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**The Consumers' Co-operative
Movement in Germany**

The Consumers' Co-operative Movement in Germany

BY

DR. THEODOR CASSAU

Translated from the German by
J. F. MILLS

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TRANSLATOR'S PREFACE.

This volume on the Consumers' Co-operative Movement in Germany is of interest for three several reasons. In the first place, it is the first standard work issued in this country which describes the foremost co-operative movement on the continent of Europe. In the second place, the work is more than a description; it, also embraces an explanation, and so partakes of the character of a sociological study as well. And in the third place, it has a practical value as illustrating the national aptitude for organisation embodied in the German co-operative movement, which has seriously tackled the problem of combining democratic rule and co-operative efficiency; and has dealt with the problem on advanced lines. To the translator, at all events, the description of the methods adopted for the purpose of making the whole membership a vital factor in the whole organisation, and also for promoting effective responsibility as regards both management and supervision are of particular interest, as they cannot fail to be also to every reader who realises the outstanding importance of scientific methods for a movement whose avowed aim is the establishment of the Co-operative Commonwealth and the transformation of the old anti-social order.

Furthermore, it is worthy of note that the composition and ideology of every co-operative movement, together with its economic and political environment, are factors which play a determining

part in moulding its character and shaping its destiny, and that in the history of the German movement all these factors stand out in more than ordinary relief, and so it must be accounted as one of the features of the book that it traces not only the origin, growth and development, structure, struggles, and achievements of the movement, but also shows the inward and outward forces which have been at work or at play, and which have moulded it into shape and directed its course.

With regard to the author of this work it is sufficient to state that he possesses the dual advantage of knowing the German movement from within and without, and of having made our own movement his study as well. As editor of the *Konsumgenossenschaftliche Rundschau* (the leading organ of the German movement) in pre-war days, he possessed special facilities for penetrating into the co-operative arcana and acquiring that inside knowledge which is shown in this volume. And as the author of the two German standard works on the respective co-operative movements of Great Britain and Germany he has made his mark. And last, but not least, the objective attitude which is so requisite in an author who deals with an important social movement is betokened by the judgments pronounced in this volume.

In conclusion it may be stated that the inclusion in the present edition of the salient statistics for 1924, brings the figures up to date and affords a basis of comparison with those of earlier years. As regards the financial figures (as far as available) relating to the calendar year 1924, the inclusion is particularly serviceable since these are the figures

for the first complete year of the stabilised currency, that is to say the first substantial figures (in their particular connection) since the ending of the period of abnormal inflation when currency was expressed in figures of such astronomical dimensions that calculation became a mathematical feat and comparison practically impossible.

J. F. MILLS.



AUTHOR'S PREFACE TO THE ENGLISH EDITION.

It is with particular pleasure that I write the preface to the English edition of this book. On the occasion of my first tour of investigation through the British co-operative movement in the year 1913, I was overwhelmed by the business superiority and by the great expansion both of the membership and the volume of trade. When, several months afterwards, as one of the conductors of the tour of investigation undertaken by German co-operators and arranged by the Central Union of German Consumers' Societies, I had the opportunity, along with a hundred experienced German practitioners, of seeing the British societies and the undertakings of the Co-operative Wholesale Society, it was a further pleasure for me to witness the lively interest shown by the German co-operators with regard to all the tokens of the matured and older development of the English co-operative movement. Then, again, in 1914, when I made a tour of investigation through Germany, I had abundant opportunities of converse with those who had taken part in the English tour and learnt, again and again, what a strong impression had been made on them by the English societies.

This superiority is essentially traceable to the fact that the British co-operative movement is of a much older growth. In the fifties of the last century people in Germany had certainly not only

heard of the Rochdale Pioneers but had also made various visits with the object of copying their organisation ; but the economic development of Germany took place from a half to three-quarters of a century later than that of Great Britain, and so, in the German co-operative movement, the great and ardent growth, combined with new ideas and development at a new pace, was experienced only from the year 1895 onwards. Strictly speaking, we had but two decades of tranquil development ; then came the war and the post-war complications, the extent of which can only be imagined with difficulty by foreigners, and which, moreover, have proved to be a source of trouble even in this book. Despite the fact that the German currency has now been stabilised a year and a half, it has been impossible to give really adequate statistics such as the German co-operative movement gives indications of for the last year. And so in this book the English reader will find comparatively little that is new or unknown to him in the sphere of business operations, except, perhaps, in the business organisation internally.

But although the German workers' movement is very much younger than the English, yet it appears to me that it displayed a very timely development in the sphere of organisation—a development which cannot fail to be of interest to every investigator of sociology and social policy. Owing to the general organisational life of the German workers' movement, the German consumers' co-operative movement also presents a series of features which are assuredly of international and universal interest. Here, strange to say, we are concerned with a development which has

not been in the least impaired by the youthfulness of the movement. The German consumers' movement is a part of the great German co-operative movement, and has the same legal bases as the tens of thousands of agricultural co-operative societies, but in its inward life it has little in common with the co-operative societies of the peasant farmers and of the urban industrial middle class. This inward life is based on the specific character of the German workers' movement as a political and trade union force. And so, it would appear, that in the year 1913, the German consumers' co-operative societies which gratefully derived incentives from England, had also something to bestow on their part.

As for me, having not only had the most enjoyable time of my life in England, but also being indebted to the English co-operative and trade union movements for innumerable incentives, it is a particular gratification to be able to give a description of foreign achievement to British co-operators in return for the incentives and the tokens of friendship of which I have been the recipient—a description which, I trust, will also afford incentives to them in the sphere of co-operative organisation.

Despite all international arrangements, despite all international relations, the knowledge possessed by the rank and file throughout the whole co-operative world with regard to neighbouring countries with a different language is still very limited. Recognition and appreciation of the specific character of other countries—recognition and appreciation based on a good knowledge of the movement to which the individual heart is attached,

constitute, however, one of the most important means of combating international friction and misunderstandings. Therefore I commit this book to the English public and the English co-operative world, not only as a token of gratitude, but also in the hope of having facilitated the approach to a mutual understanding between England and Germany in one domain at least.

THEODOR CASSAU.

May, 1925.



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HISTORICAL INTRODUCTION.

As regards its scope, this historical introduction can in no way claim to be designed as a history of the German consumers' co-operative movement; the less so, as eight years of other professional work intervened between the actual task of historical research and the writing of the book, and the time for a history of the consumers' co-operative movement was by no means at the author's disposal. What is to be delineated herewith is the broad line of development which is absolutely essential for the comprehension and for the critical judgment of what is in being. Hence, the introduction will present no new facts and will, in no wise, go beyond the historical expositions given heretofore, but will aim at tracing the course of development as concisely as possible.

ECONOMIC AND INTELLECTUAL FOUNDATIONS OF THE MOVEMENT.

Industrial development in Germany began only about the middle of the nineteenth century. In the year 1843 Prussia was, essentially, still an agricultural State. In the years that followed, the sufferings and lamentations of the workers hard pressed by industry began, and in the fifties the basis of the present industrial State was laid. The sixties witnessed the rise of a working-class movement, first of all in connection with the contemporary political currents—a movement which speedily embraced one and ultimately two independent working-class parties, viz., the Lassallean party and the Eisenach party.

At that period four names were associated with the formation of consumers' co-operative societies, namely, those of Victor A. Huber, Hermann Schultze-Delitzsch, Eduard Pfeiffer, and Ferdinand Lassalle.

Victor A. Huber was a university professor, in character deeply religious, and a conservative at the bottom, but a man who took a strong interest in social questions. In matters pertaining to co-operation he had the advantage of being able to speak from his own personal observations, for he had travelled over the western European States, and in numerous periodical articles had described what he had seen and what he had subsequently learnt from the store of information derived from literary sources. Huber was a clever, sagacious person, but one who completely lacked touch with the workers. His theoretical works were not very lucid, let alone popular, and the relations between this deeply religious and socially conservative man and a working class which, in general, had only just begun to reflect and to read, could not possibly have been more restricted. Amongst German co-operative authors Huber is perhaps one of the least read, although his name is mentioned in every historical account and even in the barest attempt at such.

Of a type altogether different from Huber was Hermann Schultze-Delitzsch, who, in the year 1849, at the age of 41, began with practical work and soon also developed into an effective writer. He commenced co-operative work after being a member of the Prussian National Assembly and after collaborating in numerous Liberal arrangements for many years. In conformity with his development throughout, he was a politician and organiser whose mind was focussed on the small man.

For a time people were wont to contrast the old and the young Schultze and to show what his primary co-operative theory was, with the aid of quotations from his writings. In this regard, a few facts may be stated to begin with. When Schultze began his co-operative work he was over 40 years of age. For years he had been actively engaged as a Radical politician. Schmoller says that he was more a man of the public meeting than a representative of his party in Parliament, and that he was still more a practical man

with a strong bent for writing and speaking than a theorist. Consequently one ought not to analyse the quotations or cite the passages from the apex of his system, but to read the most important writings of Schultze in their context. Then there emerges the following picture. A warm-hearted man grown to maturity in a small provincial town and in provincial circumstances. He sees the effects of the economic revolution. He is a Liberal in outlook and opposed to craft guilds, and stands for free play for the faculties, and yet does not belong to the Manchester school. Brilliant practician in organisation as he was, he felt, perhaps instinctively, the importance of people creating and acquiring for themselves, and the danger of subsidies and tutelage to every movement of the masses; but he never saw, as Schmoller (Schmoller's Year Book, 1884, page 606) in his notice particularly points out, the wide difference in principle between himself and the economic individualists, and never saw what was specifically socialistic in the co-operative movement, and hence found nothing to appreciate either in Lassalle on the one hand or in the Prussian State on the other. Schultze saw large scale enterprise in the ascendant, but he only saw half of its social effects and did not understand the real interests of the workers. He saw quite correctly that the effects of free competition cannot be eradicated by any State measures, but he failed to see the necessity on that account of the sellers of labour power combining together, and he looked to the strengthening of their capital basis as a means of salvation, and thus devoted himself to a typical craftsman's policy but not a Labour policy. Thus he was at work for one or two decades already before the first German trade unions were founded, but he was lacking in economic and theoretic training. His expedients, however, included, *inter alia*, co-operative societies which, in his book on Association, are dealt with after sick funds, and much more briefly. In view of all this, it is wrong to try now to make out, from a couple of expressions torn from their context, that consumers' societies

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are a matter of importance in the Schultzean co-operative scheme. He did not see things correctly at the outset, but the development of his movement into the credit co-operative movement was absolutely logical and, anyway, may be said to have astonished clearer-sighted contemporaries (such as Friedrich Albert Lange) least of all.

Notwithstanding all his limitations Schultze-Delitzsch was a most significant phenomenon, and a direct comparison with the Christian Socialists in England, who worked at the same tasks and about the same time as he, shows that very clearly. Each of the five men—Kingsley, Maurice, Hughes, Vansittart Neale, and Ludlow—was more important perhaps, as a theorist, than Schultze, and yet they carried on a tragic struggle against developments, whereas Schultze, with his inferior theoretical training and knowledge attained infinitely greater practical results. In the comparisons made between Lassalle and Schultze there is a propensity to emphasise Lassalle's superiority as a theorist. No doubt Schultze's politico-economic knowledge was derived from inadequate sources (Bastiat) with inadequate means, but in the controversy with Lassalle concerning the consumers' societies Schultze showed a far deeper and better discernment in every respect than his opponent. Without exaggeration, it may be said that, if Schultze is viewed critically, his great positive achievements and merits will be recognised, and that it will clearly be seen that the consumers' co-operative society never meant anything essential to him, and also that he could never turn aside from it, because from the very beginning his relations thereto were too slight.

Eduard Pfeiffer, the great South German leader of the consumers' co-operative movement during the sixties, stands midway between Huber and Schultze-Delitzsch. Like Huber he possessed extensive knowledge as well as experience of foreign countries. But in contrast with Huber he was, like Schultze, a practical man, a founder and leader, but despite this happy combination of practical capacity and theoretical

knowledge, and notwithstanding the capacity to give eloquent expression to his large-spirited train of thought on social policy, which was not at all focussed on superior beneficence, the part he played in the movement was of brief duration. For a proletarian consumers' co-operative movement there was no basis, and a support in the matter of party adherents and so forth he had not, except, perhaps, amongst the opponents of the powerful and leading circle connected with Schultze-Delitzsch.

This lack of interest on the part of the workers was not eventually the fault of the political development of the sixties, which was determined by Ferdinand Lassalle. Pointing to the iron law of wages, he discarded the consumers' co-operative societies in principle; for him the large productive co-operative society, with State credit, engaged in industrial operations on an extensive scale, was the goal. With his foundation of the General German Workers' Union, German social democracy began; it took hold of that part of the working class which was capable of organisation and took possession of the ground which a proletarian consumers' co-operative movement should have occupied, for the Lassalleans were frankly opposed to consumers' co-operation; and political antipathy to the Radicals, who worked in the consumers' co-operative societies, was also a concomitant factor. In the Karl Marxian system consumers' co-operative societies did not figure at all. Thus, in their case, for decades, the working-class basis was lacking; and hence the fact that a couple of working men worked together with craftsmen and doctors in the first consumers' societies is of quite trivial importance. In South Germany, where there was no strong class antagonism, that style of thing could continue in districts inhabited by working-class people of a Liberal tendency. The politically active workers stood aloof from the movement. The Liberal, Schultze-Delitzsch, could hold out against the social democracy with the aid of his party adherents; but the Conservative Huber, and Pfeiffer, the

theorist of consumers' co-operation, could just as little find a basis as Professor Staudinger might perchance have found before the development of co-operation at the end of the last and the beginning of the present century.

THE DEVELOPMENT OF THE CONSUMERS' CO-OPERATIVE SOCIETIES.

Apart from savings-clubs and similar institutions which lie on the border between general welfare and charity, and which have nothing in common with the consumers' co-operative movement, the first indication of evolution of the latter is, perhaps, to be found in the establishment of the "Ermunterung" (Encouragement) Society in Chemnitz in 1845—a small distributive society which, without store and without a manager, undertook the joint purchasing for its private circle of members. Göhre, in his book on "The Workers' Consumers' Co-operative Societies," has portrayed its features. Then, as recorded by Eduard Bernstein, in his "History of the Berlin Workers' Movement," the year 1848 witnessed the founding of all kinds of consumers' societies in Berlin in connection with the Berlin Workers' Fraternisation. The one of most interest was a bread-buying co-operative society. To what extent the co-operative societies for the purchase of clothing and cigars actually existed, cannot, unfortunately, be now ascertained. In Hamburg, in 1852, the "Society for the Distribution of the Necessaries of Life" was founded, and at the same time a small co-operative society was established in Delitzsch, not, however, by Schultze, but by citizens of the town, on the model of the other co-operative societies founded by Schultze. In the years following, more societies were established. But not till the sixties did this foundation work proceed at a somewhat brisker pace. Manual labourers, artisans, and perchance, also, such members of the intellectual strata as generally collaborated in charitable and general welfare endeavour, took part in founding societies. There was a good deal of confused experimenting among them, even

though the handbooks of Pfeiffer, Eugen Richter, and the "Journal for Co-operative Affairs" soon provided a support for the founders. The statistics of the General Union* of German Co-operative Societies began with the year 1864. For this year 97 Schultze-Delitzsch societies were recorded as known, 38 of which, with a total of 7,700 members and a turnover of 800,000 marks, made a statistical return. In 1868 there were over 500 societies, of which, however, only 75, with a collective membership of 33,600 and a turnover of 6,400,000 marks, made a report. In 1871, out of over 800 societies, 147 reported a total of 64,500 members and 13,500,000 marks turnover, and in 1875, out of 1,000 societies, 179, with a collective membership of 98,000 and a turnover of 22,700,000 marks, made a return. In the following years the figures recorded approximately 2,000 societies with 100,000 members and a turnover of 30 million marks.

