907,994	Preserved provisions	336,618
Sake	2,738,747	*Geta* (wooden clogs)	202,824
Miso	169,707	Paper	133,118
Soy	669,849	Kitchen-utensils	368,141
Sugar	622,860	Fancy goods	419,941

Next we must examine the federations of purchasing societies in their various forms. From 1910 they showed the following progress in number :—

* "It happens, indeed, in some cases that an agricultural supply society deals in general provisions as well as in raw materials, but this department is always a later adjunct, never the *raison d'être*. Whereas the town store represents for its members the sum total of Co-operation, the agricultural society, whatever it may supply, is but one point, generally the starting-point, in a series of co-operations in the direction of production and sale." (*Co-operation at Home and Abroad*, by C. R. Fay, p. 135.)

THE DEVELOPMENT OF FEDERATIONS OF PURCHASING SOCIETIES.

Year.	Federations of Purchasing Societies (exclusively).	Federations of Marketing and Purchasing Societies.	Federations of Credit and Purchasing Societies.	Federations of Credit, Marketing and Purchasing Societies.	Federations of Credit, Purchasing and Machinery Societies.	Federations of Credit, Marketing, Purchasing and Machinery Societies.
1910 .	—	—	1	3	—	1
1911 .	—	—	4	4	—	1
1912 .	1	1	5	7	—	1
1913 .	3	2	10	12	—	1
1914 .	6	2	10	13	—	1
1915 .	5	6	10	13	—	1
1916 .	6	7	11	14	—	1
1917 .	7	11	11	16	—	1
1918 .	8	16	12	16	—	2
1919 .	17	27	12	18		2
1921 .	29	53	18	31	1	2

From this table we see that during the four years from 1918 to 1921 the formation of new federations was greatly on the increase. One federation of credit, purchasing and machinery societies, the existence of which had hitherto never been recorded, made its appearance in the list. The total number of these federations was 36·6 per cent. of all the federations of co-operative societies in existence in Japan in 1919, and most of them were limited in liability. The business done by these federations showed the following progress in recent years :—

THE PROGRESS OF BUSINESS DONE BY FEDERATIONS OF PURCHASING SOCIETIES.

Year.	No. of Federations which sent in Reports.	Amount of Purchases.	Average per Federation.	No. of Constituent Societies.	Amount of Purchases per Society.
1912	14	Y126,899	Y9,064	290	Y437
1913	25	119,263	4,770	579	205
1914	29	260,841	8,994	866	301
1915	36	357,957	9,943	1,103	324
1916	39	565,294	14,492	1,369	412
1917	44	1,295,259	29,437	1,627	792
1918	51	3,878,101	76,041	1,922	2,017

Finally, I must draw the reader's attention to the fact that a project for the establishment of a central federation, organized by all the purchasing societies * and their federations throughout Japan, is nearing consummation. According to the report of the Special Investigation Committee, the outline of this organization is as follows :—

1. The liability of this central federation of purchasing societies to be limited and its area to extend over the whole of Japan.

2. The nominal amount of one share to be Y500, of which Y100 is to be paid up immediately, and the payment of the remainder to be completed within four years.

3. The object of this federation to be the supplying of federations and unit purchasing societies with the industrial and domestic requirements of members. As necessity arises, such federation may undertake part or whole productive processes.

If this project is realized, no doubt the efficiency of purchasing societies will be greatly increased.

§ 3. The Operations of Purchasing Societies.†

Purchasing societies of producers are in most cases carried on in conjunction with (or rather, in many cases, as a subsidiary part of) other types of societies ; and there is nothing noteworthy to recount of this form of Co-operation, as is in the case of marketing societies. Purchasing societies have all the same object, viz. to reap the benefits of collective purchase, thus enabling the members to buy, through their societies, articles of good quality at a cheaper price than is possible without Co-operation, and rendering them independent of the machinations of unscrupulous manure-dealers and other middlemen. Generally speaking, the management of purchasing societies is less difficult than that of marketing societies, because societies purchase only such goods as are in demand by their members. Any residue left on hand cannot amount to much, and will be easily disposed of.

* These purchasing societies include co-operative stores.

† The details in this section are mainly culled from *Yūryō Sangyō-Kumiai Jirei*, 1920 (Examples of Efficient Societies), compiled by the Ministry of Agriculture and Commerce, which includes particulars of fifty-eight efficient purchasing societies. These facts and figures may be safely taken to apply to all purchasing societies.

But the loyalty of members and the honesty and efficiency of officials are essential for the success of co-operative purchasing.

In order to encourage the loyalty of members * many inducements are offered, for example :—

At the beginning of the New Year, prizes are awarded proportionately to the amount of goods purchased during the preceding year; money prizes are given as an encouragement; savings coupons are issued, and such disloyal members as resell to non-members goods which they have obtained at a cheaper rate through the society are, in most cases, expelled with the consent of the General Meeting. If the offence is not a serious one, the distribution of goods to such disloyal members may be suspended for a certain period, say one year; or a certain percentage, say 10 per cent., is added as a fine on the amount of goods purchased by such offenders, or their credit-limit is lowered.

Below I shall describe the mode of operation obtaining in Japanese purchasing societies, from the purchase of goods to the final distribution of same among members.

1. *The purchase of goods.* The society may make its purchases on the actual orders received from members, or the society may purchase for stock at its discretion. The former method is followed mostly in the case of purchases of raw material and other things necessary for industry, and the latter in the case of domestic necessities (such as foodstuffs, clothing, etc.). When societies are federated they may purchase from their own federation. There seems to be no fixed rule binding unit societies to purchase from their federation, and the Government report is very vague on this point stating that such purchases range between 3 per cent. to 100 per cent. When purchasing societies are federated for the purpose of buying goods at cheaper rates, the loyalty of each society to the federation is no less necessary than that of the individual members to the society, and without this the success of the federation

* "In Germany many purchasing societies have introduced regulations binding all members to purchase either all their agricultural requisites, or all of certain kinds, through their societies, but such compulsion is by no means universal." (Cahill's report on German Agricultural Co-operation, p. 169.)

cannot be expected.* When societies, not belonging to any federation, or for some other reason, purchase from ordinary wholesalers, the selection of such wholesalers in most cases rests with the board of directors, or sometimes it is decided by tender from merchants. The price to be paid is usually decided by the board of directors or by the managing director. Sometimes as regards the purchase of domestic necessities a certain purveyor is appointed for a definite period. In such cases merchants grant a certain rebate. The goods thus purchased are mostly delivered at the nearest railway station,† and payment generally is made on delivery, but sometimes after one week, or one month, or sometimes even only twice a year.‡

2. *The storage of goods.* The necessity of storing goods is not acute in the case of purchasing societies.§ In the case of marketing societies a warehouse is necessary to store goods until a favourable opportunity for sale arrives. But, in the case of purchasing societies, no great inconvenience is caused to members if they are required to accept the goods ordered straight from the place of delivery. As a matter of fact, goods purchased usually are stored in the society's warehouse, or at the office of the society; sometimes in the warehouse of the forwarding agent, or of the wholesale merchants, or of the federation, or of the association of landowners in the locality. Sometimes a warehouse is specially hired for this purpose.

3. *The part or whole manufacture of goods purchased before distribution among members.* Purchasing societies may, as such, partly manufacture goods up to a certain degree in order to enhance their value to members. The recently

* Cf. Cahill, *op. cit.*, p. 176.

† The following methods of delivery are also current:—
1. At society's office.
2. At forwarding agents'.
3. On rail.
4. Ex wharf.
5. Ex warehouse.
6. Ex ship.

‡ Sometimes part-payment of 20 per cent. is made in advance, and the balance settled on delivery. Again, sometimes the whole invoice amount is paid in advance where the vendor is known to be reliable.

§ Cf. Fay, *op. cit.*, p. 136.

revised law has widened the scope of business of purchasing societies,* and they may now, as such, carry on the business of manufacturing or production, working upon material either produced by themselves or bought from outside. For example, the society may produce silkworm eggs, or cultivate vegetables for its members' private use, or run a poultry farm and distribute the produce among its members. At present the principal productive processes undertaken by such societies are the manufacture of chemical fertilizers and Japanese *soy*. (A kind of sauce made of beans or peas, used for cooking or as a relish.)

4. *Distribution of goods among members.* A purchasing society has no great need for keeping a "shop," as is the case with a co-operative store proper, for the goods are usually delivered to members at the railway station, or at the society's office.

Government reports furnish no material as to how the prices of goods to be distributed are fixed, but as far as I can ascertain by referring to a Japanese book on this subject† and judging by the practice obtaining in Japanese co-operative stores, prices are fixed somewhere about cost, plus a small percentage to meet the expenses actually incurred by the society, plus a surcharge for overhead expenses; so that the prices thus fixed are generally lower than the current market prices and a little higher than cost price, for co-operative societies deem it more advisable to sell at lower prices than those ruling in the district, than to pay high dividends to members who, being simple farmers, are more impressed by low purchase prices, than by the prospect of dividends on their purchases.

It is illuminating to note that this plan, i.e. low prices, is the rule also in co-operative stores, which would rather point to the fact that the Japanese mind is not yet ripe for the system of dividend on purchase, such as is universally practised all over the world, especially in the English co-operative stores. There may be a few purchasing societies

* They include co-operative stores.

† *Tsūzoku Sangyō-Kumiai* (Elementary Course on Co-operation, by S. Sako, 1914, p. 257).

which sell at the ruling prices, and then distribute their surplus as dividends among members, as is the case in English co-operative stores or German supply societies,* but their number in Japan is exceedingly small.

Some societies sell all their goods to members against cash payment; in some societies all sales are made on credit, and some societies again employ both systems. Of course, the cash payment system is preferable whenever possible, but a strict observance of the rule of cash payment is not so vital, as in the case of co-operative stores. For raw material sold to members is, as a rule, used in the production of goods of higher value, which may themselves be handled by the society. However, various efforts are being made on the part of societies to encourage cash payments. For example, members may receive dividends (or may lay claim to the special reserve fund) in proportion to the amount of purchases made by them; discount is allowed on cash payments; savings coupons corresponding to $\frac{1}{20}$ of the total amount of purchase are issued; members who have purchased against cash for a whole month are given money prizes, in some cases 1 per cent. on purchases.

Nevertheless, in Japanese purchasing societies, as well as in German societies,† sale on credit is fairly widely practised.

* In German supply societies, "prices are fixed by the Committee of Management with the assent of the Board of Supervision. It is usual to add to the total cost price a small percentage to meet expenses of management and to build up a fixed reserve and a working reserve. Many societies, however, charge current prices and at the end of the year, after making suitable appropriations to reserve and for working expenses, divide the surplus among the members in proportion to the value of the goods purchased by each. This method has the advantage of tending to stimulate purchases by the members; and, further, it enables small losses on particular sales to be distributed over the annual business. Many societies pay no other dividend apart from this 'goods dividend'" (Cahill, *op. cit.*, p. 170).

† In German purchasing societies, "members are usually allotted a fixed amount of credit, within the limit of which they may be supplied with goods. Many societies provide in their rules of business that payment must be made within twenty or thirty days from the date of receipt of goods; but a very large number appear to allow payment for most articles to be deferred for three months and, after the lapse of that period, to charge interest at the rate of 5 per cent., or at a higher rate should they happen to be obliged to pay abnormal rates for their own accommodation. To stimulate speedy payment it is a not unusual practice to allow a discount of 1 to 2 per cent. to members settling their accounts within thirty days. The great majority of societies insist upon full settlement within nine months" (Cahill, *op. cit.*, p. 170).

The length of credit ranges between one month and eight months, and a certain rate, say 10 per cent., of interest is charged on such account. When the society allows members to purchase raw material on credit, sometimes a limit for such purchases is set by the society, in conformity with the member's credit limit, or at the discretion of the president, etc.

When goods are sold on credit there arises the question how debts are to be collected and how members are to be penalized for non-payment or delay in payment. The Government report, in answer to these questions, cites the following instances :—

The Methods of Collecting Debts.

(*a*) Officials are dispatched for this purpose.

(*b*) Accounts are rendered to members monthly, or every other month, or twice a year ; and in this manner accounts are collected.

(*c*) The society allows members to pay at harvest time.

(*d*) Debts are settled by deducting the amount of such debts from the proceeds of sale due to the debtor, or from his savings account, etc.

The Treatment of Bad Debts.

(*a*) The member who has failed to pay his debt is expelled from the society by vote at the general meeting.

(*b*) Any distribution of goods to the hamlet to which such member belongs is suspended until payment is made by him!

(*c*) A penalty for default, after the debt is due, is imposed at the rate of 5 per cent. per day, and in such case purchases on credit are suspended for one month ; and each default involves a further suspension for one month. If the default occurs three times, the defaulter is expelled.

(*d*) The member's credit limit is lowered.

(*e*) Purchase on credit or even any distribution of goods is suspended for the following year, etc.

In theory, in well-conducted societies, no goods will remain unsold, but in practice there is usually some residue of goods, and this is disposed of in the following ways :—

(*a*) The residue may be used as lottery prizes at the general meetings.

(*b*) It may be sold by auction.

(*d*) It may be disposed of to the officials.

(*c*) It may be returned to the wholesalers who supplied the goods, according to agreement, etc.

5. *Distribution of profits.* When the society sells goods at cost price or slightly above cost price, as is the case in Japan, and thus endeavours to stimulate the direct interest of members in the purchase of raw material, any surplus is generally applied towards the reserve fund and towards interest on capital, leaving nothing for dividend on purchases. When the practice of sale at the current price is adopted the co-operative principle of division of profit is generally followed. As has been mentioned in the case of marketing societies (i.e. after provision for interest on capital and towards the reserve fund has been made) the surplus is divided among members proportionately to the amount of purchases made; or when such surplus goes to make up a special reserve fund the members can lay claim to it in the same proportion.