More particularly in the Kingdom of Saxony of that time, and also in Rhineland-Westphalia, the movement was widely spread.

In the sixties the active part of the working-class took no interest in the consumers' movement, whereas, in the eighties, slight changes became perceptible. The working-class of Saxony, being obstructed in their trade union and political activity by the law concerning Socialism, began to take an interest in the consumers' societies and to join in large numbers, and to found their own societies as well. This, again, was speedily reflected in the proceedings of the General Co-operative Congress at which, in 1884, the crowding of the social-democrats into the societies was already keenly discussed. A result of this more active participation of the workers in the co-operative movement was the establishment, in 1894, of the "Vorwärts" (Forward) Co-operative Union

* *Translator's Note.*—The General Union was a composite Union, embracing credit societies, craftsmen's productive societies, purchasing societies, and consumers' societies, &c., with the credit societies predominating in number.

in Saxony (a Union which played a conspicuous part in the dispute later on) because it was stated, in a preliminary circular, that "the conductors of the existing Unions belong to an out-of-date current." These operations of the social-democrats in Saxony took place without any "red co-operative theory," and arose quite instinctively from the feeling of the masses. That a demand for organisational independence very quickly arose, and that there was no desire for the organising of co-operative societies in concert with the very members of the middle-class with whom an embittered struggle was being waged—all this is quite comprehensible considering the conditions in Saxony. The vehement hostilities carried on against the Saxon societies by members of the middle class then led, for the time being, to a certain mutual approachment between the consumers' societies of all trends, and the fact that the "Vorwärts" Union went and joined the Saxon sub-union (or section) of the General Union was minutely discussed. Moreover, at this period, debates again ensued concerning the activity of the social-democrats in the co-operative societies. But, on the whole, the relations between the practical co-operators and the two political trends were amicable and devoid of friction. The most important outcome of this Saxon movement was the establishment, in 1893, of the Co-operative Wholesale Society, but of which no further notice was taken at first.

Then, in the middle of the nineties, a systematic propaganda by the intellectual ranks began. The pamphlets of Adele Gerhard appeared, Leo Arons and others took up the cause of the co-operative societies, but, at first, without success. The transformation set in only at the close of the old and the beginning of the new century.

Then the foundation of numerous societies took place, and, at the same time, the workers, in those places where consumers' societies already existed, and with which the social-democratic workers had no concern, began to take an interest in these societies and tried to gain an influence on

the management of affairs. Although the German co-operative movement at that period (quite unlike the English movement in its years of storm and stress) had a strong and systematic lead from the editorial department of the Co-operative Wholesale Society and its "Weekly Report," yet both in the formation of new societies and in the conquest of "bourgeois societies," imprudent actions inevitably occurred here and there. The pressure towards the organisation of consumers' co-operative societies began in the working class, all at once, with such spontaneous force, yet also without agitation, that it was quite impossible to keep the movement within bounds everywhere and in all its individual little parts, as the leaders and the calm and experienced co-operators wished. The consequence was that the societies of the General Union became very nervous, a circumstance which led to the adoption of a very critical attitude in general towards the "Hamburg trend." The Co-operative Wholesale and all in connection therewith, now became the object of a great amount of criticism all at once. The leaders of the General Union saw dubious phenomena everywhere but kept silent with regard to the positive characteristics of the Hamburg trend which the practical men of long standing had amply acknowledged beforehand. It may be said that the foundation of the Hamburg Thrift and Co-operative Society "Produktion," which took place at the end of the century, gave the impetus for placing everything on a larger basis altogether. The foundation of this society, in many respects, played a similar rôle in the German movement as the foundation of the Rochdale Pioneers' Society did in England half a century before.

As a result of this development, the General Union of German Co-operative Societies was bound to become nervous by the very character of its composition. It had developed more and more into a Union of credit co-operative societies, which, as an all-embracing Union, included the consumers' co-operative societies among its

members as well, yet, all the same, its adherents largely consisted of small middle-class people, as the large affiliation of the credit co-operative societies showed of itself, whilst, on the other hand, the consumers' co-operative societies were regarded as a subordinate social arrangement. In this respect the statements made by Dr. Crüger, at the Congress of the General Union in 1894, may be considered as typical, and according to these statements there were wide areas in Germany devoid of consumers' societies, because solid retail trade made a development of the consumers' societies impossible. To this spiritual cooping up, a consumers' co-operative movement, such as was arising at that time—a movement which was conscious of being a great social movement and desired to effect a change in the whole economic structure—was bound to be unsympathetic, irrespective as to whether socialists or democrats were active therein. Moreover, a movement, in which the organised social-democratic workers were the leading spirits, was bound to be repugnant to these small middle-class co-operators, although it kept itself quite neutral and nowhere led to a coupling of co-operative societies and political party together, as was the case in Belgium.

Whilst those enlisted in the national social ranks rejoiced at this activity of the working class and in every way tried to support this development, the leaders of the General Union saw only that which tended to separation and not that which made for combination, saw only the shortcomings and not the positive qualities of that which was in a state of growth. In after years a social politician closely connected with the General Union portrayed the criticism directed by the "Journal for Co-operative Affairs" at the "Hamburg trend," as resembling the attitude of the horrified hen running up and down on the bank because the duckling it had hatched had taken to the water, and this portrayal is, perhaps, the best characterisation of the situation about 1900 and after. The old movement understood neither the new co-operators nor the working people in the co-operative societies. It had

become impossible to work together any further, and a solution of the difficulties ought to have taken place somehow. As representatives of both sides met together in the Free Committee during the war, and as the General Co-operative Union handed over all its distributive societies to the Central Union not long since, it is no longer so necessary to-day, as it was years ago, to depict the catastrophe of separation in detail, and to repeat the theoretical conceptions of both sides. The "Hamburg trend" dwelt, perhaps, too strongly on the "young" Schultze-Delitzsch and, in this connection, developed theories which were not quite tenable, yet, on the whole, it was—considering the particular stage at which the movement had reached at that time—exceedingly deliberate, clear, and systematic, and offered no inducements whatever for any settled attacks. That a speaker, here and there, spoke rather ineptly, and that proceedings occasionally had a different aspect from what was desired in the Central Union—all this was natural, and if one looks back and surveys things to-day, one cannot help but feel astonished to find to what a trifling extent the German consumers' societies—in the matter of their political, economic, and co-operative policy—got off the track during the period of their storm and stress.

For the General Union there were two alternatives: on the one hand either to transform itself into a federation of co-operative unions—a federation looking after the interests of the whole co-operative movement, especially in the legislative domain, and organising credit, building, productive, and, above all, consumers' societies in this framework independently—or on the other hand to effect a peaceful separation between the consumers' societies and the credit societies. At this critical time, however, the conductors of the General Union thought fit to push the retail traders' organisation of co-operative purchasing societies into the foreground. After positively separated sub-unions had been formed, and tranquillity had been brought about to a certain extent, it

might have been very possible, in a few years, to include the grocers' co-operative purchasing societies also within this framework. A combination of this kind need not have been declined by the consumers' co-operative societies, for it might have imposed considerable restrictions on the retail traders in their battle against the consumers' societies. To bring on these dissensions with the new consumers' movement at that particular time by co-operatively organising the retail traders was either ineptitude or deliberate provocation. If the latter, it was unsuccessful, for the consumers' societies of the new movement were not all anxious for a precipitate solution. Despite all dissensions they were wishful to remain in the General Union as long as they could in order to keep the consumers' societies as closely organised as possible in case of a separation taking place later on. These tactics were clearly perceived by those on the other side and, owing perhaps to a certain over-estimation of the pace of development, at Kreuznach, in 1902, it sought to bring about the decision very suddenly by the exclusion of about 100 consumers' societies from the General Union. The official ground for this resolution was that these "rather arbitrarily disposed" consumers' societies had not the interests of the General Union at heart. Yet in the daily press closely connected with the General Union, the occurrence was generally treated as a battle against the advance of the social democrats. After their exclusion it became necessary for the consumers' societies to found a Union of their own, and in 1903 this accordingly took place. The hitherto existing editorial department of the Co-operative Wholesale Society was transformed into the secretarial department of the new Central Union, and the Society's periodical, the "Weekly Report" (Wochenbericht), was converted into the official organ of the Union and issued weekly under the title of the "Co-operative Review" (Konsumgenossenschaftliche Rundschau). In the following decade the movement developed at the briskest pace and without receiving any essential

harm from the struggle carried on against it by the authorities and the private traders.

During the war period numerous barriers fell away, and all who were employed in the public service and who had been arbitrarily kept back from co-operative membership up to then could now join the consumers' societies; on the other hand the State control of the economic system and illicit trade brought about new difficulties in abundance; the consumers' societies could not take part in the illicit trade and could not always well manage to cope with the advances in price fixed by the authorities, as the municipalities frequently and unfairly augmented the wholesale prices at the expense of the increased charges fixed for retailers. And in the matter of furnishing supplies for the army, despite the fact that restrictions were supposed to be abolished, the services of the consumers' societies were, for example, called into requisition to a much less extent than the weaker movements of other countries. The Hamburg "Produktion" Society's preserved meat factory was the sole co-operative undertaking which was of greater consequence than the rest. After the war the societies needed quite a time for recovery from all this, and when they were free from all fetters and were on the point of resuming their activity on a large scale, then, owing to the currency depreciation, the shortage of capital set in.

A statistical survey of the movement is given in Chapter III, and hence a brief sketch of the present position of the movement may here suffice. The societies can, in general, look back over a period of fully 20 years. Even in the elder societies the actual development is, to-day, but 20 years old. As regards size and scale of operations the societies differ very widely. Besides the small village co-operative society wholly corresponding to the ordinary village shopkeeper, there are gigantic undertakings with hundreds of shops extending over wide areas. Between these two types there are numerous intermediate grades. There is the little village

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retail society, and there is the genuine co-operative society for the sale of provisions, with bakery attached, pertaining to the small and middle-sized town. Very often the society of this grade has already a business in textile goods and a boot and shoe store as well. The society in the large town constitutes, in part, an enlargement of the preceding type, but, in part also, it constitutes an undertaking comparable to the huge German retail emporium, even if the range of operations is of a rather different character. Then again, there is the district co-operative society—a type which exists in various stages of growth and size and ranges from the district comprising the small town and neighbouring village to the district embracing a large section of the industrial region in Rhineland-Westphalia, as is the case with the Essen and Cologne Societies.



CHAPTER I.

Co-operative Organisation.

THE CO-OPERATIVE LAW.

When the German co-operative movement arose the only established legal form available for a society was that of a private company according to the General Civil Code—a form which was completely inadequate for a co-operative business concern. Hence, in 1860, Schultze-Delitzsch worked out the first draft of a co-operative law code, but, in Prussia, an act relating to co-operation was not passed till March, 1869. Thus for some years the consumers' societies existed without a law, but that appears to have been of no particular consequence, so far as their development was concerned. Some societies adopted the form of a joint-stock company. Here and there, also, people went in for the free society, but on the whole the co-operative law was definitive for the consumers' co-operative movement and its organisations. The societies constituted themselves registered co-operative societies, and since 1890—that is since the possibility of establishing co-operative societies with limited liability was afforded—the limited liability form has been adopted. As the task of critically reproducing or even of outlining the specifications of the co-operative law, with its 160 paragraphs, is outside the scope of this description, a statement of the general prescripts of the law with regard to the organisation of consumers' co-operative societies must suffice. In paragraph 1 a co-operative society is defined as a corporate body for the promotion of the members' gain and administration of affairs. A co-operative society and the individual members must be registered at the Court of Registry (District Court), which has a registry for the co-operative societies just as it has a registry for trading firms. Every member of a

co-operative society takes up a share and also (as a provision in case of the society coming to grief) undertakes a liability, of which there are three forms, viz., unlimited liability, unlimited subsequent liability, and limited liability. For the consumers' societies only the third form, established in 1890, comes into consideration. As organs, an executive committee, a supervisory committee and the general meeting are provided for. Apart from a few quite insignificant societies among the number—societies conducted on the system of primitive democracy, the climax in this direction being the "New Society" (Neue Gesellschaft) in Hamburg, but also in some other societies, instead of electing committeemen the method at the beginning was for members to take office in turn, whereby each one got to know the business—this tripartite system of organisation was adopted very early on. Although the supervisory committee system has been obligatory only since 1881, yet the societies in general, before then, had already a supervisory board, the establishment of which obtained general recommendation.

THE BOARD OF MANAGEMENT.

According to the law the Board of Management (Vorstand) must consist of two members at least. Their appointment may be cancelled at any time without prejudice to the contractual rights of the chief acting official members of the Board of Management. In actual fact, however, the Board of Management of consumers' societies in general consists of three members, and in larger societies of four or even five. Only in exceptional cases is this number exceeded. Moreover, the working of salaried along with unsalaried members of the Board in larger societies is an exceptional occurrence. In the small society, in which the services of a single manager are the only thing possible, the other two officials are subordinates or unsalaried functionaries. But in the large society the appointment of salaried functionaries to the Board of Management is invariably the rule.

In former times people spoke of the manager, controller, and cashier, but that is now gradually ceasing to be the case. The three members of the Management Board are designated business managers (Geschäftsführer). Nevertheless the general arrangement is that one attends to the purchasing and has the superintendence of the whole concern, while another has charge of the bookkeeping and acts as cashier, and the third (according to the size and characteristics of the society as well as the personal qualities of the head manager) has charge of the organisation of sales, productive operations, &c. But this arrangement depends very largely on the requirements of the society and on personal qualities. The predominance of one personality is almost entirely the rule. Actual colleagues are comparatively rare. One of the managers is almost throughout, not only the society's representative in relation to the outer world, but in all the society's affairs is also the leader, and the colleagues beside him occupy a very secondary place.

Whilst the consumers' co-operative movement was in the first stage of growth, shopkeepers were frequently appointed as managers of societies, though not exclusively; but with the great development which took place after 1900 the working-class element became the leading element in this category. Both in the new societies and the old, in which the working class now took an active part, working men became elected by preference to the Supervisory Boards, and therefrom were appointed as shop managers or even directly on to the Board of Management. This development had two aspects. In many societies people were downright distressed on account of the propensity of the Supervisory Board members for seeking for paid jobs, and various precautionary measures were also taken such as making it a rule that those who had been Supervisory Board members were not eligible for a salaried post until they had been off the Supervisory Board for a certain period. But, such unpleasant and exceptional occurrences apart, it must be

said that the system above referred to made a good selection possible. The cabinetmaker or locksmith who rose upwards in this way and became manager of a society was generally a man with a special ability for trade and organisation, and one who would certainly not have attained to the position of manager without it. The system of appointing to this elevated post an old deserving fellow-fighter in the cause, of course, existed here and there, and many a one played a rôle in his society to which he was unequal, but as incompetence in management very speedily became apparent in the shape of marks and pfennigs, this kind of system was scarcely traceable in societies with a real inner life, except in the period of storm and stress.

As regards the permanence and rotation of these managers, circumstances have varied exceedingly. Quite a number of managers have become eminent in the society at the head of which they still stand to-day, or did stand when they received a call to the Co-operative Wholesale Society. Others have moved about here and there. Thus the rapidly growing movement in Rhineland-Westphalia absorbed a number of managers from other parts, and from Saxony especially; but, notwithstanding these migrations, the growth of the managing functionaries in connection with societies was of very great consequence in the whole movement. Indeed, as a result of its rapid expansion and of its greater capital power, the co-operative movement oftener secured reinforcements from the other movements, but hardly gave any to them; on the contrary the consumers' societies, as a whole, suffered by the great absorption of able men by the central institutions. The more the Co-operative Wholesale Society expands and the further it extends its own production, so much the more (owing to the limited new growth from its own staff) must it withdraw able managers from the societies and appoint them as conductors of its own establishments. A migration into private concerns has occurred only in isolated cases. The movement, comparatively early on—as

early as the year 1903—lost one of its most capable organisers to the margarine industry, and this case possibly conduced to good managers being properly treated and to the avoidance of the risk of incurring such losses again.

As regards the new growth of able men, things are in a poor state. In the period after 1900 when the great wave of enthusiasm for co-operative societies passed through the German working class—and with the smaller needs of party and trade union for men at that time, able men, in numbers, entered the movement which offered something quite new—a good selection was possible, and these men, with a special capacity for organisation and business, grew up with their societies. To-day the possibility of this up-growth is lacking. Managers from the Supervisory Boards, who have become equal to the tasks of the present day, can only be obtained in exceptional cases; but, besides that, the ranks of the departmental managers furnish no new supplies of men suitable for leading posts. A consideration of the outward aspect of things almost gives one the impression that the original talent for commercial organisation, and the men with a sense of the market, may have become more rare than formerly. As a matter of fact, however, the movement to-day has a much greater requirement, and hence a certain disproportion between supply and demand has arisen; and, on the other hand, in the first period of intrepidity the talents then existing could rise high much more quickly than in the later period of tranquil, established trade. Moreover, there is within the movement generally, perchance, a lack of the necessary appreciation of the importance of the question and of its solution. At the period of the great enthusiasm the men of ability flocked into the movement. In proportion as the movement settled down the enthusiasm subsided; and to-day the current has not to be regulated, but stimulated, and the serviceable people have to be directed so as to acquire the general training which is necessary. The departmental manager in a large society has

only a limited sphere of operations, and by reason of the training within this circumscribed sphere does not qualify himself for a general post except by further effort. If an effectual body of fresh men is to be produced then provision must be made for the men of talent to go systematically through the concern and acquire an all-round training. This systematic staff policy is inconvenient to many people. It entails expense for the future, and, under certain circumstances, it endangers the quiet security of the small man who has grown with the concern and now fears that his position might be impaired by the systematic promotion of assistants of an intellectually higher standing. It must also be added that managers of this particular class are also devoid of the requisite appreciation of the necessity of training a new growth of men. In face of these practical difficulties all theoretical questions of training are of secondary importance; but the development of co-operative theory and the strengthening of the consciousness that the co-operative societies are essential to socialisation may perhaps prove instrumental in gaining new forces.

Let us now consider once again the selection in general. Not everyone who rose to a high position was the most qualified, but, on the whole, it may be said that the organiser and the good buyer were borne along by the wave and not the platform orator. Success and failure were immediately seen by the Supervisory Board, and, in the matter of judgment and career, the public opinion of the movement played a prominent part. If one conversed with a number of co-operators from societies and the central institutions about two or three managers, one found that their opinions tallied. The man clever at finance, the good organiser, and the able buyer, were not only recognised as such, but also extolled on account of their capabilities, and this inner life of the co-operative societies, which publicly, of course, cannot be taken note of, exercised a decisive influence on selection.

In the co-operative movement the business managers have the leading rôle absolutely. They are delegated to all assemblies, and otherwise than in England are the men who figure publicly in the co-operative movement, whereas the supervisory committee-men, as a whole, come forward but rarely. Moreover, the influence of a manager within the Sub-union, in the General Committee, and in the Supervisory Board of the Co-operative Wholesale Society, &c., is altogether determined by the degree of estimation in which he is held as a manager and on the extent to which his achievements in his own society are appraised by colleagues.

The financial recognition of managerial activity underwent a change in the course of time. In the societies of the eighties, whose practice in the whole movement continued into the first decade of the present century, the managers as a whole were downright badly paid. The working men who were store members and on the Supervisory Board, considered that the manager, who in many cases had sprung from their own ranks and whose earnings at the workshop a number of them still exactly knew, was not entitled to an income differing to any considerable extent from that of the members of the society generally. In part, that was carried to excess in dividend-craving societies, in which the concern for dividend was the predominant consideration. In proportion as the societies became large concerns in which the decision of such questions was referred to smaller conclaves, the economic position of the managers also improved.

THE SUPERVISORY BOARD.

According to the law the Supervisory Board must have at least three members, who must not be officials or employees of the society, and consequently it is also forbidden for a member of the Supervisory Board to act as substitute for the general manager for any length of time. The societies, however, possibly without exception, have more than three Supervisory Board members. According to the size of a

society the Supervisory Board is a small body consisting of from 7 to 10 members, or a large body which resolves itself into a number of committees for practical work. From what circles do the Supervisory Board members come? These vary exceedingly according to the social and political conditions of the town in which the society is situated. In the South-German Societies, with their less pronounced class distinctions and with the more cordial attitude of the authorities to the societies, public officials were often found on the Supervisory Boards along with members of the liberal professions and working men; but in the industrial regions of Prussia, with the anxious solicitude of the Prussian authorities that no public official, not even a charwoman from a public office, should sit together with a social democrat, the state of things was as bad as it could be; on the other hand, the working men in these regions were so absolutely the only active members in the societies, that they filled the Supervisory Board exclusively with members from their own ranks.

At the time of the great development about 1900, the enthusiasts who undertook the work of founding societies and afterwards the work of propaganda, and devoted their whole energies to matters of this kind, were elected to the Supervisory Boards, needless to say. Later on, in general, the active people from the trade union and the party, who were already known in Labour circles by reason of their work, easily got on the Supervisory Boards as soon as they evinced an interest in the co-operative societies. The latest development in the large town and in the district society consists in the Supervisory Board being chosen from the Co-operative Council. The active and capable people on the Co-operative Council gradually get on the Supervisory Board.

Now what are the functions of the Supervisory Board in a consumers' society? According to law the Supervisory Board is purely an organ of control and not an administrative organ, and on this sharp separation of control and administra-

tion the movement has often laid great stress. From this sharp separation, however, practically nothing further has proceeded beyond the recognition that Supervisory Board and Management Board are two different organs and that the Management Board is not an administrative committee of the Supervisory Board, but exists independently beside it, so that no outvoting of the Management Board by the Supervisory Board can possibly occur, by reason of the fact that the two Boards vote separately. For the rest, the Supervisory Board is by no means an organ of control, but an administrative organ. The Management Board does not report to an organ of control, meeting quarterly, what it has done in the interval, but reports to the administrative organ, which meets weekly or fortnightly, what it has a mind to do, and so assures itself beforehand that the Supervisory Board is agreeable thereto, and thereby lays the responsibility on a greater number of shoulders, just as in the trade union a larger conference of those interested is also held when wage movements are afoot, not because there is an expectation of obtaining any better knowledge of the mood of the mass than is already possessed, but because a larger circle of members who have had a near view of things has a mollifying effect. The Supervisory Board, being in close touch with the Board of Management, gets to see the whole development of the society, becomes acquainted with all the details of operations, and can assume responsibility for the actions of the Management Board, in fact quite conscientiously, because it is sufficiently familiar with the course of affairs. Friction occurs here and there, and once there was even an organised opposition of Supervisory Board members who were of the opinion that in their sub-union they were not accorded due consideration in regard to the regulation of affairs; but taking things as a whole one finds a calm and intelligent collaboration in which Supervisory Board members are not lay figures by any means, but a collaboration in which a professional management of the society takes place and

not merely a professional management of buying and business. In the affairs of, the Central Union the members of the Supervisory Board recede very far into the background. The only one who figured conspicuously was Adolf von Elm ; but this was due, perchance, more to the position he occupied in the Labour movement than to the position he held as Member of the Supervisory Board of the Hamburg "Produktion" Society. Besides him, Fleissner of the "Vorwärts" Society at Dresden may also be named, but whose importance in the movement is attributable chiefly to his literary activity.

THE GENERAL MEETING.

The co-operative society is a neighbourhood union and was originally based on the actual participation of all members in everything that took place. Consequently, the quarterly meeting was the natural thing. Whether the monthly meeting, which is found mentioned here and there in earlier times, played any part in the very minute conditions of the foundation period, the data available do not show. With the enlargement of operations, and the rise of the large and medium-sized societies, and with the passing over from the quarterly and half-yearly to the yearly balancing of accounts, the scope for the work of the General Meeting became reduced more and more. In the large societies, quarterly meetings with really something to do—and at which not only communications (tedious in the long run) are made—concerning what had elapsed can no longer be held. Already, it often becomes difficult for the second general meeting in the year, which has no balance sheet to pass, to elicit the interest of the members. Thus, in the large co-operative societies, the general meetings are losing their importance to a large extent. Lacking of necessity the expert survey, the speaker at the general meeting can do nothing effective. For the work, the Supervisory Board is the essential thing, and the General Meeting is a vent for speech-making and a medium for the ventilation of dissatisfaction without any

serious consequences to the society. For all that, things do not always turn out to be so innocuous, for there exists a certain danger in case of sterner opposition. To begin with, the members are largely disaccustomed to attend the General Meeting, and also in a larger society they can only take part in the General Meeting to a very small extent, purely from reasons of space. Hence, comparatively small groups who occupy the hall at the right time, or who also agitate for officious attendance, may exercise considerable influence. Thus in the co-operative movement a large leading society was frequently spoken of, in which the staff was constantly and largely represented at the General Meeting, the consequence being that the society did not expand and show initiative like other societies which were of a much younger growth.

Political antitheses dominated the general meetings for the time being, about 1900, when, in the period of storm and stress, the working class engaged "in the conquest of the middle-class consumers' societies" did not always proceed tactfully and tactically. Many a conquest of the same kind was deplored for a long while throughout the movement later on. Recently, in the towns where the communists have had a stronger influx, their attendance at the general meetings of the societies has been crowned with certain successes owing to the fact that the meetings have been comparatively easy to pack. On the whole, it can be said that the General Meeting of the small society—and in the beginning of the movement small societies were also founded in the various parts of large towns — was able to perform its task, but that, on the other hand, with the growth of the societies, the General Meeting became an inorganic part of their constitution, and one which, though not dangerous in normal times, might nevertheless have disastrous effects when any disturbance took place, in consequence of its being completely unsuitable in regard to the development of large-scale operations.

The societies recognised the danger for many years, but for a long time they hesitated at endeavouring to secure an alteration of the co-operative law. Only in recent years, especially after co-operators had come together in the Free Committee, was the reform of the law energetically pressed for, with the result that the alteration of the co-operative law was effected in 1922, by which alteration the general meeting of all members was transformed into a meeting of representatives, the measure being obligatory for co-operative societies with 10,000 members and optional for societies with a membership of 3,000. Everything else is reserved to the Statutes; the individual society can closely adapt the regulation of this new general meeting to the development of its members' committee so that the general meeting (for example) may be only another name for the full meeting of the members' committee. The efficacy of the new legal regulation is not to be overlooked.

THE MEMBERS' COMMITTEE OR CO-OPERATIVE COUNCIL.

The necessity of finding a substitute for the General Meeting, which had become inadequate, had become noticeable early on. The stimulus, however, did not proceed from Saxony, where old and large societies, such as that of Leipzig-Plagwitz existed (in fact, the Leipzig-Plagwitz Society did not institute a members' committee till 1922), but the new ideas arose in the new consumers' movement about the turn of the century. According to a statement made by Heinrich Kaufmann in 1907, this innovation in organisation was already keenly discussed at the end of the nineties, but it was received with a shake of the head by the practical men everywhere. But in 1907, a number of members' committees were already in existence, of which Heinrich Kaufmann said that they had proved their worth on the whole. The Hamburg "Produktion" Society, which set up a Members' Committee soon after the society was founded, took the lead. The society followed the principles of organisation of the social-democratic

party and the trade unions. In the party the district or section forms the cell of the whole; in the trade union the workshop, with its producing representatives, is the cell. Compared with this, the co-operative movement which operated with the same human material, was in a rather helpless fix. In the Saxon societies, from the eighties, something resembling such a cell had been formed in the shape of the store with its manager, but the encompassment of the members as a body and the collaboration of the members was lacking completely. What the store manager could contribute was only a one-sided influence and not collaboration, and this one-sided influence was again doubly one-sided because the store manager had, first of all, to represent the employees' interests as against those of the members, and within this framework the specific interests of the stores managers also. Thus, for the contrary interests and conceptions of the members as purchasers and the staff as sales-people, every means of adjustment was here decidedly lacking.

With the institution of the Members' Committee the same principles of cell-building and organisation which were adhered to in the social-democratic party and the trade unions were adopted by the co-operative movement. The members of a co-operative store were grouped as a body. From amongst their number they elected one to three members who, along with a number of helpers, as a rule, carried on propaganda within the local area of the co-operative store. Such a propaganda is not only necessary for the purpose of gaining new members, but is necessary, above all, for retaining the members who are gained and for making them into regular purchasers. The usual propaganda for the societies in the press, the trade union meeting, the workshop, &c., depends on the man. The man secures new members, and goes to the meetings, but the woman buys in, and the best explanation of the men fails, if, at home, they do not know how to relate what they have heard and also how to make

their wives into co-operators. Here the propaganda of the Members' Committee begins, whereby the fault-finding members who have stopped away from the stores for the time being and all those who buy little are visited and are made clearly to understand the importance of the co-operative societies and are thus induced to take an actual part in the movement; and, on the other hand, the shortcomings in the management of the stores are found out—shortcomings which otherwise only too easily lead to members becoming merely members in name for a longer period or ceasing to be purchasing members entirely. It is just this kind of thing which is of particular consequence in view of the composition of the store's staff. Even if, on the whole, a laic control in the movement is justly thought nothing of, and people say to themselves that no one can really control except the shops inspector appointed by the society, and specially appointed for this not easy task, besides being specially trained, yet the committee representing the members is often in a position to clear up misunderstandings before they have led to serious friction, and it provides the management with an excellent means of getting to know the feeling in the individual shops and what causes offence here and there. Such an organ is also therefore specially requisite because the sales staff of the society is easily inclined to attribute any mistakes of its own making to the central establishment. The ingenious but exceedingly one-sided (and dangerous because one-sided) attachment of the member to the society by means of the dividend is thus supplemented in an admirable way.

At the beginning, the institution of the members' committees frequently led to friction with the sales staffs whom the new supervisory boards more or less energetically waived aside. The institution also frequently led to friction between the management and the members' committee itself. Co-operators, here and there, instituted, not a committee which worked and did something, but gave it rights before it had undertaken and fulfilled its duties. Yet, in

general, things went on very well at the commencement, and on the whole this organ has to-day become admirably proficient.

The General Union of German Co-operative Societies continually opposed this development, perhaps from the feeling that the co-operative society is a neighbourhood union and ought to remain such. But a consumers' co-operative movement with a capacity for achievement cannot do otherwise than engage in operations on a large scale, and these large scale operations then, in their organisation, call for a consideration of the basic principle that the co-operative society is a neighbourhood union. The conjunction of all considerations which follow therefrom, and the considerations which follow from large scale operations, are focussed in the members' committee in an ingenious way. After the connecting link had been formed from this point of view then the connecting link was used for the purpose of providing a substitute for the general meeting which had become inadequate. The matters for discussion at the general meeting were first dealt with by the members' committee, whose proposals were then laid before the general meeting. Thereby the general meeting became provided with a strong nucleus of persons who spoke on behalf of their proposals and prevented the meeting being taken unawares; and it also became possible for the general meetings, with the aid of the members' committee, to obtain a large muster of loyal members when necessary. Furthermore, co-operators then proceeded, not only to confirm the members' committee in the rules and regulations, but also to affix resolutions to its assent, so that the issue was determined by calm reflection in the small circle of constant co-workers and not by the momentary mood of those who occasionally attended the general meeting.