Even if a purchasing society does not sell at current prices, but only slightly above actual cost price, and has other departments, such as marketing and/or credit departments, the net profits accruing from these various departments are pooled; therefore, even if the purchasing department of the society can show no profit, the members of the society will, nevertheless, under this pooling system, benefit from the profits of other departments. In such cases the net profit of the society, after making due provision for interest on capital and the reserve fund, is divided in proportion to the degree in which members have made use of their society in its various activities, including the amount of purchases. When such a surplus is paid into the special reserve fund the claim of members to such fund is in like proportion.

§ 4. The Advantages of Purchasing Societies and Obstacles to their Further Development.

The advantages of farmers combining together for purchasing fertilizers, seeds, foodstuffs and other raw material or agricultural requirements are obvious. It is hardly necessary to go into details of how members are enabled by co-operative purchasing of raw materials to

carry on their respective businesses more advantageously, than when no such organization was available. The materials supplied by their societies are usually of vastly superior quality to those supplied by dealers in the locality. Members can obtain their requirements at far lower prices through the economies of co-operative societies, which purchase in bulk either direct from producers or else from large reliable wholesalers; and, moreover, special reduced freight rates may be conceded by the State railway administration, etc. Thus, members are freed from the various abuses of dealers in fertilizers and other commodities. Dishonest methods of these dealers have been exposed in the reports of many purchasing societies, and frequently the establishment of such societies has brought about the complete disappearance of these tricksters from villages.

When purchasing societies are combined with marketing societies, as is often the case, the advantages of co-operation are enormously increased. Members can buy materials of uniform quality at a lower price than that current in the locality, and sell the finished products of uniform quality at a higher price than they are able to do individually. It is not necessary to dwell further on the moral, educational and ethical value of such societies.

However, many purchasing societies have failed, or have experienced the greatest difficulties in management from various causes, such as a sudden fall of prices of materials after purchase; purchasing at abnormally high prices through the lack of necessary capital, thus missing the opportune moment for purchase; through shop-lifting, theft and other unforeseen losses; the abnormal increase of working expenses; bad debts; the opposition of retail dealers; decrease in the purchasing power of members owing to fall of prices of their products; loss arising from the difference between samples sent and the goods actually delivered, and deterioration of goods during storage, etc.; but, above all, most failures have been caused by the inexperience of directors. As we have stated

in the case of marketing societies, commercial education and the training of officials are urgent needs.*

Although it is not necessary to discourage the supplying of members with domestic necessities, as is being done in some parts of Germany,† the system of cash payment must be more widely and strictly adhered to, without having regard to the class of goods supplied, for cash payment is one of the vital conditions for the success of purchasing societies.

* There is one example of a fertilizer society which engaged as managing director a former dealer in this commodity. The society flourished exceedingly by dint of the energy and resource of its managing director, but it was ultimately found that this society became too commercial in spirit, with a resultant loss of the true co-operative principle.

† "The Agricultural Co-operative Union discourages any extension of business in these directions (sale of various household requisites), only favouring it in particular localities when unduly high prices are continuously charged to the population by retail dealers" (Cahill, *op. cit.*, p. 161).

CHAPTER VIII

MACHINERY SOCIETIES

§ 1. The Nature of Machinery Societies.

By the term "machinery society" I mean to convey, as I have done in the previous chapters, such co-operative society as—

(1) either *itself undertakes the manufacturing processes of its members' products.* For example, the erection of a silk-reeling factory for the purpose of reeling silk from the cocoons of its members;

(2) or provides certain premises, plant, or appliances *for the common use of members.* For example, the erection of a silk-reeling factory where members may reel silk themselves.

Therefore, it must be understood that the term as I use it has a wider sense than the term * "machine society."

Notwithstanding this shortcoming, I use this term because the literal translation of the Japanese words "Seisan-Kumiai," i.e. productive society (the term used in the Japanese Co-operative Law before the revision in 1921), "Riyō-Kumiai," or utilization or utility society † (the term used in the revised Co-operative Law) fails to convey the true nature of this type of society, the former being quite misleading to foreign readers (for the term may be misconstrued as meaning the self-governing workshop of the

* For example, Cahill, *op. cit.*, p. 222, describing the object of machine societies, says: "Co-operative machine societies may have as their object the purchase and utilization in common of the agricultural machines, or simply the purchase for immediate sale to their members."

† The English term used in *The Co-operative Societies of Japan*, issued by the Ministry of Agriculture and Commerce, 1921.

French type *), and the latter term, utilization or utility society, failing to convey any definite conception.

I think it advisable here to state in a few words why the Japanese Co-operative Law changed the term, "Productive Society" into "Utilization or Utility Society." The first clause of the law (before 1921) defined the scope of business of a "productive society" as follows: "To undertake the manufacture of members' products or to provide plant (or appliances) necessary for *industry* for the common use of members."

Therefore, this type of society was only allowed to be organized by "associations of producers." However, consequent to the growing demand on the part of "associations of consumers" for taking up the second part of the business of a "productive society," for example, to build houses for members, to provide a public bath for the use of members, or to supply members with electric light, etc., the revision was made both in the name and in the function of the "productive society." Thus, the same section of the first clause now reads as follows: "(The object of the Utilization Society is) to provide premises or plant necessary for industry or economy for the common use of members." As will be seen in the new section, the wording "to undertake manufacture of members' products," has been deleted and the words "necessary for economy" have been inserted for the following reasons:—

1. The sense of the wording, "to undertake the manufacture of members' products," is, so the legislators maintained, already provided for in the words "to provide plant necessary for industry." However, the propriety of such omission is doubtful.

2. The word "economy" (meaning principally domestic economy), was inserted in order to permit associations of consumers to undertake the second part of the business of the "productive society" under the old law.

Consequently, the title of "productive society" was dropped, and that of "utilization society" was adopted in its stead. Thus, as in the case of purchasing societies,

* Productive societies (Produktivgenossenschaften) or self-governing workshops, as they are called, are associations of manual labourers who produce goods and market same in the workshops democratically controlled under directors elected from among themselves.

machinery societies (or utilization societies, as the Japanese law now terms them), include both associations of producers and associations of consumers, with the above mentioned objects respectively.

Here, of course, I deal only with machinery societies organized by *producers* :—

§ 2. The Development and the Present Position of Machinery Societies and Their Federation.

Machinery societies occupy, as regards number, the most insignificant position in the whole movement, machinery societies (exclusively) numbering only 101 at the end of 1921. (There were 2,535 credit societies [excl.], while all other societies totalled 13,770 for the same year.) It is worthy of note that machinery societies first appeared, just as they are in most cases developing at present, as a subsidiary part of the other types of societies,* notably marketing and purchasing societies. The following table will reveal the above-mentioned facts :—

DEVELOPMENT OF MACHINERY SOCIETIES IN THEIR VARIOUS FORMS.†

Year.	Machinery Societies (exclusively).	Marketing and Machinery Societies.	Purchasing and Machinery Societies.	Marketing, Purchasing and Machinery Societies.	Credit and Machinery Societies.	Credit, Marketing and Machinery Societies.	Credit, Purchasing and Machinery Societies.	Credit, Marketing, Purchasing and Machinery Societies.	Total.
1900	—	—	1	1	—	—	—	—	2
1905	38	63	30	47	—	—	—	—	178
1910	78	136	49	222	14	14	26	369	908
1914	143	139	41	242	37	73	46	878	1,599
1915	133	141	37	230	39	90	57	946	1,673
1916	134	127	29	195	53	117	56	1,044	1,755
1917	133	134	25	180	55	158	49	1,111	1,845
1918	127	163	27	170	59	145	57	1,236	1,984
1919	115	157	30	189	63	147	74	1,427	2,202
1921	101	175	38	194	67	155	99	1,892	2,721

* It must be remembered that according to the Japanese Law, machinery societies, as such, are not allowed to market products. For this purpose they must start marketing societies. Nor may they purchase goods except for the common use of their members; they must start purchasing societies if they wish to distribute commodities for the exclusive use of individual members.

† This and the following tables are quoted from the *Co-operative Societies of Japan*, 1921, and *Sangyō-Kumiai Yoran* (Statistics of Co-operative Societies), 1922, issued by the Ministry of Agriculture and Commerce.

In 1919, machinery societies in their various combinations put together formed only 16·8 per cent. of the total of all other societies in Japan.

Most of the machinery societies are incorporated under limited liability as shown below. (These figures apply only to machinery societies [exclusively].) :—

Year.	Limited Liability.	Unlimited Liability.	Liability limited by Guarantee.
1903 . .	9	7	—
1905 . .	21	9	—
1910 . .	56	20	2
1914 . .	125	17	1
1915 . .	117	13	2
1916 . .	117	15	2
1917 . .	118	13	2
1918 . .	112	13	2
1919 . .	101	13	1

The number of members and the amount of capital of machinery societies in their various forms, up to 1918, increased as shown in the table on the next page.

Machinery societies, like other types of societies, are predominantly agricultural in nature. The occupations of members of machinery societies at the end of 1918 were as follows :—

Agriculture	244,256
Industry	9,966
Commerce	11,740
Fishery	2,721
Forestry	145
Miscellaneous	6,626
Total	275,454

Federations of machinery societies (exclusively) did not come into being till the end of 1921. There was only one federation of marketing, purchasing and machinery societies, and there were two federations of credit, marketing,

INCREASE OF THE MEMBERSHIP, CAPITAL, ETC., OF MACHINERY SOCIETIES.

Year	No. of Societies sending in Reports.	No. of Members.	Average No. of Members per Society.	Capital		Average Amount of Capital per Member.		Charges Made.		Fees and Rent for Common Use of Plant.	
				Subscribed.	Paid-up.	Subscribed.	Paid-up.	Total.	Average per Society.	Total.	Average per Society.
1904	31	2,734	88	?	Y25,496	?	Y9·32	?	?	Y1,136	Y36
1905	52	4,325	83	?	48,133	?	11·12	?	?	10,760	206
1910	545	49,590	91	?	567,623	?	11·44	?	?	?	?
1913	1,243	137,032	110	Y2,857,749	1,880,859	Y20·85	13·72	Y116,272	Y93	162,997	131
1914	1,373	159,685	116	3,489,387	2,289,858	21·85	14·34	118,512	86	233,960	170
1915	1,449	173,120	119	3,976,560	2,724,772	22·96	15·73	179,081	123	236,263	163
1916	1,502	191,652	128	4,602,201	3,245,680	24·01	16·93	277,734	184	288,413	192
1917	1,659	229,134	138	5,717,715	4,066,725	24·95	17·74	294,980	177	421,600	254
1918	1,758	275,454	156	8,121,496	5,137,465	46·19	18·65	408,539	232	619,318	352

purchasing and machinery societies at the end of 1921. Therefore, it will not be necessary to go into this matter.

§ 3. Various Kinds of Machinery Societies.

The principle of the machinery society may be applied in various ways, and the nature of the plant and appliances provided by such societies are many and varied, yet we must remember that the characteristics of Japanese agriculture and industry are to a certain extent reflected in the nature of the plant and appliances provided by such societies. I mean that, for example, we have in Japan no threshing-machine societies, nor steam-plough societies such as we find in Germany,* for in Japan the cultivation of rice is carried on in "paddy-fields" (i.e. fields that are kept under water for a certain period of the year), where the steam-plough would be practically useless; and intensive cultivation is universally resorted to.† On the other hand, silk-reeling machinery societies have attained a standard of efficiency unequalled anywhere else in the world.‡

Below I shall describe the principal forms of these societies in Japan, classifying them into :—

1. The first type : machinery societies, which themselves undertake the manufacture of their members' products. (Kakō-Kumiai, to use the Japanese term.)

2. The second type : machinery societies which provide plant and appliances for the common use of their members (Shiyō-Kumiai).

* According to Mr. Cahill, in Germany there were, at the end of 1910, 571 machinery societies, 420 threshing-machine societies, 32 steam-plough societies, 116 other machine societies. Besides the above, in 1908 there were 56 common pasture societies; in 1910, 122 water supply societies, 400 electricity societies. He adds that "a large number of rural credit and supply societies and dairy and corn-selling societies also provide machines for the use of their members." (Cahill, *op. cit.*, p. 222–228.)

† *The Foundations of Japan*, by R. Scott, 1922, pp. 367–8.

‡ Referring to cocoon machinery societies in Europe, C. R. Fay says: "One reads occasionally of a co-operative . . . silk cocoon society . . . which is connected with the cultures of small farmers, but they are too rare and immature to provide matter for analysis." (*Co-operation at Home and Abroad*, p. 178.)

(i.) Machinery Societies which Themselves Undertake the Manufacture of their Members' Products.*

The important societies of this type comprise the following :—

1. Machinery Societies for Drying of Cocoons, for Reeling of Cocoons and for Re-reeling of Silk.

These machinery societies are mostly to be found in those prefectures where the silk industry is flourishing, notably in Gumma, Nagano and Yamanashi, etc. Needless to say, in most cases they are carried on as the productive departments of silk marketing societies. The total amount of charges made by these societies in 1918 amounted to Y180,872.† The operation of these silk machinery societies, which have hardly any parallel in the world, their evolution from the machinery societies of the second type, and the probable effect of such evolution on the constitution of the marketing societies to which such machinery societies belong, have been already fully dealt with in a previous chapter, (pp. 210–4). Here I will make a few supplementary remarks,

* Machinery societies of *this type* have greatly developed in Europe, but are always carried on in conjunction with marketing societies, such as dairies, bacon-curing, vine-growing and distilling societies. On the other hand, "co-operative selling, apart from the sale of produce already co-operatively transformed, is as yet very little developed in Europe," to quote Mr. Fay (*Co-operation at Home and Abroad*, p. 179). By far the most important of all these co-operative marketing and machinery societies, which have flourished in any European countries such as Denmark, Ireland, France, Belgium, Italy, etc., are dairying societies (to give them their English name, for in Japan these would have to be called co-operative marketing and machinery societies of dairy produce). In Denmark, according to Mr. H. Faber, in 1914, there were 1,168 dairying societies, far exceeding the number of similar undertakings carried on on capitalistic lines (the number of private collective dairies being 196, and that of estate dairies sixteen for the same year). In Germany in 1910 there were 3,193 dairying societies. As to the details of these dairying societies and all other marketing and machinery societies (or societies for "co-operative production," as they are sometimes called), see chapters especially devoted to this type of co-operation in Mr. Cahill's report on *Agricultural Credit and Agricultural Co-operation in Germany*, and Mr. Fay's *Co-operation at Home and Abroad*, and also Mr. H. Faber's *Co-operation in Denmark*. The most important marketing societies which have developed in Europe, without the society undertaking manufacture of the members' produce, are corn-selling societies and egg-selling societies, etc.