An apparatus of this kind, however, cannot work without conduction. Here, it is not a question of the demagogic induction of a frame of mind; on the contrary, it is

a question of collaboration in which each part gives and takes; but here a conductor by vocation is particularly necessary for the reason that a co-operative society, as a whole, even in other respects than in purchasing and bookkeeping, can only advance with vocational conduction and not with conduction that is not a vocation. This vocational conduction in the German co-operative societies first began in the year 1908, in which year the Hamburg "Produktion" Society appointed Everling as paid secretary—Everling who was secretary of the members' committee and is now a director of the Co-operative Wholesale Society. Other co-operative societies followed this example, and soon the secretarial conferences began. The general tasks of such a secretary may be briefly summarised as follows: the vocational systematic direction of propaganda and the thorough organisation of the sales staff and of the members' committee. Particularly speaking, the improvement of the position of a secretary (just as in the case of the manager) depends on the characteristics of the society and on those of its conductors. The range of tasks is always larger or smaller according to local conditions. One secretary deals with members' insurance, another takes part in the control of the stores to a larger extent. The smaller societies provide the secretary with abundance of work, whereas the development in the large societies certainly tends to make the secretary an educated co-operative theorist who, on the one hand, by reason of his close connection with the Management Board, becomes well acquainted with the entire range of the society's business operations, and, on the other hand, by reason of his being the conductor of propaganda, has a close connection with the mass of people outside, and yet is not too much harnessed to daily labour, so that he has time to spare also for representing the society in the literary field and defending it against outside attacks, and for the task of embodying particular experiences in literary and scientific form—work of which the movement as yet stands

so greatly in need. Through the secretaries getting into touch with each other, a way also now appears to be opening up, for a very important improvement of statistics through the medium of individual application thereto.

AGITATION AND PROPAGANDA.

The propaganda on behalf of the co-operative societies in the sixties of last century was connected with the conditions existing in other organisations and in the societies themselves as well as with the relations which ensued from consorting together. Propaganda, in the present sense of the term, was as yet quite out of the question. It only started going right ahead about the year 1900, when the propaganda, to be sure, often assumed a somewhat sectarian character; so many people came into the movement who, with insufficient knowledge of theory, believed that they could settle all social questions by means of the co-operative movement. That was the case all the more as the propaganda in those days was almost entirely dependent on co-operative enthusiasts, as, with the exception of the celebrated Hamburg "Produktion" Society, the working men who took an active part in their trade unions and party had, on the whole, a considerable mistrust and a certain aversion to working for co-operative societies. Despite the complete absence of religious motives, the co-operative movement, at that time, was, however, imbued with a feeling closely akin to that of the necessity of playing the rôle of apostle of a new faith.

The fact also that the workers' press maintained a far-from-friendly attitude towards the co-operative movement, and only in exceptional cases inserted articles of its own calculated to promote the interests of the societies, and, in general, only reluctantly and under pressure inserted what was sent in—this also helped to place the work of propaganda on the shoulders of the pure enthusiasts. Hence, all the more necessary became the establishment of a co-operative press, and especially of the co-operative organ for women, the present

Co-operative People's Journal (*Genossenschaftliches Volksblatt*), by the editorial department of the Co-operative Wholesale Society. With the growth in strength of the central propaganda department in Hamburg, meetings were systematically organised therefrom, and lantern lectures as well. In the larger societies a recruiting corps was formed (see "Members' Committee") corresponding to that of the party and the trade unions—a corps which carried on a house-to-house propaganda.

Certainly, if one takes the societies as a whole and compares their recruiting apparatus with that of the party and the trade unions, one finds that it is much smaller and weaker than that in the other two movements, and will hardly bear comparison. That is perhaps as well; for the societies, despite everything, have thus to rely less on propaganda than on business capacity. They are obliged to carry things through in a business-like way; and, in the movement, there is a favourite and oft-repeated expression that a good price list and good commodities are the best propagandist media of all. Consequently the German societies—unlike those in England—are somewhat backward in the matter of purely trade advertising, although in this respect there are evident signs of a change. Admittedly, the undecorated appearance of shop windows and contents is a prevalent feature everywhere as yet, except in the case of a number of special branches of business; but in the years before the war—of present conditions one may not speak because shortage of capital, shortage of shops, &c., here break in only too forcibly—the conviction had become general that to look inviting and neat a shop must not only be kept clean and tidy but must also be well arranged. The specific co-operative mode of advertising for a long time was in the shape of exhibitions of commodities with prices quoted for the co-operative commodities and for those sold by competitors. Societies generally have not made a practice of advertising in the newspapers. Advertisements have

frequently been inserted in order to keep in good repute with the press, but on the whole it may fairly be said that the societies' advertising varies very widely according to the particular notions held in each place.

Woman's importance to the societies had already been emphasized by Eugen Richter in the sixties in his booklet on the consumers' co-operative societies. The present "Volksblatt" (People's Journal) was also founded originally as "Frauenblatt" (Women's Journal), which showed how clearly the necessity of drawing women to the societies was at that time perceived; but, on the whole, little has been done to induce them to take an active part, and at all co-operative congresses they play no part whatever. The one woman who was generally known in the movement owed that position perhaps more to her close collaboration with Adolph von Elm than to her own literary activity.

Whereas women are scarcely represented on the Supervisory Boards and on the committees of the sub-unions are presumably not represented at all, yet women have been put on the members' committees to a considerable extent ever since the committees were founded, and with good results. While the practical men appear to have a thorough disinclination to women being put on Supervisory Boards, yet, on the members' committees, their work is greatly promoted. The question is whether this attitude on the part of the practical men will not lead to retribution.

For popular education the first consumers' societies in the sixties expended freely, and also in accordance with the English example even instituted reading-rooms, educational lecture evenings, &c.—a mode of action which can well be understood considering the close connection with the local workmen's educational society which often existed. Of all this nothing has remained except that the consumers' societies are more or less open-handed where educational efforts are concerned, but in general this disbursement is of no great importance as regards popular education.

THE ORGANISATION SURVEYED.

When one surveys the development of the organisation of the German consumers' societies as a whole one is compelled to declare that the period of wild and wholly unorganised questing is not to be found; that from the first commencement a certain unitary trend is perceptible, and that the co-operative movement, both in its first stage and in the time of its later foundations, always speedily entered into firm pathways. Nevertheless, within these narrow limits, great and significant developments are to be noted, for the movement changed to a great extent. It began with the diminutive society with one or two shops. Then a number of larger medium-sized societies were formed, and with the new impulse after 1900 there arose in the large town and industrial regions the large society and large-scale undertaking with all the typical characteristics of enterprise on a magnified scale. Therewith, the old form acquired new contents. The problem of the connection of democracy and large-scale enterprise was a noteworthy one for consumers' societies and determined their becoming the typical field of experiment of the whole working-class movement as regards all questions to which the movement gives rise. The form for a mutual collaboration of all, of the combined effort of all, along with the vocational conductorship of the whole was here developed.

As regards these questions, which in their fundamental features are equally important to co-operative societies, trade unions, and the social-democratic party, the co-operative development is of special importance, because the co-operative societies are business organisations which work under the pressure of competition and which are forced by this pressure to have a rational management of affairs. With them, shortcomings in the management are revealed straightway, and, with them, the shortcomings, by comparison with similar undertakings, are more clearly ascertained than in the other organisations. Hence, the methods of the co-operative

societies are the methods of the democratic large-scale undertaking, as the first and furthest developed.

For their organisation two things are important; one is the institution of a vocational management, and the other is the gradual organisation of a representative system by which contact is established between the management and the members, and by the instrumentality of which the mass of members exercise their influence without those emotional impulses which lead to burdensome resolutions relating to business.

In the small society with one shop in the petty town primitive democracy is the rule. Here the co-operative society is, in actuality, a neighbourhood union. A circle of persons who meet together in various ways, and who can judge of each other on account of heterogeneous activities, combine together for the specific purpose of joint purchasing. Here each one not only knows all the rest but also knows the circumstances of the society exactly. The manager is the buyer, and, in other respects, is the executive solely, and has the entire management in his own hands. The general meeting has still a real life of its own, or at least can have, for in these simple conditions it also occurs that the administration of co-operative societies devolves on a few and the others hardly trouble their heads about it

In a medium-sized society things have already a different aspect. Here the connection of all members in the manner just described is no longer possible, and so a circle of those more deeply interested becomes formed, from which the Supervisory Board emerges. These societies have ceased to be neighbourhood unions. They embrace a larger number of persons, out of which a substitute for the old neighbourhood connections of the membership crystallises within the circle of active members. The large societies also began with the same method, but here there is the danger that the practices of a clique may occur, particularly in the shape of the active members being specially influenced by employees and shop

managers. Here reform has commenced and a separation of functions has been brought about. The members of a shop have been grouped together, and so thereby a neighbourhood union has again come into being. These small unions are combined together as a federation, so to speak, for the larger tasks of purchasing, storing, organisation of sales, &c., even if, corresponding with the system of organisation of the German working class generally, the federative character is but weakly manifested, and the units as part of a federation are always, in great measure, a sub-group of a greater whole. In this cell of the organisation the circle is small enough to admit of people getting to know each other, and the tasks are sufficiently small to admit of the mass of the members forming a correct judgment of their committee as regards the performance of its tasks. By virtue of this general active criticism in the small unit its leaders are selected and then become functionaries in the larger unit beyond. In the case of large societies this may be a district or perchance an independent commune within the sphere of the district co-operative society, and it may also be the whole society; but in any case these committee-men are elected by members with whom they remain in firm and lasting connection—members who are able to judge of their capacities and personal qualities—and, as representatives in the higher body, they (the committee-men) perform administrative functions as its lowermost limbs. In a similar way a smaller committee crystallises out of this large one, and this smaller committee is the authoritative organ for the formation of the Supervisory Board, which, in conjunction with the organ mentioned, actually constructs the Board of Management.

Without theory and without design the co-operative movement has here, in accordance with its daily requirements, and by instinct as it were, created a selective apparatus with indirect election—an apparatus by which the Management Board and the mass of members constantly exercise a reciprocal influence. By this mode of organisation

care has been taken that at the elections it is not the voting of a list drawn up uncontrolledly by a small junta within a party that confers power, but that now and again the individual personage becomes entrusted with a further spell of activity in virtue of the judgment passed within the smaller circle with regard to his work, which is of such a character that the whole of the electors concerned can form no estimate of it. Moreover, all members who exercise such electoral functions are likewise engaged in practical activity, at times, whereby it is possible for the business experiences of the society and of the management actually to have their influence on the members as a whole so that the Board of Management, so far from being purely an executive body, can always give the members a lead. But the fact that this leadership cannot be built up on demagoguery—for it does not occur at mass meetings—but that it must be based on practical work has the further result that although the Board of Management does and must thoroughly take the lead, yet in this leadership it is decisively influenced by the collectivity of members—by the mental agency of the members as a whole. The interaction between the vocational conduction of business operations and leadership of men on the one hand, and the mental life of those who are led on the other, is thus assured theoretically in a conspicuous way.



CHAPTER II.

Business Organisation.

(A) BUSINESS ARRANGEMENTS.

Purchasing.

IN the first primitive stages of the movement the shop manager took part in the buying for the reason that it was he who had most to do with the goods and consequently knew most about them. But this mode of proceeding soon became altered. The shop manager retired from the Management Board, to which he had frequently belonged at this early period, and ceased to take part in the buying. After the year 1900 arrangements of the kind referred to took place again, but only temporarily. For the rest, the organisation of buying varies exceedingly according to the size of the society. The conditions in a diminutive society with a single shop are bound to be different from those in the large society with a salaried management board, where the elimination of the shop manager from the Board has taken place. As will yet be shown more than once, it is a characteristic of the development that the status of the shop manager has constantly declined. The buying is generally the business manager's affair. Here and there, almost until the war, unprofessional purchasing committees and such like—survivals from old times—continued to exist, but the professional work of purchasing is absolutely predominant; for the fact is quite obvious that buying for a larger society is special work which calls for special qualifications. The business manager who has the reputation of being a smart man at buying, and of having a keen instinct for the evolutions of the market, is also well aware of these qualifications, and is wont to emphasize them duly to his society, to the

Co-operative Wholesale Society, and to other colleagues. On the other hand, such capacities are also recognised in the whole movement. In conversation one can hear repeatedly how a manager's capacities for buying are esteemed. The control through the public opinion of the movement and by that of fellow-workers belonging to other societies is more important than any organised measures where buying is concerned. With the buying arrangements being so important the buying manager is generally the leading man in the society. The Hamburg "Produktion" Society has established a special buying department, and endowed it with a pretty considerable amount of independence, the head of which department is not a member of the Management Board; but this arrangement may be presumed as yet to stand alone, or, at least, to be one of the exceptions to the rule.

The Supervisory Board has nothing to do with the actual buying, but each buying manager, of course, reports with regard to arrangements, partly in the form of a copy of the entries in the Purchases Book, and in critical times seeks to protect his rear when larger transactions associated with risk are concerned. The control of purchasing can hardly be said to extend beyond this, and besides is unnecessary inasmuch as the co-operative movement is, in general, free from the typical symptoms connected with purchasing as carried on in private concerns. For the very reason that the buying is completely in the hands of the person who manages and represents the whole society, the moral ties with the society and with its prosperity are, in general, much too strong to admit of shuffling and underhand practices, and, on the other hand, not only has the manager a good position but his prospects of employment elsewhere in the movement are also at stake. Yet here, without a formal appointment for life, the same feature which characterises the civil service apparatus of the State has made its appearance—the same strong attachment of the person through his life-long connection with the movement.

Central Warehouse.

At the beginning of development buying was done on the spot, and the contractor delivered goods direct to each shop. This method saves the cost of transport and repacking, but on the other hand increases the difficulty of supervision to a large extent, for the shrinkage through longer storage is quite different from that ensuing from storage for a shorter period. The tare is another item, and control over the shop manager is difficult. So by some expansion of the society accompanied with an enlargement of the sources of supply, buying from the wholesale factory in a leading commercial centre, etc., the transition to the society's central warehouse soon took place. Unfortunately there was not sufficient time for going more fully into the question herewith. It would, however, be a praiseworthy task for individual research (which, in general, has occupied itself with consumers' societies only to a comparatively small extent hitherto) to investigate this development of the central warehouse and of the allied questions of buying and of the relations with the shop manager in the older movement, taking the archives of the larger and older societies as a basis of research. The societies which arose about 1900 proceeded—as soon as the financial position warranted—to establish central warehouses as far as possible contiguous to railway and waterway. Therewith the aspect of the shops became largely altered. The warehouse was located in the central premises, and the shops, which were supplied with commodities twice or three times a week, received only what they required just for the subsequent interval. The society's stores, as the shops were often called originally, became purely places of distribution. A commodity with a slow sale, of course, lies in the shop for months at a time; but, as a whole, the turnover in this respect is consequent on the subsequent deliveries from the warehouse. Besides that, individual commodities are delivered direct to the shop, perhaps petroleum or soft soap; but these direct deliveries are an exception even if, along with articles

bringing in only a trifling return, they are frequently necessary for the lessening of expenses. The intercourse between the central warehouse and the shops is carried on in the larger societies according to the following plan.

The arrangement of commodities on the various floors of the warehouse is a permanent one and is known to all the shop managers. Often there is a catalogue which states on what floor commodities are to be found. The shop managers write out their orders—a list for each floor—in triplicate, manifolded with blue paper. These three copies of the order go to the warehouse; there the prices are inserted. One copy is retained as a dispatch-voucher and for book entry; the other two are sent along with the goods to the shop manager who, in the most progressive societies, reckons them up for himself, sends one of them signed as a receipt to the central, and keeps the third so that the particulars can be entered up in his own books. The copy reckoned up by the shop manager and returned to the central is there reckoned over again and serves as a basis for debiting the shop manager, concerning which the particulars in the cashier's and bookkeeping section are to be declared. These things are but very briefly sketched here, but they would form a very fruitful theme for personal and special investigation. The societies were forced to keep on extending their measures of control. I followed the development of this control in several societies for years, and at each visit ascertained with astonishment the advance that had been made in the interval as the outcome of practical experience.