† Government reports give the figure for charges made without specifying how many societies this figure represents, etc.

There is no other material available by which to judge the importance of such societies in each prefecture beyond the fees charged by societies.

citing one of the machinery societies which form part of the Minamisansha Federation.

In this particular society, sixty basins are employed (another 140 basins being provided for the common use of members). Dried cocoons delivered by members are reeled into silk; after a re-reeling process the silk is transferred to the marketing department for disposal. Depreciation of machinery is met by a special reserve fund, the reserve fund and paid-up shares.

2. Machinery Societies for Polishing Rice and Grinding Barley.

Such societies have developed in twenty-two different prefectures, including Ehime, Chiba, etc. The charges made by all these societies totalled in 1918 Y8,679, charges for Ehime alone being Y1,072, and for Chiba Y1,064.

3. Machinery Societies for Dyeing and Finishing Textile Goods.

Such societies may be found in Nara, Yamanashi, Nagano, Yamagata, Fukui, Tottori, Okayama, Wakayama, Kagawa, Ehime and Oita Prefectures, where weaving is carried on by small producers. The charges made by these societies in 1918 amounted to Y114,576, including Y48,159 for Nara, Y37,901 for Okayama, and Y23,782 for Yamanashi.

4. Other Machinery Societies of the First Type.

Besides those enumerated above there are machinery societies for—

(*a*) Condensing milk.
(*b*) Grinding flour.
(*c*) Packing rice.
(*d*) Crushing bean-oil cake.
(*e*) Refining wheat flour.
(*f*) Making strip or pig iron.
(*g*) Refining rice flour, wheat flour and flour of other cereals.
(*h*) Pulping bark from the trees (Edgeworthia Chrysantha).
(*i*) Twisting silk-thread.
(*j*) Sugar refining and preparing of Katsuobushi (a certain kind of dried fish used for cooking).

(ii.) Machinery Societies of the Second Type.*

These societies, differing from the first type, do not themselves undertake manufacturing business, but provide plant and appliances for the common use of their members. Important machinery societies of this type are as follows :—

1. Silk-reeling Machinery Societies. These societies, as already stated, have developed in silk-producing prefectures such as Gumma, Saitama, Chiba, Yamagata, Kanagawa, Gifu, Fukui, Fukushima, Ishikawa, Okayama, etc. The fees charged in these prefectures in 1918 aggregated Y279,021. It must be remembered that in some cases, especially in Gumma, these machinery societies are carried on in the same building with the first type of silk machinery societies.

2. Land Societies.† In this type of society arable land,

* The types of machinery societies in Germany and other continental countries which occupy as important a position as do silk marketing societies in Japan, are threshing-machine societies and steam-plough societies. It will be interesting, therefore, to give a brief outline of these societies. In Germany 571 machinery societies which purchased agricultural machines for the common use of their members, were known to be in existence in 1910, with a membership of 12,441. The most important of these are threshing-machine societies and steam-plough societies, the former numbering 423, the latter thirty-two in 1910. Other machinery societies, including movable grist mills, straw-pressing machines, drilling, sowing, and weighing machines; grass (meadow) rollers, and for constructing light field railways, etc., were 116 in number. The threshing machine societies are operated in the following way: "Many societies, when the machine is not movable, adopt the plan of giving its use to members according to the date of receipt by the committee of request therefor. But at the beginning of the threshing season many societies only allow members the use of the machine for a proportion of the time stipulated in order to give every member an opportunity to renew his supply of straw. If it is transportable it is arranged that members in the same locality use it consecutively, so as to prevent waste of time and cost involved in transport. The majority of societies purchase transportable machines, but while the machine is transported to the farms of large landholders, the smaller farmers bring their corn to the machine shed." (Cahill, *op. cit.*, pp. 224–5.) Steam-plough societies work similarly to threshing-machine societies.

Besides in Germany, such machinery societies are to be found in Belgium and France. In Belgium, machines are owned by *comices agricoles* and the local leagues, or by special co-operative societies, while in France such machines are owned by syndicates or by their co-operative annexes. The methods of operation are more or less the same, whatever the country and whatever the legal constitution of the society. (*Co-operation at Home and Abroad*, by C. R. Fay, pp. 145–148.)

† Compare with German Common Pasture and Land Purchase and Settlement Societies. The former societies, which in 1908 numbered fifty-six, either rent or purchase land for common pasture; the majority

mulberry fields, waste-land, building sites, ponds for ice-making reservoirs, forests, and fields for "green manuring" are purchased by societies for the common use of their members. The fees for use are calculated usually on the basis of interest on current prices of land. The fees charged by these societies of every description were Y34,484 in 1918. I cannot do better than cite two examples of this type of society, which is gaining ground rapidly in Japan.

One society of this type in Hyōgo Prefecture reports its mode of operation as follows:—This society purchased arable land covering 1·56 *chō* (1 *chō* = 2½ acres) for the common use of members. The fixed capital, including purchase price sunk in this venture, is reported to have been Y6,003. This land is parcelled out among members by ballot. The member who uses his portion of land has to pay in daily or monthly instalments to the society fees corresponding to the interest on the price of his portion of land (such price varying according to location). The money thus paid by each cultivator is placed to his credit in a special deposit account, which is finally applied to the payment of fees; or the farmer in question has to deliver all his rice to the society, which rice is sold by the society. After deducting fees from the proceeds of such sale the rest is retained and placed in his special deposit account. When such deposit reaches the price of his portion of land such land becomes his property.

A further interesting example of land society is reported from Yodomura (village). This society is called the Yodomura Co-operative Credit, Purchasing, and Marketing Society, and was established in 1908. In order to do away

are stated to prefer the latter course. "It is usual to divide the areas into a fixed number of tracts, on each of which, in rotation, the stock grazes for from eight to twelve days. The fees for pasturing depend upon the kind and age of the animals." The latter (Land Purchase and Settlement Societies) have different objects; some erect dwellings on the holdings of members, others purchase land for the establishment of holdings, others afford assistance, financial and advisory, in connection with the building of dwellings or the creation of holdings. Further, in Germany there were in 1910 about 122 water supply societies, which aim at providing districts with a proper water supply. (See Cahill, *op. cit.*, 227–8.)

* See "Green Manuring" in *Note on Agriculture in Japan*, by Nicholson, pp. 64–6.

with frequent disputes occurring between landowners and tenants, a new scheme of cultivation of land in the manner of a machinery society, as already mentioned, was introduced in 1914; as in the case of machinery societies proper, where a member has to pay a fee for the use of machinery, land-cultivation is carried on on a similar basis. Members owning land in the society's area must put at the disposal of the society all such land, for the use of which they receive a fee in kind. Such land is then parcelled out and allocated to members wishing to cultivate same, for which such members must pay a fee, also in kind. Such cultivating members must only cultivate land allocated to them by the society. Such holding of land for cultivation by members may be for quite a limited period. All questions relating to fees payable by, or to, members, the parcelling out of land, the period for which such land is to be held, and so forth, are settled by a committee consisting of eleven landowners, twelve cultivating members, three officials of village agricultural societies, twelve non-members who must be farmers or who are interested in agriculture, or who are patrons of the society. In 1914 there were about 16 *chō* of land (1 *chō* = 2½ acres) under cultivation by the society, and the results seem to give entire satisfaction to all parties concerned. (Described fully in *Sangyō-Kumiai*, or *Co-operation*, No. 203, September, 1922, a periodical issued by the Co-operative Union.)

3. Various Cocoon Machinery Societies. These include the provision of cocoon drying apparatus, drying houses and disinfection apparatus, etc., and all other kinds of appliances and apparatus necessary for cocoon cultivation for the use of their members. The fees charged by these societies in 1918 amounted to Y36,412.

4. There are many other kinds of machinery societies which are to be found in many parts of Japan. Those of importance include :—

(*a*) Cartage and weaving machinery societies.* (The fees in 1916 totalled Y8,099.)

* The classing together of two different industries, such as cartage and weaving machinery societies, seems to be a common failing in the compilation of Japanese statistics.

(*b*) Rice-polishing and barley-grinding societies. (The fees in 1918 totalled Y23,498.)

(*c*) Various storage and warehousing societies (other than rice-granaries). (The fees in 1918 totalled Y8,817.)

(*d*) Societies for the common use of live-stock.* These societies are to be found in Nagasaki, Yamanashi, Nagano, Iwate, Aomori, Shimane, Kagoshima and Hokkaido. Most of them provide bulls for breeding purposes and some provide oxen for cultivating the soil.

5. Miscellaneous Machinery Societies. Besides all those enumerated above, hundreds of miscellaneous machinery societies are to be found here and there all over the country. However, as most of these are of small importance, I need only deal with societies for machinery and for other appliances for common use. There are societies for the following trades and purposes :—

Straw-rope making.	Pottery.
Mat-making.	Silk-twisting.
Calico printing.	Vegetable market.
Chaff-cutting.	Papier maché and papier maché stamping.
Tea manufacturing.	Flour refining.
Water mills.	Charcoal burning.
Electric dynamos, lighting † and electric fans.	Macaroni making.
Milking.	Making crates for apples.
Fishing grounds.	Grass cutting.
Fishing boats and implements.	Yeast-making plant.
Wood sawing.	Knitting.
Dyeing.	Irrigation, pumping, etc.

* In Germany in 1910 there were 262 registered and 3,000 unregistered breeding societies which aim at promoting cattle-breeding within their districts, and State aid has been granted throughout Germany to promote these societies (Cahill, *op. cit.*, p. 226).

† Of late, electricity societies have made remarkable progress in Germany. In 1913 the number of such societies is estimated by Cahill to be from 600 to 700. There are three main groups :—

1. "Electricity producing and distributing societies, with their own power stations and conducting installations.

2. Societies erecting their own conducting installations, but obtaining their supply from others.

3. Societies representing merely combinations of persons to secure electric supply by guaranteeing a minimum purchase of current from producers in order to obtain reduced rates therefor." For further details, see "Electricity Societies," Cahill, *op. cit.*, pp. 218–222.

Further, there are societies for the common use of articles necessary for funerals!

Japan perhaps is unequalled in the numberless varieties of machinery societies. It would no doubt be interesting and even amusing to go into details regarding these multifarious machinery societies. However, as they are, in the aggregate of their operations, not very considerable, and also as it is almost impossible for me at present to collect data, I shall conclude this chapter by adding some remarks on the benefits derived from machinery societies in general.

The benefits of machinery societies are obvious; farmers have the use of expensive machinery and other implements, such as they would not be able to afford to buy, thus enabling them more efficiently to follow their respective work. For example, when the society provides a factory for common use, members can participate in the great advantages which machine-production on a large scale affords.

When such machinery societies function as the subsidiary organizations of marketing and purchasing societies, such as we have seen, the activity and business of these latter will also be immensely benefited and will increase the profits of members.

CHAPTER IX

ASSOCIATIONS OF CONSUMERS

§ 1. Introduction.

As compared with the remarkable development in the last twenty years, of producers' co-operative societies in Japan, the objects of which are to increase the profits of members individually, viz. credit, marketing, purchasing and machinery societies, the progress of the Consumers' Co-operative Movement, organized by consumers as such, has been very slow, and its achievements have been practically nil.

The Co-operative Store* Movement, which originated and has grown to such wonderful dimensions in Great Britain and has spread all over the world,† has had only a faint echo in Japan. Although earnest efforts have been made from time to time, it may be said that the co-operative stores are still at an experimental stage, as was the case with the British co-operative stores until the last quarter of the nineteenth century. Mr. Motoida states in his

* As has been pointed out, the Japanese Co-operative Law classifies co-operative stores and purchasing societies under the same name, therefore one must be very careful in reading the statistics of Japanese Co-operation, otherwise, one may be led to form a false conception. To cite an example, Mr. Totomianz, in his book, *Theorie, Geschichte u. Praxis der Konsumentenorganisation*, 1914, gave the number of Japanese co-operative stores as 792 for 1909; however, most of these were, in fact, purchasing societies of *producers*, and the number of co-operative stores was barely 10.

† The following table, quoted from the English translation of Consumers' Co-operative Societies by C. Gide, 1922 (p. 30), although the statistics are rather old, will show clearly the distribution and the comparative efficiency of co-operative stores in various European countries in 1914. (See next page.)

book* that in 1877 an association for the promotion of co-operative stores was established, and a small shop was actually opened for business; but this association and the store soon disappeared, leaving no trace. This first store has no connection at all with the later development of co-operative stores in Japan. This latter development really begins with the Kyōdōkai Store, which was started in 1901 in the building of the House of Representatives for the purpose of supplying the lower grades of parliamentary officials with the necessaries of life. In 1919 (according to the estimate of Mr. Motoida) there were about eighty-five co-operative stores,† and the total membership of forty-nine societies sending in reports for the same year was 47,000, and the aggregate sales amounted to Y6,500,000. But all of these are of quite recent birth ‡ (i.e. they have been started since the passing of

Country.	Number of Societies.	Number of Members (in thousands).	Proportion per 1,000 Inhabitants.	Turnover (in thousands).
British Isles	1,385	3,054	264	£88,000
Germany	2,375	2,000 (?)	121	28,000 (?)
Russia	13,000	1,500	34	32,000
France	3,261	881	90	12,840
Austria	1,471	423	70	7,200
Italy	2,481	400	43	7,200 (?)
Switzerland	396	276	290	5,240
Denmark	1,560	250	350	6,000
Hungary	1,300	200 (?)	40	3,000
Belgium	205	170	90	1,920
Sweden	608	153	108	2,440
Poland	1,500	120	33	1,680
Holland	135	99	72	1,040
Finland	512	97	120	2,520
Spain	200	40	30	800
Norway	172	39	42	550

* *Shōhi-Kumiai Undōron* (the Co-operative Store Movement), 1921, p. 273.