Shop Rounds.

As regards serving the shops, two or three more or less fixed rounds per week are provided for. The ground floor of the warehouse is always the dispatch room, in which the goods destined for the various shops are collected so that the vehicles can be conveniently loaded with the goods which go together in respective lots. For the shop rounds a motor-vehicle service was instituted in due season, especially

for delivering goods to the outlying shops in the case of large district societies. The horse-vehicle service which was often much cheaper, was a prominent feature until the war, when all previous calculations came to an end. The motor-lorry was adopted principally on account of its greater capacity for service.

Relations with the Agricultural Co-operative Societies.

In the distributive co-operative movement, societies began to procure supplies systematically from the agricultural co-operative societies very early, and thus for shortening the paths of trade by opening up direct relations between producers and consumers. Furthermore, so far as the genuine co-operators in agriculture were concerned, there were earnest wishes for a quicker and closer connection. Also, some years after the founding of the Central Union, mutual visits to the Congresses were made, and speeches were frequently delivered, but the political obstacles were stronger than all considerations with regard to co-operation. The Conservative agriculturalists did not wish their political battles with the social democracy to be spoiled by having it said to them: "Yes, you work together admirably with the social democrats where business is concerned"; so that for these reasons a considerable supply from agricultural co-operative societies was not obtainable before the war. The organisations, of course, did not fundamentally decline such connections; they declared themselves fundamentally ready, but were of opinion that such connections should grow by practice. As an actual fact, however, these connections could not grow by practice, but had to be promoted from above because, with the agricultural co-operative societies, a series of difficulties were to be overcome, for which the help of the central institutions was required.

So a number of consumers' societies began, with angelic patience and on their own responsibility, to seek connections with agricultural co-operative societies. They had to overcome endless distrust. If a private buyer from Hamburg had once

behaved unfairly in business matters, in some region, the whole array of agricultural co-operative societies therein became critically set against the buyers of the Hamburg Society, just because there was no recommendation from the Agricultural Co-operative Central. Besides that, the relations between the agricultural societies and the consumers' societies suffered, above all, from the fact that the agriculturalists looked at things too little from a business point of view and, in periods of price fluctuations, were much too inclined to aim at obtaining the highest current price, so that the placing of large contracts with these societies was a matter of difficulty. To the consumers' societies, however, permanent and regular relations were just the thing that mattered—relations also ensuring a certain steadiness of prices which sometimes might be temporarily disadvantageous to the one side and sometimes to the other. The war brought about a *rapprochement* of the co-operative societies on the Free Committee.* But, all the same, direct relations with the agricultural co-operative societies still remain in the rudimentary stage, although it may be said that the experiences of recent years, especially that of the potato buying by the G.E.G.† in the autumn of 1922, then gave occasion for hope that within a measurable space of time, large and important connections would be formed. But the pacification of economic life would appear to be the preliminary condition for that.

Acting on the idea that co-operative societies are bound to try every expedient for shortening the way from first-hand production to the consumer, the Hamburg "Produktion" Society, in 1912, acquired an estate which, at first, was intended as an accessory to the butchery business, swine fattening, &c. It was certainly no fortuitous occurrence that

* *Translator's Note.*—The Free Committee was established in 1916. It is composed of representatives of five great Unions embracing the various branches of co-operation, and its purpose is to discuss, and to safeguard and promote, their joint interests.

† The Co-operative Wholesale Society.

cattle farming was begun with first, and not vegetable cultivation. It is a great merit for the society to have been the pioneer also in this direction and to have led the way in experimentation. But for the next few years, even apart from any considerations relating to the present shortage of capital in the co-operative societies, it will not be possible to draw any logical conclusions whatever. Probably, at a later period, along with direct trade with the agriculturalists, co-operative agricultural production on a large scale will also take place; but a whole series of experiments after the Hamburg exemplar will be required before there can be developments of any great importance in this direction.

SALE.

The Aspect of the Stores.

The English Co-operative Movement began with the greatest frugality; no window display, so as to save the inconsiderable expense of window-dressing; and as far as possible, cheap premises, located in remote side streets. These principles were known, very early on, in Germany. All the literature of the movement in the sixties emphasized these things of secondary importance and weaknesses very strongly. The transformation which has taken place in England remained so unknown of in Germany that the visit of the 100 German co-operators to England in the summer of 1913 (which was organised by the Central Union of German Consumers' Societies) was a revelation to many of the visitors. Here, they saw for the first time how the co-operative movement works and makes its appeal with a standard outfit. Only at the beginning of the present century did the German societies begin to perceive that the aspect of the shop premises is an essential factor and that it is false economy to creep away into a corner. They took well-situated shops of adequate size and took pains to fit them out well, at least in the case of all new arrangements. On my journeys of investigation in Germany, I found, repeatedly, how largely

developed was the consciousness in our business managers, that a shop must have a prepossessing appearance. As soon as I saw a shop which did not look quite up to the mark, I received the explanation that it was one of the oldest shops and I was told why it could not yet be modernised. Without being acquainted with the English standard, the German societies have, all the same, come near to the English mode in many respects, through their own experience and reflection. The most striking example of old and new was found, perhaps, in Hamburg, in a comparison of the shops of "The New Society of 1856," with those of the "Produktion" Society. In one thing only has conservatism prevailed. Window-dressing is still always rejected on various grounds. Considerations of economy, difficulties proceeding from deficiency calculations, and doubts as to whether the staff is up to the mark, all operate together in this case. Only a few special shops, as in Hamburg and Munich, and in the busiest thoroughfares thereof, make a direct impression by their well-dressed shop windows, and by this means give the societies an excellent advertisement.

Shop Staffs.

In the early co-operative movement of the sixties quondam shopkeepers were installed as co-operative shop managers. But all sorts of examples are to be found in co-operative literature indicating that a specially active member was appointed as shop manager when a society was founded. The foundation of societies by working men in the eighties was characterised by a great drafting of members to the post of shop manager, and in the last phase since 1900 this drafting has been carried still further. The movement undoubtedly owed a great deal to these untaught shop managers. None but the most able men from their ranks—men who brought organising talent to bear and assimilated a knowledge of commodities in the course of their work as co-operative shop managers—were very soon taken away from their posts and made into members of management

boards or heads of departments. After the vigorous foundational activity had subsided it became the practice for shop managers to start as shopmen and then to be appointed shop managers after a number of years. This was especially the case with the female shop managers who rose from the ranks of the shopwomen in the larger societies.

Position of the Shop Manager.

In this connection the change of status of the shop manager must be fundamentally dealt with. The shop manager of the oldest movement was an employee of a peculiar kind—a kind which, at that time, probably did not exist in private concerns. He was a semi-independent middleman. The society bought the goods and he had to sell them and to hand over the proceeds and was paid a percentage or a fixed salary and percentage, but presumably never received a complete fixed income. The procuring of paper bags, wrapping paper, &c., was frequently left to him; and it was also his business to procure shop assistance; consequently it was the normal thing for his wife and children to serve in the shop. In many societies these conditions continued in vogue a long time. But gradually it came about that the staff was appointed by the society with the assent of the shop manager, and, finally, the shop manager received simply the assistance assigned to him by the management board from the sales staff employed. Anyone viewing the change without bias recognises that from being a pretty independent shop conductor the shopman has gradually become a first salesman. The shop managers struggled, and struggle even to-day, against this change, which has been very much retarded thereby. If the whole trend of change in this connection remains steady there will however be a divergence of views with regard to the last limit.

Male and Female Employees.

The importance of this first salesman who manages the shop is variously estimated. Despite the members' committee,

many co-operators lay stress on the point that the initiative of the shop manager is of great importance with regard to the turnover and increase of membership and that he ought to be given a correspondingly elevated status. Independently of his position the shop manager is paid a fixed salary like the other members of the staff. With the enlargement of the shops the number of male and female shop assistants employed along with the shop manager has grown very considerably, and courses of instruction for these will be instituted. Therewith, the organisation of instruction in the society will be an established fact ; but all these things are as yet in the development stage. Definite and effective arrangements for the instruction of shop assistants of societies have as yet not been established. An interesting innovation has recently been made by the Hamburg "Produktion" Society. From its sales staff it has selected a number of able saleswomen, who are sent into the shops as sales instructresses. The instructresses do no serving, but observe the shop staff and train it to correct the faults which have been noted. The results have been excellent, as was immediately shown by the turnover of the shops concerned. The American Tobacco Trust has also adopted similar measures.

The question as to whether the sales staff should consist of males or females is not yet settled. Of the 32,000 sales people shown by the figures for 1921, 11,000 were males and 21,000 were females. In the year 1924 the total number of persons employed in distribution was 32,177, comprising 12,659 males and 19,518 females. In the sub-unions,* those of Bavaria and Rhineland-Westphalia (two regions in which the co-operative characteristics are quite dissimilar), the number of male employees amounted to a third of the total. In Wurtemberg, before the war, numerous co-operative stores were staffed exclusively with females, and the male shop-assistants comprised only a fourth of the total. In the other sub-unions

* *Translator's Note.*—In English co-operative terminology the sub-unions may be described as the Sections of the Union.

the proportion ranged between 40 and 50 per cent. In the sub-unions, in fact, the proportion varies exceedingly. Thus in Central Germany the two groups almost counterbalance each other: 1,000 males to 1,300 females; whereas in Wurtemberg there are 446 males to 1,369 females. The differences are, in some measure, due to provincial idiosyncracies. Thus in the movement in Wurtemberg generally the shops are staffed with women to a large extent, whilst in other regions the diversities are connected with the size of the shops. A sub-union with many large shops (as in Saxony) has a higher percentage of saleswomen than one with small rural shops (as in Central Germany); but even in the large societies the numerical proportion is thoroughly dissimilar, and even so in the sub-unions themselves. Thus the Dresden-Pieschen Society had formerly only a male staff, but in 1924 two-thirds were women, whereas nine-tenths of the staff of the Leipzig-Plagwitz Society are women. A comparison of the statistics with the numbers for earlier years shows fluctuations but no notable change in the proportion of the male staffs collectively. The proportion of the male sales staff in the Central Union of German Consumers' Societies as a whole was always a minor third.

If the whole staff question in the co-operative societies is as yet generally unsolved, this applies most particularly to the sales staff, as regards which, independently of specific co-operative requirements, the questions relating purely to trading organisation also are unsettled as yet.

Weighing and Packaging.

The course of business in the stores of the societies is made much more difficult by the fact that the business pressure is irregular and is affected by pay-days. Consequently there was the compulsion to have a stock of commodities ready made-up in pound and two-pound paper bags for Fridays and Saturdays—the days of great pressure. On the other hand the weighing and making up of these

packets on quiet business days was the best occupation for the staff at those times when it had not much to do. The cost of weighing and making up packets at the central warehouse was too great for these processes to be undertaken there, whereas the control would have been very considerably facilitated thereby. The first recommendation for central packeting which I have found dates back to the year 1875 ; but whether it had any particular results is uncertain. On the whole it may well be said that this packeting at the central warehouse is limited to coffee, spices, and things of that kind, and in addition to these there are the articles with a trade-mark which are delivered in packets ready made up. For this packeting at the central warehouse the most up-to-date automatic weighing machines and packeting machines are in use wherever this packeting is done.

Cash, Control, Leakage.

With regard to these questions, two facts stand out in relief. First : every primitive organisation began with requiring a security. Second : in the first societies the shop manager held a very independent position. Thus the societies originally had to make the shop manager completely responsible for the goods he received, and the shop manager was obliged to give a bond as security. This original arrangement remained in vogue, to a greater or lesser extent, down to the years immediately preceding the war, with the result that for whole decades the shop managers and societies were involved in disputes concerning the legal interpretation of the shop manager's liability and the liability in case of a deficiency. The relation between the societies and shop managers was as follows : The shop manager received the goods from the society's central warehouse or from the contractor direct, and was bound to hand over the entire proceeds therefrom. But there was very little certainty that this was done. The dividend offered a certain means of control. Every member would have his dividend on the

commodities he bought and consequently had to receive checks, to the amount of his purchases, from the shop manager—the purchases-book was not particularly in vogue, so far as the individual member was concerned. So long as these purchase checks were in the form of tin checks or pasteboard checks this control was only in appearance; for by making an advance* on the checks of an individual member the shop manager was then able to make a good thing out of it, inasmuch as he got from 80 to 90 per cent of the amount of the checks which the member had in hand. Hence, the comparing of the goods delivered to the shop manager with the monies handed over by him for a considerable period—a quarter or a half year—was always of more consequence than the control. But here, other very considerable difficulties arose. Leakage of stock through drying and loss of weight varies to a large extent, and in the very earliest period even, there were voluminous discussions and collections of statistics concerning what constituted a reasonable leakage; that is to say, to what extent the actual returns of the shop manager might be allowed to differ from the retail price of the goods delivered to him, minus the goods in stock. In case of a deficit the shop manager—who so far became just an independent business man—was expected to make it good.

Practices varying to a greater or lesser degree were adopted. In some cases the shop manager was allowed a certain leakage on the whole stock of commodities, in other cases the commodities on the counter were excluded; other societies again allowed for a leakage in the weighing out of commodities; a special regulation being made for butter. It further occurred even that societies allowed the shop manager leakage, not as a limit of deficiency, but demanded from him only a money payment to the amount of the goods delivered to him, minus leakage; so that if the leakage was kept down the manager was in pocket to a corresponding

* See Note in the Appendix.

extent. The disputes with regard to the question of leakage were not only exceedingly numerous and disagreeable; the struggle for the control of leakage also prevented a national wage-rate agreement being made between the Central Union of German Consumers' Societies and the Shop Managers' Union, inasmuch as the shop managers demanded that deficit and surplus should be carried forward to the next period of stocktaking—a demand which the Central Union declined to grant in this form. In making this demand the shop managers pleaded the possibility of mistakes in stocktaking. A pseudo-deficit, which has thus arisen from reckoning, results in a corresponding surplus at the next stocktaking. They have repeatedly brought forward a number of examples of erroneous stocktakings of this kind. On the other hand, grave and practical experiences pronounce judgment against this carrying forward. For the rest, stocktakings at which these mistakes occur, as they are specified by the shop managers (Döhnel's book, "25 Years of the Shop-managers' Movement," gives quite interesting examples), generally speaking, provide no basis for any testing of the correctness of the monies handed in.

There have been developments, however, in a new direction, in which neither legal interpretation, nor security, nor shop managers' liability is requisite. With the growth of co-operative operations on a large scale, control was also enforced. When the amount at stake was constantly so large as to form an incentive for the shop manager getting a considerable increase of salary, then over and above the petty subterfuges in regard to leakage, so many serious possibilities of breaches of trust made their appearance (which remained not possibilities only) that it became both necessary and advantageous for the large societies to establish special control departments, daily cash-reckonings, daily check-reckonings, more frequent and completely unexpected auditings by auditors, equipped with autos when possible, so that they can journey in all directions to any extent; for a report of

an auditor's coming has been known to have been made. The leakage results are very exactly compared and every possibility of dodging (*e.g.*, light and heavy cask-lids) is ascertained and excluded. In this way the old affair of leakage with liability has been converted into an auditing affair, in which dismissal for insufficiency or defalcation is the essential thing, and not the liability any longer. The shop managers are exceedingly dissatisfied with this development and resist very fervently, but all the same it is marked out and takes a steadfast course, but at a varying pace, which depends on the energy and authority of Boards of Management. Illustrative of this, is the fact that one of the largest societies in Saxony could only proceed to appoint an auditor in the year 1923. It is doubtful whether up to then, as the Society's Management Board thinks, the control over the shop managers through their association with the members effectually averted serious defalcations, and that the only thing that required to be guarded against was the manipulation of stocktaking with a view to showing a balance on the right side. The period of inflation with its numerous price fluctuations was a stimulus in itself to the making of a very great improvement in shop control. But this improvement appears to have been greatly retarded by other anxieties.