† *Nihon Rōdōnenkan* (the Japanese Labour Year Book) for 1920, compiled by the Ohara Institute of Social Research, gives the number of stores as 175; but there is not much difference in the number of stores furnishing reports, which are 46, as against 49, given by Mr. Motoida.

‡

The Year of Establishment.	No. of Societies.	The Year of Establishment.	No. of Societies.
1901	1	1912–1915	6
1907	6	1917	4
1908	6	1918	9
1909	2	1919	14

(Motoida, *op. cit.*, p. 274).

the Co-operative Law), being in most cases (about 80 per cent. of the total) organized by civil servants, the salaried employees of joint stock companies and clerks in general. They are not animated by such ideals as the complete elimination of "profit" and "profit-making" from the economic organization, the object being only the immediate benefits derived from collective purchase.

Notwithstanding that the cost of living in Japan has gone up year by year, the causes of such a slow development of co-operative stores are not far to seek. People in general do not realize the benefit to be derived from a combination of consumers. And this is especially so with the rank and file of the labouring class in Japan, which should, as in England, form the backbone of the store movement, but which has been hitherto practically without any organization of its own, and has been content with various kinds of welfare work organized by capitalists: (of course, this state of affairs has greatly changed latterly, as will be shown later, and it is interesting to note that trade unions are now springing up rapidly). In addition to the above, we must name the concerted opposition of retail dealers, who, from fear of losing their trade, have retarded the movement by every possible means.

It appears to me that the Government itself has assumed rather an attitude of indifference towards the development of co-operative stores, while fostering in every possible way the development of associations of producers, of farmers, independent handicraftsmen and small manufacturers. In fact the Government appears to look with especial displeasure upon any organization of the manual labouring class itself.

Thus, until now, there has been no general attention drawn to co-operative stores; and the books written on this movement in Japan are very few in number. Those I have used for the present work are the following three:—

1. *Shōhi-Kumiai Undōron* (The Co-operative Store Movement), by Motoida, 1921. This book (of 323 pages) contains a description of the principles of the co-operative store and of the movement in Great Britain, Germany and Belgium, whilst only a few

pages are devoted to the Japanese Co-operative Store Movement. Nevertheless, it is perhaps at present the best book written in Japanese on this subject.

2. *Nihon Rōdōnenkan* (The Labour Year Book) for 1921, compiled by the Ohara Institute of Social Research. This book gives a complete survey, chiefly by means of statistics, of labour and social problems in Japan; and about sixty pages are devoted to the Co-operative Store Movement in Japan.

3. *Shōhi-Kumiai no Chōsa* (Report of an Inquiry into Co-operative Stores), issued by the Investigation Department of the Tōkio University of Commerce. The investigation was confined to stores in Tōkio, Ōsaka, Kōbe, and Kyōto—all of which are important cities. This report, which was issued in 1910, is therefore older than the two books above mentioned.

I may add here that recently both the actual movement and its study have been exciting much greater interest. Mr. Totomianz's book, *Theorie, Geschichte und Praxis der Konsumentenorganisation*, 1914, and Mrs. Sidney Webb's *The Co-operative Movement in Great Britain* (latest edition, 1920), have been translated into Japanese, and a translation of Mr. and Mrs. Webb's recent work, *The Consumers' Co-operative Movement*, 1921, is already in the press; and, further, several Japanese works on the same subject have been published recently.

As has already been pointed out in the foregoing pages, besides the co-operative stores there is yet another category, organized by consumers as such, and which comes under the provisions of the Japanese Co-operative Law, viz. what I have termed Machinery Societies of Consumers (in order to be uniform in my terminology), such as building societies, electricity societies, public-bath societies, etc. However, building societies and all other societies of this category have come into being only as a result of the recent revision of the Co-operative Law; and the achievements of Japanese Co-operators in this direction are as yet very insignificant.

As Mr. and Mrs. Webb point out,* there are in England

* In England "there is the network of friendly societies, a couple of centuries old, with a present membership running into six or seven millions, for the co-operative supply of sick, funeral and other benefits. There is the great federation of nearly 2,000 working men's clubs with a total membership exceeding half a million, owning or renting land and buildings and managing thousands of premises as social clubs, with reading

still various kinds of voluntary associations of consumers, such as Friendly Societies and Working Men's Clubs, which have made equally remarkable progress there as the co-operative stores, although the two former are usually held to stand outside the organized Co-operative Movement. However, these two organizations are quite unknown in Japan.* Yet we have mutual societies for pilgrimages and holiday tours which are being successfully conducted on the Mujin or on similar systems. Mutual insurance on Co-operative lines is also widely practised.† It will not be necessary to give particulars of many similar types of societies and organizations. In the following pages I shall deal principally with co-operative stores and building societies in Japan.

§ 2. Co-operative Stores.

(i.) Various Types of Co-operative Stores.

The development of co-operative stores in Japan, as already pointed out, cannot be compared with that in Great Britain, Germany or in other European countries. In this branch of Co-operation we have still a great deal to learn from the experience of these countries. The object of the following description of Japanese co-operative stores is not by any means to vaunt the movement in Japan, but only to point out how far the movement has progressed hitherto and also what are the obstacles which stand in the way of its further progress.

rooms and circulating libraries, billiard tables and drinking bars, not to mention some convalescent homes. There are several thousands of building societies, many of them democratically organized mutual associations, which enable their members to buy sites and houses, or to erect homes for their own use."

(*A Constitution for Socialist Commonwealth of Great Britain*, by S. and B. Webb, 1920, p. 4.) See also *The Consumers' Co-operative Movement*, 1921, pp. 406, 407.

* In Japan, there are a number of societies, called Kyōsaikai (or Friendly Societies), the object of which is to grant death, sickness, and accident benefits to members; however, these are a part of welfare work carried on either by capitalists or by the Government. These have no independent being, nor have they any social significance like the English friendly societies.

† Such mutual insurance, however, in Japan is not extended to live-stock insurance, etc., such as we find in Europe and even in India.

The co-operative stores existing at present may be classified, from the standpoint of the class of their members, into five categories :—

(*a*) Co-operative stores open to all classes.

(*b*) Co-operative stores for civil servants.

(*c*) Co-operative stores attached to factories.

(*d*) Co-operative stores for purely manual labourers.

(*e*) Co-operative stores organized on the basis of common religious or social ties.

(*a*) *Co-operative stores open to all classes of people* (but in reality chiefly for civil servants and salaried employees).

The stores of this type were in 1920, according to the investigation made by the Ohara Institute, twenty-three in number, of which the most important are the Kyōdōkai and the Kyōeisha.

(1) The Kyōdōkai Co-operative Store.

The Kyōdōkai Co-operative Store, the first co-operative store in Japan, was started in 1901 at the instance of Mr. T. Tokuda, a minor official in the House of Representatives. He is said to have been inspired by reading a book on people's banks, and he realized the necessity for a savings organization for minor officials. For this purpose he organized a small co-operative store, persuading the officials in several government departments to join. The office of this store was in the building of the House of Representatives. What a striking contrast to the first co-operative store in England, which was started by twenty-eight weavers in Rochdale !

At first this store had no rules, but simply purchased in common what its members needed. Partly because it was located in the Parliament building, and was formed by civil servants, this infant store was able to gain the confidence of the general public, and owing also to the untiring effort of its founder, Mr. Tokuda, the membership grew enormously. Realizing that the store would require his undivided attention, he gave up his post in Parliament and decided to devote the whole of his time to the building up of this store. In 1904 it was registered under the Co-operative Law, and

the membership was recruited, not only from the officials in the House of Representatives, but also from those of the House of Peers and other government departments. In 1909 the society's offices were removed from the Parliament building, and the society launched on its career at its present offices (Iidamachi, Tokio), whilst its doors were opened to all classes. The progress of this pioneer society up to 1919 was as follows :—

Year.	Number of Members.	Amount of Purchases.
1904	596	Y34,234
1906	2,184	230,599
1908	2,403	336,317
1912	2,338	381,037
1914	2,252	295,527
1916	2,259	303,834
1918	2,871	664,217
1919	3,007	875,746

(From the table prepared by Mr. Motoida.)

The majority of the members are still drawn from the official class, and the numbers of those engaged in commerce and industry in 1919 were only 130 and forty-eight respectively. The nominal amount of each share was Y10 from the very beginning; this has never been increased. In 1919 its financial condition was as follows :—

Paid-up shares	Y76,591·44
Reserve fund	35,696·73
Loan capital	79,256·36

The management of the society is vested chiefly in the hands of Mr. Tokuda, who is still acting as president and general manager of the concern. Of course, besides him the society has its directors and auditors (principally drawn from the civil-servant class) and forty officials, with eight factory workers and sixty-four shop assistants.

The society has now five branches in or near Tokio, and a factory for polishing rice and manufacturing *miso* (bean paste) and *soy* (Japanese sauce), and it also owns vehicles and small boats for the delivery of goods.

The chief items of goods supplied by this society in 1919 were :—Rice, Y575,534 (62·7 per cent. of the total sales) ; charcoal, Y53,215 ; *soy*, Y46,369 ; *sake*, Y45,160 ; and miscellaneous household necessities such as *miso*, sugar, *geta* (wooden clogs), stationery, coal, drapery goods and umbrellas, etc.

All goods are sold on credit, while in the ideal co-operative store cash payment is made the rule. The reason given for this credit system is that the society could not otherwise compete with the retail dealers, who readily grant credit to customers. However, to prevent bad debts, the limit of the maximum credit for each member is in proportion to his holding of shares. The accounts are usually collected monthly by collectors of the society. Most of the sales are effected through roundsmen, who visit members' houses every third day to collect orders, and through messengers, who deliver goods ordered from the roundsmen, or by telephone or by letter.* These methods of sale are pretty widely used in Japanese co-operative stores, and they are the greatest obstacles to the progress of distributive Co-operation.

The prices of goods distributed to members are fixed a little lower than those current among retailers. Most of the goods handled by the society are stocked, and some goods are manufactured by the society itself, but milk and meat are supplied by contractors specially appointed by the society.

The net profits are allocated to a fixed dividend on shares (6 per cent.), to the reserve fund and to a special reserve fund. To the last named each member may lay claim proportionately to the amount of his purchases.

(2) The Kyōeisha Co-operative Store.

This store, started in 1902, is also open to the general public, but in reality a large majority of its members belong to the well-to-do business class. The price of one share is Y100 (considerably higher than that of the Kyōdōkai,

* The society, in order to encourage purchase over the counter, allows some discount on such purchases, but so far this has had no visible effect in the way of improvement.

which is Y10). The society had, in 1919, 3,000 members, and the total purchases amounted to Y753,000, or Y1,167 per member. It is strongly capitalistic in tone; for example, the net profit is first allocated to the dividend on shares at the rate of 10 per cent.

(*b*) *The Co-operative Stores open exclusively to Civil Servants.*

The leading society of this type is a co-operative store started in 1904 in the savings sub-section of the Ministry of Finance under the name of the Kawase-chokin-kyoku (Savings-sub-section) Co-operative Store. The chief aim of this society was to provide minor officials with the daily necessaries at low prices. When the great rise in the price-level occurred after the Russo-Japanese War, the business of the society was enlarged, and it was registered in 1909 under the Co-operative Law. At present every one in the service of this sub-section and several other sub-sections of the Ministry of Finance becomes *ipso facto* a member of this store by acceptance of such position. Naturally, the amount of each share is very low, viz. 10 *sen*. The society had in 1909 5,000 members, a paid-up share capital of Y625, and a reserve fund of Y2,841, but had no loan capital.

The management of the society is vested in five directors, and the accounts are supervised by three auditors, all of whom are elected from among high officials. These posts are honorary.

The society has rice-polishing machinery. Goods are purchased over the counter, or may be ordered and delivered at members' houses. Sales both on credit and for cash are allowed, the proportion of the latter to the total sales being in 1919 about 25 per cent. The amount of purchases of members on credit are deducted from their monthly salaries. The goods are supplied at slightly above cost price.

The total of purchases from the society was, in 1919, Y207,063 (Y41 per member). The chief goods supplied were rice (Y81,653), clothing (Y42,290) and fancy goods (Y25,655). The net profits, after provision for the reserve

fund, are distributed among members as bonuses (formerly contributed to the Kyōsaikai, a charitable institution of the department).

(c) *The Co-operative Stores attached to Factories.*

These stores are usually started as part of the welfare work of factory owners or capitalists, and the control is, therefore, always vested in the hands of these capitalists. Representative of this type of societies are the co-operative stores in the Nikko Copper Refinery, the Nippon Steel Works and the Akita Timber Company.

(1) The Nikko Copper Refinery Store (the property of Messrs. Furukawa & Co.) was started in 1907 with a capital of Y250, for the purpose of supplying with daily necessaries residents of the town, which was mainly inhabited by employees of this undertaking. These had formerly been supplied by small retailers at exorbitant profits. This copper refinery itself had previously, as is the case in almost every other Japanese mine and refinery, an institution supplying miners with their domestic wants at a small profit (and sometimes at a loss); but this system is accompanied by many abuses and drawbacks,* so that a co-operative society on the modern plan was started.