As a means for reckoning the dividend, the members' purchases-book has not been made use of in Germany to any large extent, so far as I can see. The reckoning of the dividend has been constantly based on the receipt checks obtained by the member on making his purchases. These receipt checks are made of tin or cardboard, with fixed amounts stamped or printed on them, or also take the form of roll-checks or cuttings from the cash register. The roll-checks are a variation of the tramway ticket, not, however, made of tin, but of bands of paper printed and numbered, which are for amounts ranging from two or three pfennigs up to five marks.

Since the great and new impetus received by the German movement about the year 1900, the roll-check has become

the prevalent means of control. Cash registers and unnumbered checks have declined in importance, although, it must be confessed that the cash register has not entirely fallen into disuse. The unnumbered checks offer too great facilities for side business to be still tolerated in well organised societies, whereas the roll-check, through its being numbered, and the daily reckoning up of checks and cash, combined with frequent unexpected book-auditing, has become a very estimable and valuable means of control. The roll-checks were, in general, constantly received in small bundles to the amount of twenty marks and exchanged for little gummed checks to the same amount, so that when the dividend came to be reckoned up, these little checks solely had to be reckoned, and the roll-checks came in during the whole year and were examined. Recently, in place of the roll-checks, paragon blocks* have been used, which are important just in times of constantly rising prices; for with the aid of these the re-marking of the goods in the central warehouse can be controlled, at least so far as casual testing goes.

The cash keeping is generally such as only entails a cash drawer for the individual shop, and this cash drawer the shop manager or shop woman takes charge of. Separate cash drawers for each employee and separate cash drawers, which, as in the warehouse, are entirely detached from sales have not been adopted in Germany.

Sale to Non-Members.

Where this control is concerned, the sale to non-members or small hurried sales when the purchaser does not take the check, constitute a certain difficulty. To meet that, a closed box has to be used, into which these checks are put. All the same, there is a gap in the control at this point. In other respects the sale to non-members is not of any note. True

* A paragon block is a small block of bill forms, so arranged that a bill is made out in duplicate with the aid of carbon paper, and thus the society has a copy of each bill.

it is, that this sale to non-members was often talked about originally, and in the old societies' injunctions in the sixties and seventies there repeatedly occurred the instruction: "Sales to non-members are to be carried on separately and the profit on these sales is not to be disbursed as dividend." But the movement came to the conclusion that a constant sale to non-members little accorded with its interests, because the society, together with its whole work, is built upon the idea that consumption must be organised, and the society thus works to meet the known requirements of the members, and will not enter into the free competition of the market. Consequently the regulation that sales must be confined to members—which, in 1890, entered into the co-operative law code—was not felt as an injury. Already the model instructions for shop managers in Schneider's "Pocket Book" contained the injunction to shop managers to make sure that the member's card is genuine. The many subterfuges alone on the part of the middle-class-minded authorities which were connected with the carrying out of the above-mentioned regulation were palpably troublesome.

House Delivery.

In the German co-operative movement the sale within the shops has always been the predominant thing. As regards particular commodities, such as cabbage and winter potatoes, it naturally followed that the bulk of these were delivered at the home. And when white rolls were produced in large quantity, house delivery in this case also took place betimes. But beyond these cases only isolated attempts were made at delivering commodities at the home, in conformity with local customs, as in the case of the delivery of beer. But it does not appear that these attempts were merely of local importance, not to mention the fact of their representing the first steps of future development.

An inquiry concerning the time taken in the turnover of commodities would appear to be out of place at the present

time. The pre-war figures are out of date and the figures of to-day do not represent normal conditions. It may be said, furthermore, that co-operative statistics have not as yet reached the stage of elaboration requisite for the settlement of points such as the one referred to. In this matter the labours of the secretaries of the large societies will primarily yield serviceable material for a systematic comparison with the neighbouring co-operative societies, which will enable the sources of faults to be found out and eliminated.

Contracting Business.

The contracting business (making of rebate contracts with tradespeople on behalf of members) is a specific custom peculiar to South Germany, and one which the movement, as a whole, has steadily declined to adopt.* In 1913 the total turnover of the societies on their own account amounted to 473 million marks,† whereas the turnover in the contract business was only 32.9 million marks. In Saxony the societies' own turnover amounted to 106 million marks as compared with a contract turnover of 2.6 million marks. The contract turnover was largest in the South-west German sub-union (section), viz., 8.6 million marks as compared with the turnover of 37 million marks in the societies' shops. The statistics of the Central Union for 1924 record a total turnover amounting to 380,700,000 marks in the ordinary business and only 378,000 marks of a turnover in the contracting business, the latter being equivalent to 1 mark per 1,000 of the former. In the two sub-unions of Rhineland-Westphalia and South-west Germany, the contracting business has completely ceased, and in that of Silesia nearly so. The highest proportion reached in a sub-union is in that of Central Germany,

* This practice was formerly fairly general in England also.

† *Translator's Note.*—Taking the mark and the sovereign at par value (as they were in pre-war times and are now) it is convenient to reckon 20 marks as equivalent to a £, although the actual figure is 20 marks 43 pfennigs.

with its old and small societies, where the proportion reaches 4 marks for the contracting business to every 1,000 marks for the ordinary business.

Competition.

The principle of the consumers' societies after they were founded on Rochdale lines was to sell at current prices. But the movement never regarded it as its task to adopt the prices of the trade, but by current prices always meant a reasonable price which left a margin for contingencies, and consequently considered it to be a duty of honour to set about price-regulating when exaggerated prices were charged by the trade. Apart from the regions with small and old societies—regions in which the societies operated as a kind of compulsory savings banks—the co-operative societies in general, and especially in the large towns, had recourse to the expedient not only of attracting new members by means of the dividend but also of attracting new members by the prices and making the members gained into purchasers. Hence the regulation of prices in times of exigency always constituted an essential function of the largest part of the movement. Apart from Rhineland-Westphalia and South-west Germany, the tradesmen were the only competitors the societies had to face. The small shopkeeper who, when possible, works at the manufactory during the day-time and leaves his wife to look after the business, and gets his commodities from the five-pound wholesaler, was never, of course, to be counted as a competitor in any way, despite his trifling expenses. The case was rather different where the regular tradesman was concerned, especially after the practice of joint-purchasing had also been adopted among these provision retailers. Yet despite discount-saving society and other devices the consumers' societies were well able to withstand this competition, except perhaps for a short time after the war when the higher wages paid by the co-operative societies became particularly noticeable in calculation.

The only serious competition from the old retail trade came from the large concerns without branches, which were pretty rare, but which possessed shops with a large staff and a large turnover and had ample capital, and which, by a greater utilisation of the staff and careful weighing and so forth, were unfortunately able to prevail against the medium-sized societies. In the west of Germany the industrial stores figured as very serious competitors, inasmuch as, being subsidiary concerns of large industrial establishments and possessing all sorts of advantages, not to speak of being subsidised with capital and provided with premises, they were well able to operate, and many a co-operative society's manager had an anxious time of it to keep on a level with the industrial store. Of similar consequence were the provision concerns with multiple shops, though it is true that the coffee concerns with multiple shops appear scarcely to have affected the co-operative societies in any way. On the other hand, the large multiple shop concerns, which were widely spread in South-west Germany especially, and embraced every branch of the provision trade, affected the societies very severely. After the first really exhaustive description given by Hirsch in his "Multiple Shop Concerns" any recapitulation of this competition is unnecessary here, and it may suffice to state, these multiple shops were not only deemed serious competitors, but also may be considered as having somewhat retarded the extension of co-operation in these regions.

Quite regardless as to how the competition was created, every society in some degree up to the mark in its organisation considered it to be a matter of course to find out constantly what competitors were capable of, through the medium of sample purchases and other modes of price observation, and comparing its own capacity with theirs.

In the matter of purchasing, the power of the consumers society lies chiefly in the following facts:—

- (1) As a larger concern it buys larger quantities, and, therefore, more advantageously, because it is not compelled to purchase from the last wholesale dealer, but, in part, has a greater turnover than he has.
- (2) Besides that, the society has a backstay in the Co-operative Wholesale Society, which, as a giant wholesaler, can under-purchase the middlemen in everything, whatever they do, and which, by its concentration of the buying and buying experience of the whole movement, is a very much better judge and adviser of buying than the retailer or the provincial wholesaler also.
- (3) The consumers' society is always better provided with capital than the individual retailer.
- (4) The consumers' society has a backstay in other societies, which is not to be undervalued. The private traders of the detached town—despite all their organised combining—stand opposed to each other as competitors, and but seldom come in touch with the tradesman in the neighbouring town who does not compete with them; whereas the managers of consumers' societies in large and small districts constantly meet together and interchange experiences without systematic organisation therefor—an interchange which is of such a character that no tradesman's organisation could make it more advantageous. In particular, the interchange of experiences with regard to similar operations in other parts of the country is of extreme importance, but with the private trader this sort of thing is almost impossible.
- (5) The productive undertakings of the consumers' societies give the latter a considerable advantage over the mere trader.

As regards sale, the consumers' society possesses the following advantages :—

- (1) As compared with the private trader it has a quicker turnover of goods by having a number of shops supplied from a central warehouse.
- (2) In this connection it has also the advantage of an interchange of experiences as regards the control of the staff and the business organisation.
- (3) The customers are already at hand before the shop is opened. The society saves in the cost of acquisition. With the aid of the members, propaganda, of course, is infinitely cheaper than all business advertising.
- (4) The centralised administration is much cheaper than it otherwise would be if the same administrative apparatus had to be set up for every single shop.

The weaknesses of the consumers' society as compared with the single shop are mainly in connection with the staff, which does not work as the good independent tradesman does, who works for his own prosperity and for his own future. On the other hand, the shop manager, tutored and supervised by the central establishment, is often still better than the average independent tradesman—despite all his self-interest—who has to depend on himself. Of more consequence still is the circumstance that the societies were always obliged to pay their staffs considerably better and could utilise them much less than was the case with their private trading competitors. Poor shops are also a drawback which Hirsch adduces as a characteristic incidental to the carrying on of branch shops, and in the case of district societies this drawback, owing to circumstances, may become very noticeable. Finally, as a natural consequence of the whole construction of the co-operative society, the shop manager is bound to lack that freedom of action which the private trader possesses—a feature which has been very noticeable in the greengrocery trade for example.

As compared with the large multiple-shop business the advantages in purchasing are often considerably less than as compared with the individual tradesman. In this connection

the staff is of primary consequence. The consumers' society has not the same freedom of action as a private concern. The society has a much greater difficulty in getting rid of unsuitable members of the staff and also in the matter of window-dressing and setting out the shop frequently displays backwardness in these things as compared with the multiple-shop concerns.

The *rebate-saving societies* gave a society, here and there, a good deal of trouble at one time. The giving of private rebate as a counter-measure against the attractive power of the dividend in the consumers' society was, on the whole, a miscarriage. The wild trading amongst the concerns which arose during the war, and which, in part, expanded still further after the war ended, probably retarded the consumers' societies temporarily, but without affecting them seriously in any way. Also the trade union supply of commodities, which the co-operative societies vehemently opposed, was perhaps not of consequence viewed as practical competition; but all the same, by its existence and its firm, it constituted a reflection on the co-operative societies.

(B) THE BRANCHES OF BUSINESS.

In Germany special consumers' societies also were founded here and there. Thus, in the earliest period of the movement, co-operative butchers' shops were established. There was also a couple of co-operative bakeries, which were founded by consumers and not by journeymen bakers; but taking the movement in its entirety these divergencies from the normal were very slight. As a whole, the German co-operative movement has always depended on the trade in provisions (groceries, agricultural products, &c.). In this respect it differs very much from the French and Belgian movements, and also from the English movement. To this core of the business bakeries were added at a later date, and also manufactured goods to a certain extent, in due season, whereas the purveying of butcher's meat was entered upon only at a

very much later period, and even to-day does not usually figure as a branch of business with the large societies. The small village societies, just like the village shopkeeper, were forced by considerations of competition to trade in anything they could, so that even in the first stages of their development they dealt in household articles and manufactured goods.

Bakeries.

Baking was perhaps the first branch of production in which the consumers' societies engaged. It commenced in the sixties, and in the year 1875 was strongly recommended to the societies, and for the whole period there is no great non-success of a co-operative bakery to record. All the large societies have first-class up-to-date equipment, with which those of the English societies and those of the large central co-operative bakery in Glasgow cannot be compared; technically and hygienically they are infinitely better than the bakeries of English co-operative societies of a corresponding size. The larger societies worked at least with two shifts before the war and frequently with three; and thereby utilised the machines and heat to the fullest extent and also economised in the outlay of capital. The bread bakery is a typical undertaking for large-scale operation; for the rest, it would be a meritorious task to investigate how dissimilar developments in Germany have so come about that one large town has hardly any notably large private undertakings to show in this respect, whilst in others there are large bread manufactories; and in this connection Hamburg may be classed in the first rank. For the co-operative societies development was determined by this fact and they proceeded along the course safely and at a rapid pace. Owing to their larger capital for purchasing and their superior equipment (flour sieves and mixing arrangements) they were able to supply better bread and mostly bread of a greater weight besides than the small private bakeries, yet at the same price and despite having to pay considerably higher wages. Where

the societies had to withstand competition from bread manufactories working with equal apparatus, but with two ten-hour shifts instead of three eight-hour shifts, the difference in wages was so considerable that they had to work with extreme carefulness, and were obliged constantly to weigh the bread produced by competitors in order to maintain their capacity to compete with them

Baking of Rolls.

With regard to the baking of rolls the conditions are altogether different. Bread rolls are, of course, also a comparatively simple general article in the production of which the mechanical equipment plays a definite part; but in this case operations are disproportionately more difficult than with bread. Rolls are eaten when fresh; they are a commodity that cannot be fetched for stocking. Societies had thus either to start this kind of baking where the delivery of small rolls of bread was the usual thing—which also was done in due time—or to limit themselves to supplying members who dwelt in the immediate neighbourhood of the co-operative stores. The delivery service worked exceedingly well with a number of societies before the war, notwithstanding its relatively high cost.

According to the meritorious statistical data of the Bakers' Union about four-fifths of the total production of the trade before the war consisted of bread; but the proportion of bread slowly diminished. The proportion of sweetbread, from being about 3 per cent, rose to about 5 per cent.

During the war, for reasons relating to the food supply, a decree was issued prohibiting night work in bakeries—a decree which continued in force after the specific reasons had ceased to be valid. It means a great disadvantage for the large undertakings which cannot fully utilise their machines and ovens, not to mention that reasons of social policy speak for the maintenance of the three-shift system. The co-operative societies have, in unison with the trade unions,

proposed an alteration, but the Bakers' Union has fought against it most strenuously. The Bakers' Union declares that if the three-shift system were allowed it would lead to the re-introduction of night work in small concerns, which would be positively objectionable for sanitary reasons. It seems, however, as if the attitude of the Bakers' Union is not prompted by these reasons, but also by the Do-out-des policy in relation to the master bakers.