During its experimental period the membership comprised only the clerical staff (as distinguished from the miners). The benefits of this store being gradually realized by the miners themselves, they began to apply for membership, until the total membership numbered as many as 400; and it was then that the store was registered under the Co-operative Law. At present this store has a membership of about 1,300, roughly comprising the whole of the clerical staff and other workers of this copper refinery and of all other works run by the same company in the district. In 1919 the paid-up share capital and the reserve fund amounted to Y29,231 and Y12,937 respectively.

As the establishment of this store was first inspired by directors of the company, it is quite natural that its management is still in the hands of officials of the said company.

* This method of supplying employees is manifestly somewhat in the nature of the old fashioned "Truck system."

It will be interesting to note that the general meeting of the store is usually attended by two-thirds of the whole membership, furnishing a rare example in Japan of a lively interest on the part of the members. We might be greatly encouraged by this sign of interest, but for the fact that refreshments are supplied gratis to all those attending! The meeting is most passive in its nature, and rarely is a word of criticism uttered, or a suggestion made regarding the management of the store.

It is a noteworthy fact that in this store the principle of sales over the counter is observed; and on goods delivered at members' houses (a privilege which is only granted to the clerical staff) an extra charge is made. However, sale on credit is prevalent here as in all other Japanese stores. To provide against possible loss through bad debts a credit limit is set to each member (usually 80 per cent. of his monthly salary); and such debts are deducted twice a month from the members' salaries and wages. Goods are usually supplied at a price a little lower than that ruling in the locality. The total purchases in 1919 were Y385,278 (the average per member being Y306), including the sale of rice, *soy*, *sake*, vegetables and 600 other items. In this store, besides 6 per cent. fixed dividends on shares, dividend is paid on purchases.

(2) The co-operative store attached to the Nippon Steel Works, which was inaugurated in 1913, is one of the largest co-operative stores in Japan, having a membership of over 4,000, and total sales of about Y1,350,000.

(3) The store attached to the Akita Timber Company, which was started in 1909, had a membership of 357, and total sales of about Y100,000 in 1919.

These two stores, like the Nikko Copper Refinery Store, are managed and controlled by the companies themselves. The voice of the workmen in their management is negligible, although, in the Akita Store, half the directors and auditors are elected from among workmen and employees of the company.

(*d*) *Co-operative Stores organized exclusively by Manual Labourers.*

There is as yet only one store in existence in the whole

country which has been inaugurated on the initiative of the manual labouring class. The Tsukijima Co-operative Store (in Tokio) was started by forty workmen in 1919, all of whom were members of the Yūaikai Trade Union (the biggest Trade Union in Japan). This store, held in quite a modest-sized hired house, was open for business only after the daily work, and the workers themselves stood behind the counters. As business increased, one of the workers who had been acting as cashier, giving up his post in the factory, devoted himself entirely to the financial welfare of the store. Presently, a branch store was opened in Shiba. At the end of 1919 the membership had increased to 159; but the paid-up share capital amounted only to Y685, the loan capital totalling Y1,150. The sales in 1919 were Y2,819, the chief items sold being *miso, soy*, charcoal, sugar, *sake*, soap, etc. Rice was excluded from the list of goods handled owing to insufficiency of capital, and also for fear of the loss that might arise from the fluctuation in its price.

Cash sales were very small compared with credit sales, as is the case with other stores; but special efforts are being made to encourage cash purchases and purchases over the counter, and the percentages of both are steadily increasing. The net profit, which amounted only to Y1.56, was allocated to the reserve fund. Insignificant as is its progress as yet in comparison with others, this store is most significant as representing a movement *from below, not from above*; and as its members seem to be imbued with a pioneer spirit, this society may prove another Rochdale pioneer society.

(*e*) *The Co-operative Stores organized on the Basis of Common Religious or Social Ties.*

This type includes the co-operative stores organized by Buddhists (such as the Kakusōsha), by ex-soldiers and by members of the Y.M.C.A.

The Kakusōsha Co-operative Store was started in 1918 in Tokio, principally by the priests of a great number of temples and their parishioners. As to the motive for its establishment, the first report of the society, freely translated, reads as follows:—

"Conscious of the crying need of material as well as spiritual salvation, the chief priests of 1,600 temples in Tokio have united in an effort to meet this necessity and are establishing the society in October 1918."

This organization, however, committed a great blunder in starting in too grandiose a way, and the result was a loss of Y5,127 in the first year and of Y8,893 in five months of the second year. Realizing that desperate measures were necessary, a thorough reorganization on more economical lines was undertaken, and great efforts were made to increase the sales, with the result that in the last six months of the second year a profit of Y9,672 was realized. However, the position of the society is none too stable even now; and its ultimate success will greatly depend on a more business-like form of management.

Its membership at the end of 1919 was 3,394, with a paid-up capital of Y40,539, and capital borrowed from outside Y193,500; whilst the amount of each share was Y30. Seven directors, five auditors, an advisory committee of management, and a board of fifty councillors, all of these being drawn from the priest class, constitute the officials of the society; and only the managing directors are salaried. Besides these there are forty-two salesmen and clerks and fifty-two other employees. These, of course, are salaried.

As all goods are delivered on credit to the houses of purchasers by motor- or horse-van, there is no necessity for having a store. The society has five branches in and around Tokio. In this society no provision is made against bad debts, nor is there any purchase limit, the only safeguard relied upon being the honour and reputation of the members. The enrolment of members takes place on the recommendation of the priests. The selling-prices are fixed at figures slightly lower than those ruling in the retail trade at the time. The sales for 1919 totalled Y664,675, including rice (Y507,679), charcoal (Y48,653), *soy* (Y32,649), and *sake* (Y31,683). The net profits, Y778, were devoted to covering the earlier losses.

The year 1920 witnessed a great activity in the formation of new co-operative stores, especially in Osaka and Kobe.

The most noteworthy of these new stores is the Naniwa Co-operative Store, started at the instance of the Osaka prefectural office, with a membership of 5,000 and a paid-up share capital of Y100,000. However, this society is predominantly a middle-class body like the Kyōeisha Store, and we cannot deny the capitalistic tenor in the organization.*

A new store, far more important in nature, is the Kyōekisha Store, inaugurated in October, 1920, in Osaka, by the united efforts of earnest Christian social workers and workpeople in the city, for the purpose of realizing a Kingdom of Love on this earth, a cherished dream of Christians, and to lift the exploited class out of their miserable condition. The society had 1,200 members and a paid-up share capital of Y14,000 at the time of inauguration. The novelty of this society in its operation is that it strictly observes the principle of cash sale over the counter, doing away both with credit and with the common practice of sales through roundsmen.

Another promising store was in progress of formation at the end of 1920. It is hoped that this store, on account of the popularity of its chief promoter, Mr. T. Kagawa, a social reformer and Labour leader, will fulfil the requirements of an ideal workmen's store.

(ii.) General Features of the Japanese Co-operative Stores.

In the preceding pages I have given a detailed account of the Japanese co-operative stores of various types. Taking these and other miscellaneous societies, the general features and their shortcomings may be summarized as under :—

1. Whereas, in Great Britain, the Consumers' Co-operative Movement is a working-class movement, and whereas, in Germany and other European countries, workers' stores are steadily gaining ground, Japanese stores are, in most cases, organized only by civil servants, the professional classes and other salaried brain-workers, the manual labourers'

* As to details of this store, see *Shōhi-Kumiai Undōron* (The Co-operative Store Movement) by Motoida, 1921, p. 298.

stores being few and far between. Further, these Japanese stores were, in most cases, not started with any idea of eliminating "profit," or the eventual realization of the Co-operative Commonwealth, which is the final goal and driving force of the Consumers' Co-operative Movement in Great Britain. In Japan members simply join the society because they can get their household requirements cheaper than from retail dealers. They naturally look upon their society exactly as they did upon their retail dealers, who formerly supplied their needs. Hence, the prevalent practice of sales on credit and of delivery of goods at members' houses.

The reason for this slow progress of co-operative stores in Japan, especially of workers' co-operative stores, has already been explained. The gospel of the co-operative store has been understood only partially by salaried brain workers. Why the agricultural population does not loom large in the co-operative stores proper, as we have already seen, is that their domestic needs are satisfied through their own purchasing societies, which are primarily organized for purchase of agricultural requirements. The foregoing, to a certain extent, explains the smallness of the numbers of members who follow an industry or trade; further, these two categories of members devote thought and energy to increasing their business profit, rather than to any reduction of their household expenditure by joining the co-operative stores.

Most of the co-operative stores in Japan are still centralized in the great cities, such as Tokio, Osaka, Kobe and Kyoto. Tokio, the birthplace of the Consumers' Co-operative Movement in Japan, leads the movement at present.* In this respect, Germany presents the same aspects, co-operative stores flourishing most in large cities.†

* According to the Government report at the end of 1921, the co-operative stores in and around Tokio were 33 in number, with a total membership of 26,881, an aggregate subscribed capital of Y1,089,478, and total sales of Y4,726,110 (the average per member being Y175·81). The co-operative stores in and around Osaka in 1921 were 18, with a total membership of 13,000, an aggregate subscribed capital of Y182,000 and total sales of Y1,573,400 (the average per member being Y121·03).

† "We have noted, in Great Britain, Co-operation, whether measured by membership or by amount of trade or by variety of the services per-

During and after the War, the awakening of manual labourers in Japan was manifested in the great increase of strikes, and in other instances of clamouring for what they held to be justice, and also in the rapid spread of Trade Unionism. Although it is clear that these remarkable labour movements have been instigated by the propaganda of certain agitators, we cannot deny the fact that the Japanese working-class is no longer content with paternal (and sometimes despotic) treatment by employers. And, as we have seen in the preceding pages, the eyes of the working-class are being turned not only towards the formation of trade unions, but also towards the establishment of co-operative stores with the same aim as those of Great Britain and other European countries. Probably in the next few years a number of co-operative stores may spring up as the result of working-class endeavour.

It is interesting to note that the Co-operative Union itself is wakening up to the fact that the quickest way of spreading the idea of co-operative stores is to win over the hearts of the housewives and female members of the households. Of late, a number of women's lectures on co-operative stores have been inaugurated in order to foster the interest of women in the movement.

2. Now, as to details of organization.

The average store membership (according to Mr. Motoida) is 961, and most of the stores (70 per cent.) have a membership under 500. Societies which have a membership of—

Over 1,000	10
From 500 to 1,000	6
„ 300 „ 500	12
„ 100 „ 300	18
Under 100	3

formed, flourishes best, not in the great cities of London, Manchester, Liverpool and Birmingham, but in villages and smaller industrial centres of the mining and manufacturing areas. In Germany, on the other hand, co-operative membership and trade is very largely centred in the great cities, six societies alone—the Co-operative of Breslau, the Hamburg Produktion, the Leipzig Plagwitz, the Co-operative of Berlin, the Eintracht of Essen and the Vorwärts of Dresden—accounting for one-fifth of the total membership, trade and capital of the whole movement." ("The Co-operative Movement," in the special supplement of the *New Statesman*, p. 16.)

The average sales per society (according to Mr. Motoida) in 1919 were Y133,000 and the average sales per member were Y138. The amount of each share varies according to the society as widely as from 10 *sen* to Y100; but in the majority of cases Y5–20 seems to be predominating. Mostly (especially in the case of Y5–20 shares) the share has to be paid for on enrolment, but sometimes it may be paid by instalments. Some societies allocate the dividend on each member's purchase to the paying up of his share, just as is done in the British stores, thus greatly facilitating the completion of payment in full.

Owing to the insufficiency of their working capital, most Japanese stores find it necessary to seek additional capital from outside sources; and, as we have seen in the preceding pages, such loan capital often considerably exceeds their share capital. According to the investigation made by the Tokio University of Commerce, the maximum amount of the loan capital to be borrowed for each business year is estimated by the directors, who obtain the sanction of the shareholders at the general meeting; the directors then borrow the money from ordinary banks in the locality, as occasion demands, within the limit set. Such loans are usually repaid from the profits of the society. However, as the financial condition and reputation of co-operative stores in general is not yet sound enough to gain the full confidence of commercial banks, which, to a certain extent, grant credit facilities to other types of Co-operation, the co-operative stores cannot borrow on such exceptionally favourable conditions as one might expect. They cannot borrow at specially low rates of interest, or without collateral security, nor for repayment by annual instalments. Of course, as I have pointed out in the case of credit societies, the Government has given facilities to co-operative societies by granting loans at low interest through both the central and the provincial hypothec banks. But, so far, this advantage has not yet been extended to the co-operative stores.

A member's holding in the society's property is usually computed as follows:—

(1) A member's holding in the capital is computed in proportion to the amount of his subscribed shares.

(2) A member's holding in the reserve fund is computed cumulatively every year in proportion to the amount of his paid-up shares.

(3) A member's holding in the special reserve fund is computed cumulatively every year in proportion to the amount of his purchases.

When any losses incurred by the society are covered by the reserve fund or special reserve fund, or by both, a member's holding in such funds is proportionately deducted from the amount of his holding at the end of the preceding business year.

3. The management of the society is apparently left to the arbitrary discretion of the directors, and the voice of the rank and file is practically unheard. The stores have, according to the law, a general meeting and sometimes also a delegate meeting (Sōdaikai); but these are merely formal gatherings for giving consent to the reports and to the society's future policy, etc., as prepared by the directors.*

The number of directors and auditors varies according to the size of the store, but the usual number of each is from two to five, the number of the former generally exceeding that of the latter. With a few exceptions these are honorary posts. The auditors, who are supposed to exercise supervision, are usually only figure-heads. Besides these, there are a number of salaried officials and employees, ranging from managers and chiefs of departments, to roundsmen and messengers. It must be remembered that the salaries and wages paid to these officials and workers form the biggest item in the balance sheet. Therefore, the amount of such wages and salaries has a vital relationship

* Even in the English stores, all the members are not necessarily enthusiasts. Mr. and Mrs. Webb write in their book *The Consumers' Co-operative Movement* (p. 12), as follows:—

"There are, of course, both kinds of members in every society—the instructed, earnest propagandist, who attends meetings, joins guilds and works for the good of the cause, and the ordinary man and woman who is not concerned with causes and ideals, but who finds that the co-operative system supplies a want. There is no question that the vast majority of co-operative members still belong to the latter class."

to the prosperity of the society. As to management, we have much to learn from the efficient systems developed in England and Germany.