The expansion of the baking industry is shown by the following statistical abstract for the year 1921:—

1921.	Number of Societies.	Societies with Bakeries.	Bakery Turnover percentage of Business Turnover	Large Societies with a Bakery.	Bakery Turnover percentage of Business Turnover 1921 1924*
Bavaria.....	119	23	19.	all	14 21
Central Germany	253	24	10	..	16 15
North-west Germany	147	26	9	15 out of 18	10 19.
East Germany	138	22	13	all	18 21
Rhineland-Westphalia	55	21	13	..	15 20
Saxony	142	37	10	9 out of 10	12 21
Silesia.....	49	11	10	all	13 8
South-west Germany	108	29	8	..	11 14
Thuringia	184	69	11	..	15 11
Wurtemberg	107	21	7	..	10 11
	1,302	283	10.4	...	13 17

* The percentages for the year 1924 are based on the statistics of the Central Union and are to be applied with caution, since they essentially relate to the period from the middle of 1923 to the middle of 1924, during which period the value of the currency was practically destroyed for nearly six months. Owing to the great derangement of the currency, in part, conclusions scarcely admit of being drawn from a comparison of the figures with those of 1921. For the rest, the two tables afford an approximate illustration. The proportion of the bakery turnover ranges between 10 and 20 per cent of the total turnover.

Further details with regard to the proportion of the bakery turnover in 1924 are given in the Appendix (Page 196).

For the sale of all their bakery products the large societies in part established special bread shops, in part adjoining the larger shops, which were thus eased, and in part (as regards the sale of white rolls) betwixt the shops, so that the members

had facilities, in addition to those in the grocery shops, for buying white rolls.

Sweetbread baking and confectionery have been frequently superadded to the large bakery undertakings. A notable and constant turnover from them of course can only be obtained if special bread shops exist, otherwise they are limited to the Saturday business, in which connection orders play a conspicuous part. In the framework of the whole, sweetbread and confectionery bakeries are not of consequence but only experiments of administrations with a fondness for enterprise, apart from exceptions such as that of the very prominent Dresden bun bakery.

Corn Mills.

The German milling industry in the pre-war period had to rely on the cheap conveyance by water of the imported corn. Hence corn-milling pertained completely to the future tasks of the Co-operative Wholesale Society and not to those of the retail societies individually. Nevertheless, the Hamburg "Produktion" Society proceeded to erect a flour mill, and later on several mills were acquired by other societies, including a large milling concern in the neighbourhood of Ingolstadt which was acquired by the Munich Society. The Leipzig-Plagwitz Society had erected a mill of its own at an early date. On account of the large amount of capital required, co-operative flour milling is presumably precluded from further advance for a time. (Statistics concerning the number of corn mills are given in the Appendix, page 197).

Butchering.

In the years immediately preceding the war, the butchery trade was regarded as a specially difficult and risky one for a co-operative society's administration, and societies of large capacity were on their guard against such experiments. In the early years of the movement, however, co-operators were less cautious and very much more hopeful in this domain. In the sixties a mania for establishing butcheries appears

to have been prevalent, but which, on the whole, had to be repressed after losses had been sustained, so that the Magdeburg Society, in its report for 1875, thus expressed itself:—

After all our experiences and the information gathered from the Fleshmeat Co-operative Society, we have given up all hope of any society being able to carry on this branch of business with favourable results, for there would have to be a completely favourable conjunction of circumstances for the attainment of any other result—an honest and first-rate judge of cattle as buyer, attentive and tirelessly active controllers, master-butchers and journeymen, and faithful salesmen. As this conjunction will never occur, the intense misgivings of the Magdeburg Society may be acquiesced in.

In the same year also, the well-known co-operator, Opperman, expressed his opinions (“Journal for Co-operative Affairs,” in the year 1875, page 233) as follows:—

“So far as the slaughtery trade is concerned, the consumers’ societies can only be recommended not to enter into this branch of business, for nowhere hitherto has it succeeded in achieving lasting success.”

In the “Journal for Co-operative Affairs,” for 1874 (page 235), the editor’s opinion had been already expressed:—

“Even if the slaughtery maintains its men right well, as is proved by the experience of every place, yet the carrying on of a slaughtery by a co-operative society is attended with many great difficulties which certainly ought not to be under-estimated.”

Then, for a long time presumably, there was quietude. Only after the year 1900 did the movement again receive a new impetus. At this period two very different courses were in question. At one time small societies established butcheries simply and solely limited to swine, and then, also, larger societies proceeded to erect big slaughteries, partly such as the private slaughterers were as yet unacquainted with in point of dimensions. General attention was drawn to these big slaughteries by the collapse of the Connewitz Society, which had fallen a victim to its butchering business. The neighbouring society of Leipzig-Plagwitz then took over the society and the butchery which the Leipzig-Plagwitz Society was obliged to keep on; but still in 1911, the butchery manager declared, at the Saxon Co-operative Congress, that they would then have had no butchery but for the fusion by which

the Connewitz Society was salvaged. In the Year Book for 1908, Heinrich Kaufmann wrote of the butchery business as follows :—

" In Germany, at the present time, we have only two large slaughteries which are carried on successfully, viz., the slaughteries of the Leipzig-Plagwitz Society and of the 'Produktion' Society at Hamburg. . . . But I would much rather recommend all medium-sized and small societies to procure their meat supplies from the extensive slaughteries of these large societies than to venture on the experiment of slaughtering on their own account."

In the same year (1908) the General Co-operative Congress uttered an urgent warning against the establishing of co-operative butcheries, and in 1911, manager Preissner of the Leipzig-Plagwitz Society, dealt with the subject at the conference of the Saxon sub-union. The essential points of his statement were: first, that the Leipzig-Plagwitz Society never began the butchery business of its own accord, and second, that the butchery business required a large working-capital; as, although there might be a turnover of half the capital within a fortnight, the other half might be tied up for weeks and months; and furthermore, that a large butchering business was impossible for co-operative societies, unless commodities were produced for a long time. The difficulties connected with the specific character of the butcher's meat trade and of the sales-staff are shown by Preissner's declaration that they originally had 15 to 18 per cent of a deficiency, and then had gradually come down to 2 per cent. For the carrying on of the business, butchers' shops were absolutely necessary, and very special calculations as well.

The general Co-operative Congress of the Central Union of German Consumers' Societies in 1913 dealt with the butchery question, and one of the managers of the large co-operative society at Basle (Switzerland) made a report with reference thereto. The question was dealt with because of the great need there was for the large societies in large industrial regions, to sell flesh-meat and sausages. During

the discussion, manager Rieger, of the Hamburg "Produktion" Society, gave a detailed account of the origination of the Society's butchery business. The decisive point in this connection was the consideration that the expenditure of the working-class in North Germany on bread and flesh-meat amounted to 50 per cent of the total household expenditure. As the Hamburg Society, therefore, had to start a butchery sooner or later, the step was decided on in 1903. The main points of Rieger's statement were as follows: He uttered a warning against pessimism, but emphasized the difficulties connected with the carrying on of business on a large scale. The sales of the Hamburg Society at that time included a turnover of three million marks for flesh-meat, and of four million marks for sausages. Thus the question was by no means one of cutting up flesh-meat for consumption; it was a question of a very large production business with a long term for turnover. With this production business the private concerns had scarcely anything comparable as regards dimensions and kind. Therefore, in view of all the difficulties of organisation, the consumers' societies would have to go about things in the new way, and also the staff, drawn from small concerns, the societies would have to train for large-scale operations. Furthermore, Rieger referred to the possibility of the smaller societies setting up their own swine-slaughteries, and of their establishing and developing joint purchasing organisations.

During the war, manifold plans for establishing large slaughteries after the war were discussed; and in this connection, large-scale operations were contemplated—operations which would be jointly carried on by the societies of a district, and would have to supply a larger area. Nothing has come of all these plans as yet. When Director Everling, of the Co-operative Wholesale Society (who had conducted the butchery business of the Hamburg "Produktion" Society after Rieger), at the Co-operative Congress of 1922, gave a paper on the supplying of flesh-meat by co-operative societies,

the main question dealt with in the ensuing discussion was as to how the societies could organise the importation of frozen meat or, better still, how could the societies deal with frozen meat imported jointly by the Co-operative Wholesale Society and the Meat Importing Company. In the introduction to these details with regard to frozen meat Everling also expressed his opinions with regard to the butcheries in existence. He estimated that, in 1921, the consumers' societies supplied their members with about 2 per cent of the flesh-meat they consumed. As regards the outcome of the development of the organisation so far, he was of opinion that it was first and foremost a question of personality, and he pointed out the difficulties attending both sausage-buying and sausage manufacturing, and declared that daily calculations were indispensable. Finally, he spoke of the misgivings to which the staff gave rise, and very forcibly emphasized the great amount of theft which had taken place in the course of operations of late years. The expansion of the co-operative butchery trade may be seen from the following statistical survey for the year 1921:—

Regions.	Total number of Societies.	Societies carrying on Butchering.	Total turnover of Societies in millions of Marks.	Butchering turnover in millions of Marks.	Number of large Societies.	Large Societies carrying on Butchering.	Total Turnover of Large Societies carrying on Butchering.	Butchering Turnover in millions of Marks.
Bavaria	119	1	375	...	6	...	201	...
Central Germany	253	5	384	60.2	6	2	158	9.05
N.-W. Germany	147	4	928	52.3	18	3	747	52.0
Rhineland- Westphalia	55	3	768	17.4	13	3	708	17.4
Saxony	142	6	820	29.0	10	1	525	25.9
Silesia	49	...	189	...	6	...	119	...
East Germany ...	138	1	493	0.8	5	...	299	...
Wurttemberg.....	107	...	290	...	5	...	129	...
S.-W. Germany	108	...	516	...	13	...	340	...
Thuringia	184	3	420	7.3	11	3	212	7.3
	1,302	22	5,183	116.9	93	12	3,438	111.6

Thus there were four sub-unions wherein there was no co-operative butchery. The total turnover of 117 marks of the 22 co-operative butcheries was equal, approximately, to 15 per cent of the total productive turnover of the societies and to only 2 per cent of the total turnover of the societies. The turnovers were almost exclusively realised by the butcheries of the large societies; the only exception being in Saxony where, besides the Leipzig-Plagwitz Society, there were five smaller butcheries with a total turnover of 3 million marks; that is, 10 per cent of the co-operative turnover in the butchery business in Saxony. The Hamburg and Leipzig-Plagwitz Societies together realised two-thirds of the whole turnover in the butchery business. And this figure is even below the actual mark inasmuch as the statistics for Hamburg contain figures a year behind. In 1921 and 1922 the sales in the butchers' shops of the Hamburg Society amounted to one-fourth of the Society's total sales of provisions; in 1924 to a third. According to the latest statistics there are only two sub-unions in which there is no co-operative butchery production. In proportion to the total turnover, however, that of the butchering business is exceedingly unimportant, since the total turnover for the latter amounts only to 12,770,000 marks as compared with the total turnover of 380,700,000 marks for the former; and no less than 7,000,000 marks of the butchering turnover—or more than half—relates to North-west Germany, wherein the butchering turnover amounts practically to 12 per cent of the total turnover. In the other three sub-unions with a butchering turnover above the average the percentages range between 2 and 5 per cent of the total turnover. (See Appendix, page 197).

Altogether it may be said with regard to the butchery business that the German co-operative societies are as yet in the initial stage of development, with the exception of two large societies possessing adequate experience and one of which (the Hamburg Society) figured very conspicuously as a supplier of preserved meat during the war. But for the war

further large butchery concerns would probably have been established in the shape of provincial co-operative societies, as there was adequate experience therefor. New establishments of that kind during the war were not to be thought of, and after the war, as soon as the societies had completely adapted themselves to the new conditions in trade, then ensued the shortage of capital. In addition thereto there was the excessive cost of construction and of mechanical equipment for large butcheries which made it impossible to erect new and large establishments, as it was impossible to count on their being profitable in face of the old-established concerns which had done well during the war and had written everything off so far as regards the cost of buildings and equipment. The experiences gathered hitherto may be summed up as follows: the raw material for the butcher's trade—cattle that is—requires, in the matter of purchase and calculation, an individual mode of manipulation for which large-scale butchering operations always dependent on typical raw material are little adapted. By systematically circumspect purchasing, by particularly careful calculation on the strength of dearly bought experience, and by a very careful selection of managers who are capable of mastering the many problems of organisation and who make close calculations and devote particular attention to the utilisation of offal—these difficulties are surmountable, so that we may count on a great development of the co-operative butchery trade after normal economical relations have been re-established.

As the butchery trade, despite the experience already gained, is once more attended with considerable risk for any society intending to carry on the business on a large scale, one of the first pre-requisites is abundant capital capable of tiding over mishaps, and besides that the society must be well organised throughout.

Textile Goods.

In the earliest period of the movement the societies then in existence dealt in a variety of textile goods; thus in

1870, 25 societies out of 111, and in 1874, 40 societies out of 178, sold goods of this kind. But of this expansion little remained, so that when textile goods were introduced in the eighties and about 1900 it signified a fresh start altogether in this line. In this branch of business a distinction must be made between the small village society and the large urban society. The one is carried on in opposition to the village shopkeeper and in its case the sale of textile goods represents a great risk which frequently jeopardises it, but which it cannot evade. In the already large society of the middle-sized town, textile goods constitute a new, large and important branch of business and raise the society a higher step in development. In Prussia this development was almost completely retarded by the emporium tax. But whether very much more would have been achieved had there been no emporium tax is open to doubt, inasmuch as the societies which arose about 1900 were largely preoccupied with the extension of their provision trade and the strengthening of their finances during the first decade of their existence. It is also significant that the Hamburg "Produktion" Society with its great initiative started its butchery business beforehand, and that the textile goods store which it had planned at first was kept in view for a later period. In Saxony and South Germany the obstructive taxes were abolished; the societies also to a large extent were older; yet, when the war broke out, there was nowhere anything to record which could stand comparison with the position in England. All the same a number of textile goods stores were then in existence, and after the war the number was increased. In the three years 1921, 1922, and 1924, the Hamburg "Produktion" Society's turnover of textile goods amounted to 5 per cent of its total retail trade.

Footwear.

The statistics previously quoted with regard to textile goods include three societies for the year 1870, and 10 societies for the year 1874 which dealt in boots and shoes.

There is also a protest extant pertaining to that period—a protest from Rostock made by the shoemakers against this self-interested competition on the part of the co-operative societies. As regards the development of the boot and shoe business the same remarks apply in this case generally as apply in the case of textile goods.

Only a fifth of the societies deal in boots and shoes. These societies are very unequally distributed among the sub-unions. In Saxony, Silesia, and Thuringia, the proportion is large; in South Germany the proportion is small.

Of the large societies barely half sell boots and shoes, but in Saxony and Thuringia nearly all. Thus the sale of footwear by co-operative societies is but imperfectly developed, comparatively speaking; the sale is only worth while when societies are in a position to make the business a special undertaking.

Greengrocery.

Where greengrocery is concerned there is a distinction between the sale in the shops or in special greengrocery shops contiguous thereto (which is thus an entirely decentralised business) and the sale in some large establishment like a market-hall or large stores. The St. Annahof, in Zurich (the stores of the Zurich Provision Society), fully represents the second type, influenced probably by Potin's Paris stores. In the pre-war period the Elberfeld Society organised both types at the same time. A number of other societies experimented with the decentralised sale. All these experiments were possibly detrimentally affected by the circumstance that a large concern cannot give its branch managers the pretty free hand in the fixing of prices which a sales manager has to have, whereas an individual establishment can reduce its prices earlier on in the day in order to sell off. Moreover, the shop delivery was expensive, as the time from 5 a.m. to 7 a.m. of a morning had to be paid for as overtime. The only result was that the shops had a good custom in the morning hours. Meantime it is impossible as yet to deliver a conclusive verdict.

Dairying.