4. The purpose of organizing stores being merely to buy cheaply, without any lofty ideals, it is no wonder that the methods of business are very far from the ideal co-operative system as practised in other countries, where sales at current prices, cash payment, and dividends on purchases are observed as governing principles.

The principal articles supplied, as we have seen, are rice, charcoal, *soy*, sugar, *sake*, paraffin oil, groceries, green-groceries, and many other household necessities.

Some of these goods are purchased direct from producers, but most of them are supplied by wholesalers in the locality. Production or manufacture by the society itself is limited to rice-polishing and the manufacture of *miso* or *soy*, and most of the societies do not even carry on these processes themselves. When we compare this backward condition with the vast activities of the Co-operative Wholesale Societies in England and Scotland, we realize what a wide disparity there exists, and how far the Japanese co-operative stores have yet to travel. The system of sale at current price is accepted in Japan only in a modified form, i.e. the selling prices are fixed at a little above cost price or a little below current prices, for the Japanese consumers still look to an immediate saving in the price of goods where the co-operative store is concerned.

Sale on credit is universally practised and forms one of the greatest obstacles to the development of co-operative stores in Japan.* Indeed, some societies actually adopted the cash payment system at first, but abandoned it owing to the practical difficulties, such as the competition of retail merchants, and also the confusion in the accounts if both credit and cash sales are carried on together! In con-

* Even in England, the strict observance of cash payment is not universal (see Mr. and Mrs. Webb, *op. cit.*, pp. 291–294).

Besides the lack of ready cash, which is the reason for the prevalence of the credit system, there seems to be in human nature a feeling of gratified pride when we obtain credit, so that rooting out entirely the credit system would be a task of some difficulty.

sequence of the general usage of sale on credit, practically every society sets a purchase limit to each member; but the losses incurred through bad debts and the heavy expenses involved in collecting accounts seem unavoidable.

Another drawback of the Japanese stores, which retards their progress, is the wide employment of roundsmen for collecting orders, and of messengers for the delivery of goods thus ordered. This arises, as well as the universal employment of the credit system, from the insufficient Co-operative training of consumers. Most of them are apt to look upon their stores as they did upon the retailers who formerly supplied them. Some societies appoint special wholesale dealers as contractors, and goods ordered may be delivered direct by these dealers. It is quite clear that this system of appointing special contractors is not in accord with co-operative principles, as it is accompanied by many abuses; * but small stores, which have a limited membership and limited stocks, find it less expensive to employ such merchants, than to deliver goods themselves by their own messengers.

In the Japanese stores sale to non-members is not yet practised as we see it in European countries, owing to the fact that the societies are not yet large enough to make provision for supplying any but their own members.

As to the disposal of profits, the general rule followed is that a certain percentage is allocated to the reserve fund, and a certain fixed percentage (usually 6 per cent.) is devoted to dividend on shares, the remainder being divided between a special reserve fund and dividend on purchases.

However, some co-operative stores do not pay any dividend on purchases; but against that they pay a proportionately higher dividend on shares. Some, again, make a contribution of a portion of their profits to certain charitable institutions, such as are mentioned in connection

* The disadvantages of appointing contractors are as follows :—

1. Any adequate supervision of the messengers employed by contractors, and over the quality and quantity of goods delivered, is difficult.

2. These merchants try to persuade members of the societies to deal with them direct, without intermediary, and offer certain advantages as an inducement.

with the co-operative store of the Savings Sub-section of the Ministry of Finance.

Although a number of co-operative stores are members of federations of other forms of co-operative societies (such as credit or marketing societies, etc.), there is no actual Federation of co-operative stores exclusively, such as the Co-operative Wholesale Societies in Great Britain. The consummation of such a federation seems far distant. The reader is, however, reminded that the project of establishing a central federation of purchasing societies, including co-operative stores, is actually in progress.

§ 3. Machinery Societies of Consumers.

The scope of business of these societies has already been pointed out in the chapter on the same type of societies for producers.

The most important society that comes under this heading under the Co-operative Law is what is called the building society, which has developed admirably in America, Germany and England, etc.

In Japan the shortage of dwelling-houses was most keenly felt after the War, and many deplorable disputes and abuses have arisen in the relationship of landlord and tenant.* The Government (Home Office) has granted each year loans at a low rate of interest to each prefecture, in order to mitigate the housing shortage (for example, in 1920 such Government loans amounted to Y6,263,000); and also the Ministry of Communications has advanced altogether Y1,880,000 to several large cities, where the need of new houses was most acute, from the reserve fund of Industrial Insurance. However, this financial assistance of the Government seems to be only a drop in the ocean; and it is far from meeting the pressing need for dwellings in every part of the country.

Nearly everywhere the local government and private companies have contracted for houses and are projecting further building under various programmes, but still they

* The statistics concerning this and other points, will be found in *Nihon Rōdo Nenkan* (the Labour Year Book) issued by the Ohara Institute (pp. 398–417).

fall short of the ever-increasing demand for dwelling-houses.

In view of the foregoing facts the Government has made new provision for building societies. And indeed such provision was made almost simultaneously (in 1921) by two different Ministries! A bill was brought in by the Ministry of Agriculture and Commerce, and was passed by Parliament, under which the building society is brought within the scope of the Co-operative Law relating to machinery societies; and the Home Office drafted an independent Building Society Act for this purpose, which also became law! There seems to have been some political reasons for nearly the same provisions being made by two different departments at the same time, but it is not necessary to dwell on this here.

The important points of difference between these two legislative measures are as follows:—

1. Whereas the Building Society Act of the Home Office aims at enabling the members of such society finally to obtain houses for themselves, just as so-called *building societies* in America and England, building societies operated under the Co-operative Law (drafted by the Ministry of Agriculture and Commerce) are designed for the purpose of letting houses, which are to be built from the common fund of members, as we see in the case of *Land Development Companies or Societies*, or *Land and Building Societies*, as they are called in England and America (as distinguished from the ordinary building society, which is really in the nature of a credit society for the special purpose of facilitating the purchase or erection of houses by individual members).*

2. As the building society organized under the Co-operative Law may carry on another business, such as collective purchasing, it would be most desirable for such societies to lay out "Garden Cities," whereas the building society regulations of the Home Office confine the societies to erecting houses for their members individually.

* Details of the building society may be found in the following books:—*Unternehmungsformen*, by Liefman, 1921, pp. 167–169; *Handbuch für Baugenossenschaften*, by Adolf Scheidt; *The Housing Problem in England*, by Dewsnup, 1907; *The Housing Problem*, its growth, legislation and procedure, by J. Clarke.

3. Building societies formed under these Home Office regulations are exempt from income tax and local tax; and, further, they may obtain loans from the Government or public corporate bodies, and also may receive special facilities for obtaining building sites; but the building societies under the Co-operative Law have practically the same privileges, i.e. notably the exemption from business and income taxes and registration fees, and can obtain loans at a low rate of interest from the Government.

I am not in a position now to describe in detail the progress of these building societies; it is still too premature to form any opinion of them, still less am I able to ascertain how far they contribute towards the solution of the housing problem. According to the Government report,* 1922, which came to hand just before this book went to press, there were in November, 1921, forty co-operative societies which aimed at providing houses for members. However, most of them were either part of the business of credit societies, viz. they granted loans to members to be used for the building of dwellings, or part of the business of purchasing societies, viz. the societies have houses built for members, the cost of which is refunded by these members in monthly or yearly instalments. Out of a total of forty such societies in 1922 there were only three societies carried on under this new provision of the law (as the business of a machinery society), viz. the building by societies for the purpose of letting houses to members.

As to the activities of other types of machinery societies of consumers, such as societies which aim at providing public baths or the supply of electricity, there is little to be said. However, a steady development of the electricity society may be expected to take place in Japan, where there is much unused hydraulic power from waterfalls and rivers.†

* *Jutaku Kyōkyūni Kwansuru Sangyō-Kumiai Jirei*, 1922 (Examples of Building Societies).

† There is one noteworthy electricity society, styled The Tatsuoka Electricity Society, in Nagano Prefecture, which was started in 1913. This society is carrying on its business very successfully and the benefits derived by producers of cocoons and all the other villagers appear to be incalculable. (For details, see *Sangyō-Kumiai Jitsumu Shishin* (Guide to the Practice of Co-operative Societies), by K. Fujii, 1921, pp. 507–8.

CHAPTER X

REVIEW OF CO-OPERATIVE PROGRESS IN JAPAN

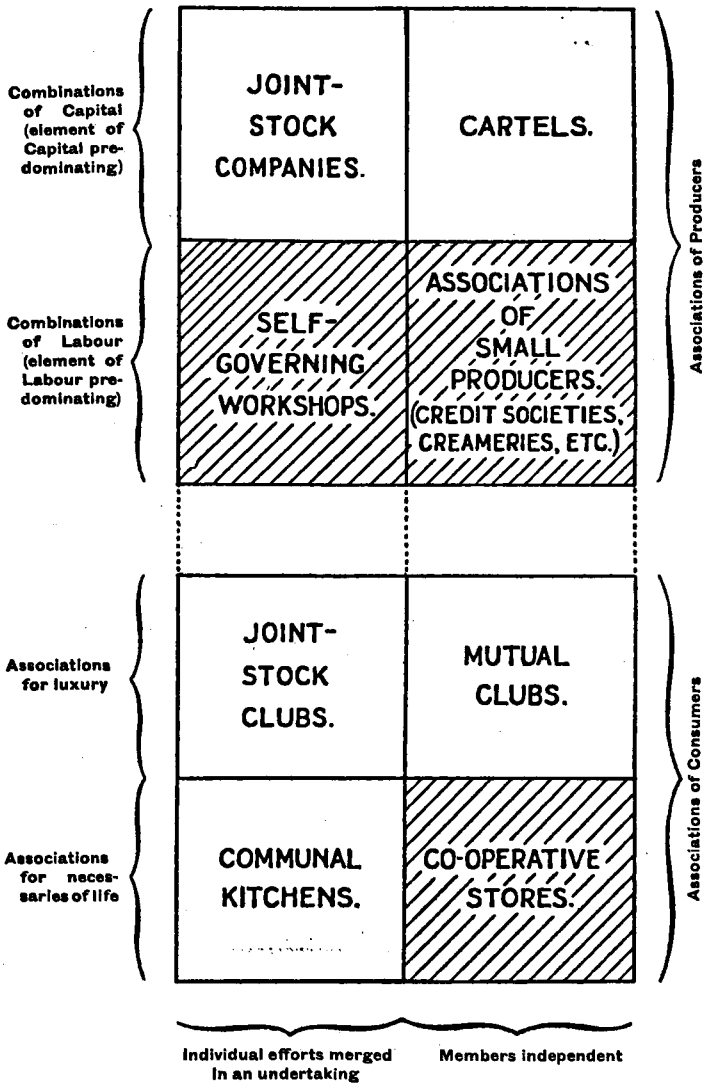
With Special Reference to the Forms of Co-operation Absent from Japan.

If I were to classify broadly all the co-operative societies known to exist in the world, I would do so under the three following headings :—*

1. Associations of small independent producers, who aim at increasing the profits of their individual businesses by organizing such societies.

2. Workers' productive societies, or self-governing workshops, where the workers carry on productive business without an employer, in democratically controlled and

* The difference in nature between various forms of Co-operation and between these and other similar organizations is fully discussed in many European books. For example, Mr. C. R. Fay gives a concise description of these points in *Co-operation at Home and Abroad* (pp. 1–14) and Mr. and Mrs. Sidney Webb point out most clearly the difference between these three categories of co-operation in the *Consumers' Co-operative Movement* (pp. 416–8). For the more elaborate classification of Co-operation, the reader should refer to such books as *Das Genossenschaftswesen in Deutschland*, by W. Wygodzinski, 1910; *Volkswirtschaftliche Theorie der Genossenschaften*, by Eduard Jacob, 1913 (especially pp. 169–212); *Co-operation in Many Lands*, by L. Smith-Gordon and C. O'Brien 1919 (Chapter VII), etc. However, in the author's opinion, the threefold classification shown above is quite sufficient. Overleaf there is a diagram showing the relation between the three categories of co-operation and between these and other similar associations. The author does not present this diagram as, by any means, final.



NOTE.—Shaded parts represent societies known as co-operative societies.

managed factories, for the purpose of making profit collectively.*

3. Associations of consumers, (including co-operative stores, building societies, etc.), which consumers organize as consumers for the purpose of eliminating profit and of bringing about the eventual ownership and control of the instruments of production collectively.

Such co-operative societies as credit societies, creameries,

* It is worthy of note that there is an eminent economist such as R. Liefmann, who maintains that the self-governing workshop is not a type of co-operative society, but a joint-stock company. R. Liefmann says :—

"A strict economic definition of a co-operative society must be in the following terms: Co-operative societies are economic organizations which have for their aim, through the joint carrying on of business, to *further* or *supplement* the domestic or industrial economy of their members" (*Unternehmungsformen*, by R. Liefmann, 1921, pp. 141–2).

The basic condition for this, according to him, is that each individual member, in the case of associations of producers, is an independent producer, and, in the case of associations of consumers, is earning his livelihood independently of his membership.

And thus, "The greater the share of economic activity of which the society relieves the individual member, the nearer the society approaches the condition of a joint-stock company, in that the whole earning activity of the individual member is included. This is the case in so-called productive societies which therefore are really not co-operative societies, but joint-stock companies. The productive society (as distinguished from the production societies) no longer supplements the economy of the individual member, but it is his profit-making enterprise which he carries on with others." (Liefmann, *op. cit.*, pp. 145–6.)

However, such a conception of the self-governing workshop is too arbitrary and would not do justice to its true nature. Although the outward appearance of the self-governing workshop resembles, as Dr. Liefmann says, that of a joint-stock company, i.e. in producing goods collectively for the purpose of marketing the same in the open market at a profit, they are, in fact, fundamentally different from one another. The self-governing workshops are organized and carried on for the object of eliminating the capitalist employer along with the wage system, which is one of the fundamentals of the present capitalistic society, and in the co-operative spirit, viz. "one for all, all for one." Further, they are one of the attempts at social reconstruction on the part of the labouring class. For this reason, these workshops should come within the category of a co-operative society. On this point most economists are agreed.

Such a conception of co-operation arises from the endeavour to include under the one definition, all the existing forms of Co-operation with different objects (although they all have the same principle).

On this point I should like to quote Prof. C. Gide, who says :—

"It is almost impossible to give a precise definition of a co-operative society, on account of the great variety of objects aimed at. In any case, in our opinion, it is impossible to include a consumers' and producers' society under the same definition, because, in spite of the apparent identity of their aims, these aims are really antagonistic. . . ." (The English translation of *Les Sociétés Co-opératives de Consommation*, by C. Gide, 1921, p. 1 footnote.)

marketing societies, etc., belonging to the first category, partake of the nature of both kinds. As associations of producers, they seek to increase their members' individual profits, and yet, by applying the procedure of an association of consumers, viz. by joining together to carry on a certain process for their own use, they eliminate the profit-maker from this process. However, the first object is predominant, and it might be argued that societies under this heading are, therefore, only another form of capitalist or profit-making enterprise, and on this account they do not touch the fundamental basis on which the present economic organization is built. On the other hand, co-operative societies of the other two categories, viz. self-governing workshops and co-operative stores, attack the very basis of capitalism, but from diametrically opposed standpoints—the one from the standpoint of producers, and the other from that of consumers. Both aim at reconstruction of society, but the principle of the former is akin to that of Syndicalism or Guild Socialism, while the principle of the latter is analogous to that of State or Municipal Socialism or Collectivism. We find in England an excellent exponent of the former in Mr. G. D. H. Cole, and brilliant advocates of the latter principle in Mr. and Mrs. Sidney Webb. It is beyond the scope of my book to discuss these two theories at length. As to the efficacy of these theories regarding the State of the future, the reader may judge for himself; there is an abundance of material at present available on this subject. My duty here is, keeping in view this threefold classification, briefly to review the Japanese Co-operative Movement and to point out in what direction our Co-operators have succeeded, and what forms of Co-operation are still absent from Japan.

Those who have carefully followed the foregoing analysis of the Japanese Movement may notice that, up to the present, Japanese Co-operators have succeeded in the field of Co-operation of the first category undoubtedly by reason of the nature of the country and in consequence of the well-defined policy of the Government. Indeed, the co-operative principle has been applied to manifold kinds of industry, primarily in agriculture. As I have sufficiently shown, all

the forms of Co-operation of this type developed in Europe have their corresponding equivalents in Japan, although differing in the degree of success, except the types of societies which mainly depend on geographical conditions or varieties of industries, to which the co-operative principle is applied. I refer to such societies as creameries, or dairy societies, bull clubs, co-operative slaughter-houses, distilleries, bacon-curing societies, etc. We cannot expect the development in Japan of societies, such as are here enumerated, until the demand for the products of these branches of industry becomes considerably greater. This demand is now so limited that even in the commercial world, there is no great effort to develop the trade in these goods.

However, I do not by any means imply that the field of this type of Co-operation is already fully exploited in Japan. There is still ample room for expansion open to our co-operators as regards area, membership and the kinds of industries. There are many industries where Co-operation could be applied and yet has not been applied; there are many villages, towns, counties and prefectures where Co-operation has not been able to penetrate, or has made but little headway. There are many small producers who would be greatly benefited by Co-operation, but who are not yet converted to its principle, especially, as we have seen, the handicraftsman and artisan classes, who still occupy an important position in the national industry, form only a small fraction of the membership of societies taken altogether.* The Co-operative Union would do well to give special consideration to this point and endeavour to promote the welfare of these classes by means of Co-operation,

* Since the war a noteworthy development of various forms of Co-operation for artisans and merchants has been witnessed in Germany, i.e. since 1914, 5,070 such societies have been formed, making a total in 1921 of 8,542, as against 470 in 1900. However, the power and efficiency of these societies in all schemes of Co-operation, when compared to that of agricultural Co-operation, seems as yet to be insignificant. (For detailed account see *Kapitalismus und Mittelstandspolitik*, by Dr. J. Wernicke, Jena, 1922, pp. 402–408.)

The lack of adequate provision of financing organizations for the small artisan and handicraftsman classes in Japan is dealt with at some length in *Kōgyō-Kinyūron* (Financing for Industrialists), by J. Matsuzaki, 1916, pp. 395–418.

as it did in the past for the agricultural population.

While remarkable progress has been attained in associations of producers, achievements in other forms of Co-operation, to which Socialists and social reformers attribute great significance,* have been practically nil, mainly owing to the industrial condition of Japan (using the word "industrial" in a wide sense) and the attitude of the Government towards Co-operation.

In the first chapter, I have already referred to the existence in the past of fishery societies, in which members used fishing boats and nets in common, just as in similar societies that existed at one time in Europe, and I have also given my view that this is an entirely different matter from those workers' productive societies, which were called into existence after modern capitalism had been firmly established. The form of Co-operation that we now know under the name of self-governing workshops is as yet absent from Japan. Below I summarize the reasons already given, explaining why this form of Co-operation was omitted from the co-operative programme of the Japanese Government, the foster parents of the modern Co-operative Movement :—

1. When the Government introduced co-operative societies into Japan, the encouragement of agriculture, and the keeping alive of small peasant proprietors, figured prominently in the programme of the legislators.

2. In view of the relatively small number and comparative insignificance of the wage-earning class, which is the backbone of this form of Co-operation, the Government saw no necessity for making provision for workers' productive societies in the Co-operative Law.

3. Moreover, there may have been a fear on the part of the Government that such working-class organization might lead to the spreading of the socialistic idea in Japan.

However, this does not explain the whole of the question of why this form of Co-operation is absent from Japan, when we remember that in Europe such societies have

* For detailed account of the self-governing workshop movements in various countries, see "Co-operative Production and Profit-sharing," by S. and B. Webb, in the Special Supplement of the *New Statesman*, Feb. 14, 1914; Fay, *op. cit.*, Part III, etc.

originated independently of legislation. Consequent upon the rapid development of large factory production and the great increase of the wage-earning class, Japan is now faced with labour problems, such as we see in Europe. The wage-earning class is being taught by Socialists, economists, writers, journalists and agitators the defects of the present economic organization; naturally this class comes to realize the futility of individual and isolated action, and that their rights can only be claimed by collective action. Hence, Trade Unions, both strong and weak, have sprung up rapidly like mushrooms. Some of the labourers who endeavour to promote their interests by indirect but more steady means, turned their attention towards the formation of co-operative stores, on the model of the Rochdale Pioneers. Lack of space does not permit me to describe in detail the modern aspect of the labour problem in Japan, but it is interesting to note that hardly any attempt has been made by Japanese workers or artisans to start a self-governing workshop on the French model. Japan is rich in small-scale trades, such as printing and bootmaking, to which this principle is applied in other countries. A certain eminent manager of a copper mining company in Japan, during his short visit to London, informed the author (just before these pages went to press) that quite recently, although details are lacking, attempts have been made by working people out of employment to start self-governing workshops in the printing business and lathe work on a small scale; but, without exception, these soon failed. The reason for this failure, as well as the total absence of this form of Co-operation, seems to me that Japanese artisans, especially labourers, have not yet reached, in their intelligence and their training in self-government, a state where they can manage their own affairs without a leader from outside, still less, run such a society requiring the strict internal discipline of the workshop, based on the voluntary obedience of members to a head selected from among themselves; and a society which even the working-class in England, France, etc., which, as a class, on the whole, is far more advanced than our workers, have been unable, with but few exceptions, to carry on successfully.

The above statement is also confirmed by the fact that, as we have seen of co-operative stores, which are decidedly easier to manage, there is as yet only one such store in Japan which is organized purely by the working-class; further, very few Trade Unions, the formation of which has suddenly begun all over the country, are strongly enough organized to fulfil their proper functions.

It is needless to point out that such self-governing workshops are not at all dangerous (?) as the Japanese Government seems to have feared. We find that several European Governments have actually fostered them, and even the Indian Government is said to contemplate the introduction of this movement. However, we cannot expect the rise of such a movement in the near future in Japan, so long as the position of the working-class and the attitude of the Government towards this form of Co-operation remain as they always have been, and considering the utter indifference towards this phase of Co-operation on the part of the Co-operative Union, which is the centre of co-operative intelligence and activity for agricultural co-operation, there seems very little hope at present in this direction.

In this place mention must be made of the labour society, i.e. a modified form of the workers' productive society, known in Italy as "Braccianti," * and in Belgium as

* "The special feature of the Italian movement is the prevalence of 'Labour and Public Service Societies' (Braccianti), dating back from about 1886, which habitually contract to supply organized gangs of workmen, skilled and unskilled, together with the inexpensive implements that they use. Such socieites . . . now exist, as strongly organized bodies of real permanency, to the number of something like a thousand, among stonemasons and bricklayers, navvies and general labourers, stevedores and wharf-labourers, breakers-up of ships, and workmen in the service of the local government authorities, undertaking jobs of paving, cleaning, removal of earth, snow or rubbish, and so on. . . . These societies confine themselves to the execution of definite commissions, on precise specifications. They never 'work for stock,' or produce 'for the market.' . . . It is a distinguishing feature of these 'Labour Contracting Societies,' as we may call them, that they are entirely of working-class origin, and that they remain entirely in the hands of the labourers themselves. They maintain among their members at work the strictest discipline, allowing neither drunkenness nor gambling. They occasionally undertake quite expensive contracts. . . ." (The Special Supplement on Co-operative Production and Profit-sharing, by S. and B. Webb, the *New Statesman*, Feb. 14, 1914, p. 11.) See also Darling, *op. cit.*, Chapter XIV, and Fay, *op. cit.*, pp. 249–254.

"Nations,"* which is as yet unknown in Japan. A similar society applied to transport business in Japan can hardly be classified under this heading; for in this society cargo-hands co-operate with their headman. However, the author's investigation in this field is not final.

As to profit-sharing and co-partnership, which is also a partial application of the principle of the self-governing workshop to capitalist industry, and which is still vigorously urged in England and elsewhere, there is hardly anything to say.† We often hear of the Japanese capitalist factory-owners introducing similar plans into their business; but mostly these are only for demonstrative purposes, having nothing of the genuine nature of their avowed purpose. It is worthy of note that recently in several factories the Works Committee system, or something of this kind, is being gradually adopted to replace the old idea of paternal protection of the labourers.

The achievements of Japanese co-operators in the field of associations of consumers, viz. co-operative stores and building societies, I have fully dealt with, and have also pointed out that friendly societies, working-men's clubs, etc., which belong to the category of co-operation of consumers and which are considerably developed in England, are absent from Japan and therefore no further statement will be necessary here.

* "The Societies of Co-operative labour, known as 'Nations,' are associations of workers for the loading and unloading of ships in port and the handling of their cargoes. . . . There were, in 1910, twenty-seven such associations in the port of Antwerp and two in Ghent: they are very remiss in filing their annual papers, and exact figures for the present time are not available, but the 'Nations' exist and are active, with about 1,000 members. In common, however, with workers' co-operatives in all countries, they are exposed to the danger of becoming selfish and oligarchic. Non-member wage-earners are employed, and the members of certain 'Nations' are little more than petty capitalistic drones." (*Studies in European Co-operation*, by C. F. Strickland, 1922, p. 30.)

† A kind of Co-partnership or Profit-sharing exists in fishery in Japan, where a certain percentage of the net proceeds of the sales is distributed among the fishermen, i.e. the paid employees. A notable example is to be found in the Yakitsumura Co-operative Fishery Society (Shizuoka Prefecture). For details see *Senshō-Gyogyō Kumiai* (Fishery Societies Officially Commended), issued in 1900, by the Ministry of Agriculture and Commerce.

CONCLUSION

In the preceding chapters I have endeavoured to give the first detailed record of Co-operation in Japan—right from its earliest primitive forms to the present day. I have made it my task not only to deal with the modern Co-operative Movement as a part of the social fabric, but also to analyse its internal organization, together with some legal aspects of the societies; and I have commented on all the points of difference which are of special interest to economists the world over. With all modesty I venture to hope that my treatise will furnish economists and Co-operators with a basis for studying more fully the development of the Co-operative Movement in Japan. At the risk of repetition, I will give a summary of the salient points of Co-operation in Japan as compared with other countries:—

1. The modern system of Co-operation, as in the case of India, was imported, in its entirety, from the West. Whereas in England the Co-operative Movement strives to realize Robert Owen's cherished ideal, viz. what may be termed democratic socialism; and whereas in Germany the movement has still a strong colouring of liberalism, as maintained by Schulze-Delitzsch, in Japan, as in the case of India, the movement strives after no such ideal, nor has it any definite party colouring. For in Japan the Co-operative Movement was imposed from above, as a part of a vast programme of the paternal Government. This lack of an ideal is one of the weaknesses of the modern Co-operative Movement in Japan, whereas we find that even in so comparatively primitive an institution as the Hōtokusha it is just this ideal which is its life-giving factor.

2. The primary object of the Government was to assist

small producers; in particular, the small peasant farmers. By reason of centuries of schooling in simple co-operative activities, manifested in the Mujin, the Hotokusha and other organizations of a co-operative nature, as fully described, on the one hand; and on the other, owing to the predominantly agricultural nature of the population, the spread of "Agricultural Co-operation" in the last twenty years has been simply wonderful. Taking into account Japan's comparatively recent entry into the field of agricultural Co-operation, her place, as regards the number of societies, is very important indeed—far more conspicuous than is generally supposed by European students of Co-operation.* However, Co-operative societies for the artisan and merchant classes are as yet very small in number and insignificant in power, as fully described.

3. Of all types of Agricultural Co-operation, credit societies are in Japan the most important, representing more than 80 per cent. of all existing societies. One can say that

* As there is no recent survey available dealing with Agricultural Co-operation throughout the world, I shall here give a table of Agricultural Co-operation by Mr. J. R. Cahill:—

Country.	Number of Persons occupied in Agriculture.	Percentage of such Persons to Total "Occupied" Population.	Total Number of Societies.	Number of Societies per 10,000 such Persons.	Number of Acres of Cultivated Area per Society.
Great Britain	1,508,767	9·2	520	3	28,375
Ireland . .	871,989	44·7	970	11	3,378
Austria . .	8,205,574	60·9	10,575	13	2,531
Belgium . .	697,372	22·7	7,844	55	943
Bulgaria . .	1,739,181	82·6	693	4	13,816
Denmark. .	530,689	48·2	1,220	23	5,287
France . .	8,843,761	42·7	7,200	8	8,226
Germany. .	9,883,287	35·2	26,026	26	3,058
Holland . .	592,774	30·7	1,376	23	1,606
Hungary .	6,055,390	69·7	5,006	8	7,100
Italy . . .	9,666,467	59·4	8,630	9	3,964
Russia . .	18,245,287	58·3	11,192	6	—
Switzerland .	481,649	30·9	5,366	111	—

"The most recent official returns have been taken as regards population and cultivated area: the total number of societies given relates in almost every case to 1911 or 1912." (Cahill, *op. cit.* p. xxxi.)

The total number of co-operative societies in Japan for 1912 was 9,683; practically the whole number may be taken as agricultural co-operative societies.

in Japan, as is the case in Germany and India, credit societies lead the movement, all other forms of Co-operation being more or less subsidiary departments of credit societies, while in Italy, France, Switzerland and Ireland we see other forms of Co-operation standing in a more detached relationship to credit societies. It is a noteworthy fact that in Japan the combination of various activities in one society is very widely adopted, while in some countries (even in Japan in the earlier stage of the movement) such procedure is, or has been, discouraged.

4. The internal organization of the credit societies is the same as that of the Raiffeisen societies in that the sphere of a society is limited to a small area, the value of the shares is relatively low, loans are granted for relatively long periods, the posts of directors and auditors are honorary in principle, the working of the society is simple, and one or more other forms of Co-operation may be combined therewith, etc.; but Japanese societies have no indivisibe reserve fund, such as the "Stiftungsfond" of the Raiffeisen societies, or the Dodai-kin of the Hōtokusha. Further, limited liability is on the whole preferred to unlimited liability in Japan. Finally, the moral elevation is not stressed to the extent in Japanese Co-operative societies as it is in the Raiffeisen societies or in the Hōtokusha.

5. Marketing societies are relatively slow of development as compared with credit societies. This is noticeable in most European countries, yet we find in the United States of America that it is just this type of society that flourishes most, in particular, for grain, fruit, etc. In Japan the most important marketing societies are those for silk and rice. However, purchasing societies for fertilizers and other agricultural requirements are more flourishing than marketing societies and are fast gaining ground. Various endeavours are being made to promote both marketing and purchasing societies side by side with credit societies. Machinery societies are more of a side issue of other forms of Co-operation, even more so than purchasing and marketing societies are of credit societies.

6. The agricultural societies are usually combined into

federations, as is the case in European countries, except in Denmark,* where the independence of local societies is strongly marked. The Japanese federations are formed nearly on the same principle as the unit societies, except that in federations no *individual* members are allowed, and unlimited liability is not permissible by law. The Co-operative Union acts as propaganda headquarters for all co-operative societies. A closer relationship between unit societies and federations is a consummation devoutly to be wished in order to bring about higher efficiency in the movement.

7. The Co-operative Store Movement in Japan is in a very backward condition, and the existing stores have little social significance. In England, as is well known, the Co-operative Store Movement represents nearly the whole Co-operative Movement. England's place in this branch of Co-operation is unrivalled in the world. The Store Movement here is a working-class movement and is considered to be a way to Socialism, in order to realize a state of society in which all instruments of production are communally owned and controlled. When we see that in Germany, Belgium, France and Italy and other European countries where agricultural Co-operation is a force, side by side with the movement of producers there has sprung up a very strong organization of consumers, the slow development of the co-operative stores in Japan cannot be accounted for solely by the large agricultural population. This slow development is decidedly due to the fact that the Japanese people as consumers have not yet awakened to a realization of their own interests, and, above all, to the fact that the Government, to whose energetic propaganda much of the co-operative development is due, has never seriously encouraged the Consumers' Movement. Yet another form of Co-operation of consumers that seems to hang fire in Japan is the building society, which is in such a

* "The local societies form the backbone of the Danish Co-operative Movement. Local societies of the same kind sometimes combine to form Associations, but the independence of the local societies remains unimpaired (Harald Faber, *op. cit.*, p. x).

flourishing condition in the principal European countries, i.e. England, Germany and France, etc.

8. The form of Co-operation entirely absent from Japan is the workers' productive society (or the self-governing workshop), which originated in France and to some extent exists in England, Germany and other continental countries. Nor does there exist in Japan a modified form of self-governing workshop, which in Italy is called "Braccianti," in which a group of labourers, as a body without any employer, enters into contracts with the Government or with private capitalists much on the lines of the self-governing workshops. The absence of these forms of Co-operation from Japan may be said in the main to be due to two factors: firstly, such a workers' society was looked upon askance by the legislators and consequently omitted from the Co-operative Law; and, secondly, the Japanese labourers have not yet reached a position of development enabling them to start such a democratic system, which requires strict discipline and a genuine co-operative spirit among the members.

9 Generally speaking, the Co-operative Movement in Japan has no connection with politics or religion. While in some countries, such as Italy and Belgium, these have caused the splitting up of the movement into several parties, in Japan even all the co-operative stores belong to the same Co-operative Union. However, at some future time, the rise of a strong workers' co-operative store may result in creating quite an independent group of co-operative stores, apart from existing organizations.

10. As a natural result of the movement being encouraged by the State, Japanese Co-operation, on the one hand, has many privileges over other trading organizations; but, on the other hand, it stands under the strict supervision and control of the Government. This state of affairs is not confined to Japan. In every country, where the whole or a part of the movement presents the same aspect as in Japan, i.e. where it is a movement from above, privileges and assistance in some form or other, and in varying degree, are given to co-operative societies, which in turn are then subject to the control of the Government.

No doubt the achievements of Co-operation and of Co-operators in Japan during the last twenty years have proved highly encouraging, and past experience indicates that in the next generation a surprising spread of the movement will be witnessed, not only in a mere increase of figures, but in the steady growth of co-operative efficiency; not only in the domain of associations of producers, but also in associations of consumers.

However, taking the whole movement as it stands to-day, it is no use denying the fact that it has not reached the full efficiency it should have attained, and, as we have seen, there are various obstacles that seem to bar the way of co-operative progress in Japan.

Whatever may be assigned as reasons for the shortcomings of the Co-operative Movement hitherto, and whatever may be suggested as a remedy for these shortcomings, one point is quite clear to the author, i.e. that nothing but the cultivation of the co-operative spirit among members of societies will quicken the co-operative body as a whole and will endue it with that vital energy which is the indispensable driving force of all great movements. Modern Co-operation in Japan is, as it were, a lifeless imitation of the West; for the driving force of the movement did not spring from among the people themselves, but came from the Government, without whose encouragement and benevolent assistance we should not have seen even the present day magnitude of the movement. Constant vigorous propaganda, insistent dinning into the ears of the simple-minded peasants that the modern system of Co-operation was the only remedy for many existing evils, have brought modern Co-operation to its present prosperity. Naturally we find instances where, in consequence of bureaucratic structure, societies are really only co-operative in name: an empty shell possessing nothing of the spirit or efficiency of real Co-operation.

The author does not, by any means, wish to imply that Government assistance to Co-operation is a bad thing in itself. When the system is introduced into what may be termed a new country, such introduction is only possible with the aid of a far-sighted and enlightened Government.

In Japan, Government assistance was, in the first place, directed to propaganda work rather than to the indiscriminate granting of loans and subsidies, which would only tend to degrade such a movement, for when Co-operators begin to rely on State aid the development of true Co-operation, i.e. mutual aid and self-help, is impossible. Look at the wonderful achievements of the British Co-operative Movement! It was a movement unconsciously developed among the working-class without State help, and even in some cases the attitude of the Government was distinctly unfriendly to these societies. This enormous development has been entirely due to the fact that all through, the movement has been enkindled by the co-operative spirit! In Japan, by reason of the inertia brought about by a long reign of feudalism, the people have become used to being governed from above, rather than to governing themselves. Japanese Co-operators should, above all things, endeavour by "a long pull, a strong pull and a pull all together" to cultivate the co-operative spirit among the rank and file of the members, so that the people will eventually lead the legislature and not, as is the case at present, the legislature the people. Only by diligently fostering the Co-operative Spirit, "one for all and all for one," thus producing conscious and responsible citizenship, will it be possible to bring health and vigour into the Co-operative Movement in Japan.

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The Prefectural Office of Gumma: *Yōsan Kumiai Yōran*, 1918 (An Outline of Cocoon Culture Societies).

TABLE SHOWING THE POSITION OF CO-OPERATIVE

Prefectures.	Credit Societies.	Marketing Societies.	Purchasing Societies.	Machinery Societies.	Marketing and Purchasing Societies.	Marketing and Machinery Societies.	Purchasing and Machinery Societies.	Marketing, Purchasing and Machinery Societies.	Credit and Marketing Societies.
1. Hokkaido.	82(1)	8	19	0	28	2	1	7	11
2. Tokio . .	26	1	27	1	6	1	2	2	5
3. Kyoto. .	54	4	19	4	4	1	0	0	1
4. Osaka. .	18(1)	2	23(2)	0	2	0	4	4	0
5. Kanagawa	31	4	18	2	8	0	0	3	12(1)
6. Hyogo .	156(1)	13(1)	8(1)	1	20(2)	35	0	8	1
7. Nagasaki .	27	2	5	0	6	2	0	2	2
8. Niigata .	173(2)	4	13	9	13	11	0	6(1)	6
9. Saitama .	70(1)	9(1)	4	1	3(8)	41	0	5	10
10. Gumma .	55(1)	2	14	26	1	1	0	1	94(3)
11. Chiba . .	181(2)	2	7	0	6	3	0	17	5
12. Ibaragi .	51(1)	3	13	0	12(3)	2	1	2	2
13. Tochiki .	33(1)	2	14	0	8	1	0	1	5
14. Nara . .	74(1)	0	5	1	2(1)	0	4	1	0
15. Mie . .	42(2)	0	6	2	13(1)	1	1	20	1
16. Aichi . .	72(1)	16	25(6)	5	13(6)	2	0	5	0
17. Shizuoka .	78	7	11	3	11	2	1	3	0
18. Yamaguchi	47(1)	1	7(1)	0	3(1)	0	0	2	0
19. Shiga . .	12	0	1	1	6(4)	0	0	1	0
20. Gifu . .	45(1)	15	11	2	13(2)	2	1	0	4
21. Nagano .	27(1)	29(2)	19(1)	5	9	21	2	6	27
22. Miyagi .	39(1)	3	4	1	5	1	1	1	2
23. Fukushima	97(1)	1	12(2)	3	6	4	2	10	6
24. Iwate . .	65(1)	5	9(1)	0	17	3	7	6	1
25. Aomori .	101(1)	0	9	0	22	2	1	13	1
26. Yamagata	72(1)	3	1	1	6	3	0	5	1
27. Akita . .	84	3	12	3	6(1)	1	3	3	3
28. Fukui .	29	1	3	0	1	0	0	1	1
29. Ishikawa .	13(1)	7	2	1	6(1)	0	1	2	1
30. Toyama .	33(1)	4	4(1)	0	9(4)	4	1	0	1
31. Tottori .	45	16	3	0	5	1	0	0	3
32. Shimane .	169	7	10	1	12	1	0	5	0
33. Okayama.	63(1)	4	3	3	10(4)	3	0	11	6
34. Hiroshima	46	9	11	0	6	0	0	5	3
35. Yamaguchi	36(1)	1	3(2)	0	13(6)	0	0	4	1
36. Wakayama	42(1)	19(1)	18(4)	2	17	0	0	4	0
37. Tokushima	14(1)	1	2(1)	0	6	0	1	4	3
38. Kagawa .	44	13	3	1	5	2	2	4	3
39. Ehime .	19(1)	2	5(3)	0	4(3)	4	0	3	0
40. Kochi .	43	7	10	0	12	4	0	4	1
41. Fukuoka .	42(1)	4	22(4)	8	4(3)	1	2	0	2
42. Oita . .	12(1)	4	4	0	3	8	0	0	3
43. Saga . .	16(1)	1(1)	1	1	3(2)	0	0	0	0
44. Kumamoto	21	2	10	1	10	3	0	7	3
45. Miyazaki .	23(1)	2	1	0	3(1)	2	0	2	0
46. Kagoshima	4	8	4	18	1	0	0	2	1
47. Okinawa .	9	0	1	0	1	0	0	2	0
Total . . .	2535(34)	251(6)	436(29)	107	380(53)	175	38	194(1)	232(4)

Note 1.—This table is quoted from *Co-operation*, issued in May, 1922, by the Co-operative Union of Japan.
Note 3.—This table does not include figures for the Mujins or Hōtokushas.

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