With regard to milk supplying, experiments were made for a long period, and at the time the war broke out these experiments had not been brought to a conclusion. There was, perhaps, a generally prevalent conviction that the societies were in duty bound to take action in this matter; but, on the other hand, it was evident that the final methods had not yet been discovered. It may be assumed that after the re-establishment of normal economic conditions the large urban societies will push forward again in this domain.

Wine.

In South-west Germany and Wurtemberg cider figures as a popular beverage to a considerable extent. Consequently the co-operative societies have laid themselves out for the production and sale of cider; in addition also a regular wine business has been developed by a number of societies, and perhaps above all by the Stuttgart Society with its membership derived from old times and all circles. In specific workers' societies the sale of wine has also been carried on but not to any notable extent.

Fish.

The sale of fish by the co-operative societies was still quite in the experimental stage before the war. Then, with the official propaganda of fish consumption, the war brought about a certain increase of business on the whole. After the war the Co-operative Wholesale Society further extended its fish trade, but the fish trade of the retail societies still depends in very large measure on local habit, so that no generally applicable statement with regard to this branch of business can be made.

The co-operative fish trade has, presumably, been undertaken without the requisite amount of capital. A fish business can only attain success when it is carried on with a plentiful supply of capital, and is organised on a very large scale and when attention is paid to unsaleable stuff and the disposal thereof.

Household Articles.

In the Year Book of the Central Union of German Consumers' Societies, it is stated for the individual societies, whether they carry on the sale of household articles. A glance through the lists, however, shows that little reliance can be placed on this data, inasmuch as the societies have manifestly reported the sale of household articles only in case they have opened a special shop for this branch of business, whereas numerous societies which sell household articles in their general stores have doubtless not stated this fact. Household articles do not figure prominently in the sales of co-operative societies as yet, but they are increasing largely in importance, as is shown by the growth of this branch of business in the Co-operative Wholesale Society. The larger societies to-day deal in almost all household articles.

With the sale of household articles, that of household furniture has also been combined here and there; but in view of the inadequate purchasing power of the mass of the people, the sale of household furniture is merely a beginning as yet.

Coal.

The coal business of the co-operative societies is beset with manifold aggravated difficulties to start with. The petty hawking of coal, as is customary in large towns, is a type of business the co-operative societies cannot undertake. For them, the delivery of some hundredweights and upwards, by lorry, is the only question that can be dealt with. Within these limits, however, the business is first of all rendered more difficult by the fact that in proportion as the coal trade became dependent on the coal producers, the more closely combined it became, and, as a recompense for its increasing dependence, it demanded, and frequently secured, the exclusion of public utility purveyors of coal from supplying this commodity. Hence, the conditions on which coal can be obtained by co-operative societies are so unfavourable that there has been no incentive to undertake this business on a

large scale. A number of societies do certainly supply their members with coal, and have also established special depôts for this purpose and a special apparatus for delivery as well, yet, with all this, the coal trade is attended with a variety of specific difficulties, which diminish the incentive of the co-operative societies to undertake this business. And so this branch of business has undergone no distinctive expansion as yet, although it was commenced in good time and was strongly recommended by Fell, for example, in 1901.

Fodder.

By the co-operative societies in semi-rural areas, and by the district societies which have many stores out in the country, the trade in fodder has been frequently cultivated. Some societies have also established barley-crushing mills of their own. The whole business, however, is completely dependent on local characteristics, but with many societies the trade is a prominent feature, and in many regions will yet be extended, but without its becoming of importance generally.

Production by Retail Societies.

Finally, a few remarks with regard to the co-operative societies' own production may be made. Of the 5·2 milliard marks turnover of the year 1921, the retail societies produced 737 millions worth, that is to say, one-seventh of the turnover was produced in their own undertakings. According to the statistics of the Central Union, the value of the societies' own productions amounted to 90 million marks or 24 per cent of the total turnover of 380,700,000 marks in 1924. The later figures compiled by the Co-operative Wholesale Society relate to the calendar year 1924, and record a total turnover of 559 million marks, including a productive turnover of 135,850,000 marks, or 24 per cent likewise. The Co-operative Wholesale Society's production is not included in this calculation. Amongst the sub-unions conditions differ very greatly. The proportion of production to the total turnover in 1921 varied

from 7 to 17 per cent. In four sub-unions it revolved around 10 per cent. The total percentage is raised by Rhineland-Westphalia and North-West Germany.

Subsidiary Undertakings.

With each of the larger societies there soon arises a repairing workshop for the vehicles which, regardless of profitableness, is gratifying to the manager, because he can thus rely on having repairs done promptly and to suit him. As supplementary work, new things are often taken in hand. The operations of the repairing shop then extend beyond motor-vehicle and lorry repairing to other repairs, such as small carpentry, or house carpentry in case of removals and house alterations, and ultimately the production of shop fittings, &c., is carried on in addition. The house carpentries of the Hamburg "Produktion" Society, and the Bielefeld Society have even grown into furniture manufactories which have been plentifully supplied with orders for furniture from the members of the societies. Other societies have also proceeded to the production of furniture, though on a smaller scale. The subsidiary undertakings are not of distinct importance; they are to be judged fundamentally, perhaps, only from the standpoint of quick-service, which it is their function to promote.

House Building.

House building has been carried on to a minor extent by a large number of co-operative societies. The Executive Board of the Central Union has, presumably, always held the opinion that the combination of co-operative building with co-operative distribution by societies ought to be undertaken only with great circumspection.

(C) THE FINANCES.

Apart from the contractorship business by which the societies secure preferential rebates for their members from a number of traders and craftsmen, joint purchasing for the

members and joint production for the members' requirements have always been regarded as *the* task of the societies. From the very beginning the societies were business organisations requiring a working capital, and, on the other hand, they declined any donation of the business capital by benefactors. Where this was not done, as in Berlin temporarily, this money proved no boon. Hence constant exertions had to be made to collect sufficient capital for current needs from amongst the members. This was done by the members taking up a share equivalent to a week's wage, that is, 20 to 30 marks generally speaking (the model rules of the Central Union stipulated 30 marks), and, in case they were unable to pay the full amount immediately in cash, they either paid by instalments—weekly or monthly—or out of their accumulated dividend later on, if the society then stood on solid ground financially to some extent. Liability as a basis for credit has never been a feature with the societies. Besides this business capital (which was of uncertain amount, in so far as it was repayable on the withdrawal of members and hence notice of recall—though a long one—could be given at any time), the formation of social capital constituted a prominent feature from the moment the societies set themselves larger tasks. The reserve fund, originally, actually represented merely a reserve against losses, but with the growth of the new movement after 1900 the reserves acquired a new importance altogether. The social capital of the societies was accumulated in the form of reserve fund, special reserve fund, house-building fund, &c. Along with shares and reserves the savings deposits of members played a certain part in financing the societies. From the beginning—even before the Central Union was founded—the co-operative movement carried on a very large-spirited campaign for the financial strengthening of the societies, first through the editorial department of the Co-operative Wholesale Society, and then even more strenuously through the Secretariat of the Central Union.

Guiding Principles of 1913.

In the autumn of 1913, the following principles with regard to the financing of the societies were determined on by the General Board of the Central Union :—

To the co-operative organisations of the Central Union of German Consumers' Societies the following recommendations are made :—

- (1) The capital required for the current business of a co-operative society conducted on the principle of cash payment of its suppliers is to be raised by means of shares and reserves.
- (2) The more diversified the operations of a society become, so much the more is this formation of the society's capital to be promoted by getting in the share capital subscribed, by taking the reserves into special consideration, as well as by writing-off liberally on account of depreciation.
- (3) In case the requisite working capital is not procurable by this means, then the amount per share should be raised to a higher figure.
- (4) New branches of business should be undertaken only when the working capital requisite therefor can be provided from the society's own funds.
- (5) The real estate of the society should be charged with a first cash mortgage up to 50 to 60 per cent of the estimated value, the mortgage to be paid off in 20 to 30 years.
- (6) The other 40 to 50 per cent required should, as far as possible, be raised from the society's own working capital. But in case the society's own means are temporarily not quite sufficient, then the amount lacking is not to be raised by means of savings deposits, but by means of redeemable house shares, or by a redeemable bond loan on which interest up to 4½ per cent can be guaranteed. For the amount of the house shares or bonds, a mortgage, secured on the real estate of the society, may be procured.

After the War.

The guiding lines here laid down constituted an aim which the societies hoped to attain in the immediate future. The finances of the societies, however, were completely metamorphosed by the war, and after the war the currency depreciation soon set in, with further abnormal conditions as the result, so that at present there is little inclination to go more fully into the finances of the societies. The pre-war

figures portray the movement growing in strength and standing on the threshold of consolidation. The war figures, on the other hand, reflect utterly abnormal conditions, and the figures of the more recent period became wholly out-of-date by the time they appeared in print. At the time of the currency depreciation particularly, the financial position of the societies changed so rapidly and so fundamentally that any detailed statement is outside the question.

An approximate survey of developments is given in the Table (see page 80), which shows, by comparison, the financial position of the whole of the societies of the Central Union in the years 1913 and 1921. A division of the figures of 1921 by 10 gives gold-mark figures approximately. In the second half year of 1920, and in the first half year of 1921, the State Statistical Department's index figure for food stood at 11 to 12. It may be taken as probable that the business year covered by the statistics lay within the period for which the figures in the following table are valid.

For the sake of comparison, the arrangement relating to 1913 has been applied for both years. For 1921, an improved model has been made use of, which affords a deeper insight, which, however, will not be of interest here. The statement for 1913 gives a very satisfactory representation of the finances, whereas that for 1921 shows the relative diminution of the means at command, that is, of the social capital.

This Table shows that it was not possible for the societies to keep pace with the monetary depreciation by increasing the amount fixed per share, and that the proportion of share capital and reserves to the necessary capital had gone down. But, on the other hand, the societies formerly kept themselves still pretty free from bank credits. In the interval a complete change here also ensued. The savings deposits again played a considerably greater part than formerly in providing the societies with money, and the amount owing for goods increased as compared with 1913.

FINANCIAL POSITION OF THE SOCIETIES OF THE CENTRAL UNION IN 1913 AND 1921

1913, in Millions of Marks..		1921, in Millions of Marks.	
ASSETS.	LIABILITIES.	ASSETS.	LIABILITIES.
Cash 4	Share Capital 31	Cash 27	Share Capital 150
Goods 54	Reserves 13	Goods 790	Reserves 41
Capital 52	Various Funds 10	Capital 337	Various Funds 42
Fixed Stock 16	Savings Deposits 68	Fixed Stock 38	Savings Deposits *583
Landed Property... 90	Mortgages..... 41	Landed Property 160	Mortgages 86
Outstanding	Bonds 5	Outstanding	Bonds..... 36
Accounts 3	Owing for Goods 10	Accounts 15	Owing for Goods 180
Loan Advances on	Security Bonds 3	Loan Advances on	Security Bonds 4
Divi. 1	Business Expenses 1	Divi. 8	Business Expenses 64
Security Bonds ... 1	Divi. standing to Mem-	Security Bonds ... 4	Divi. standing to Mem-
	bers' Credit 15		bers' Credit 128
	Surplus 24		Surplus 65
221	221	1379	1379

* Including 16 million marks owing to the Bank which, in 1913, were grouped with the Savings Deposits, and were shown separately only at the later date.

Meanwhile, the following figures show the position in 1924, and may also be compared with the figures for the pre-war year 1913:—

1924, IN MILLIONS OF MARKS.

ASSETS.		LIABILITIES.	
Cash	1·7	Share Capital.....	14·4
Goods	56·4	Reserves	12·8
Capital.....	10·1	Various Funds	12·2
Fixed Stock	6·0	Savings Deposits... 48·6	} 58·6
Landed Property	81·0	Bank Credits .....		10·0
Outstanding Accounts ...	1·2	Mortgages	10·9
Advances on Dividend ...	0·4	Bonds	1·6
Security Bonds	0·3	Owing for Goods	32·2
		Security Bonds	0·9
		Business Expenses.....	4·2
		Members' Dividend	5·3
		Surplus	4·0
	157·1		157·1

The balance sheet for the year 1924 shows the catastrophic effects of the last year of currency inflation on the financial position of the German co-operative movement. Although the stock in hand remained nominally at about the same figure as formerly, yet, in consequence of the smaller purchasing power of gold, it had sunk to about a fifth. On the other hand, the amount owing for goods had trebled, and, in addition to this, there were the bank debts (a new feature) which amounted to as much as the goods debts did formerly. The only pleasing feature in the whole balance sheet is the fact that the reserves and various funds stood at the pre-war level, whereas the business credit balance figured at only half the amount of that of the pre-war period instead of having increased by a third more than that. It can be said approximately that the consumers' societies to-day should have a business credit balance of 40 million marks as compared with the 30 millions in the pre-war period. They have, however, hardly 15 millions, and even this total is not actually in existence, but largely owes its existence on paper in the balance sheet to revaluation.

The decline of the surplus from 24 million marks to 4 millions is elucidated in the following figures. The net proceeds and dividend on members' purchases in every form amounted in 1914 to 8·38 per cent of the turnover, and in the several sub-unions ranged between 6·73 per cent and 10·48 per cent. In 1924 the percentage for the whole of the Central Union figured at 2·67 per cent, the highest figure being shown by the Central German sub-union, viz., 4·31 per cent, whilst in the North-West German sub-union the figure was only 1·96 per cent.

Shares.

In particular, it may be said as follows: Before the war the shares were fixed at from 30 to 40 marks each, but it was an established principle, though not put down in black and white, that the amount of a share should correspond to the weekly wage in the locality concerned. Immediately before the war it had become the aim to increase the amount of the share so as to get it up to 50 or 60 marks. In 1920 and 1921, the figure per share ranged from 100 to 200 marks. The more depreciated the currency became, the more difficult it became for the societies to make the share keep pace. The real wage of the workers simply declined along with the increasing depreciation of the currency, so that it became more difficult for them to spare the money for the co-operative societies; and, on the other hand, with the raising of the cost of the share there was also the temptation to give notice of withdrawing from the society in order to get hold of this amount, which, to the workers' household, was a consideration in a time of depression. Hence, for this reason, the societies were rather afraid of raising the amount of the share to too great an extent. On the other hand, the business compulsion to increase the amount of the share and to get in the money very quickly was very strong, and, therefore, there was a recurrence to old methods. Just as in the beginning of the movement the money for the shares was collected weekly, in order to get the full amount paid up as soon as possible,

so now again the house to house collection of the instalments for the shares was frequently organised. Besides that, a new system was adopted. Many societies levied a definite percentage on purchases as instalments on account of the shares; but this method was not exactly recommended in the movement because of the frequently recurring reflection that the members, with little money to spare, might be induced to go over to the private trader in consequence of such methods.

As soon as the Rentenmark was under consideration the societies prepared to standardise the scale of the shares, on the basis of the new denomination, and with the stabilisation of the currency, this standardisation was accomplished as quickly as possible. As for a revaluation of the paid up shares, no one anywhere would take it into consideration; on the one hand, because this revaluation would entail useless administrative expenditure and would benefit the members only to an inconsiderable extent, and, on the other hand, because it was considered that the members had received an equivalent for the depreciation of their shares in the moderate prices of the society, and, therefore, had no moral claim on the revaluation. Before long, however, this view underwent a change, and the societies in general have made a revaluation upwards to an extent which nearly exceeds their capacity. The revaluation has, of course, produced no effective capital but only a charge.

Systematic efforts were made to get in the money for the new shares, but the results appear to have been very trifling. In face of the unemployment and the low real wages, the members were not at all inclined to put any considerable sum in their society (50 to 60 Rentenmarks were frequently required). Meanwhile, it was hoped that a revaluation of the shares would be of great propagandist value for the co-operative societies, but this hope does not appear to have been realised, although many societies almost exceeded their competency in making the revaluation. They had suffered too severe losses during the currency inflation,

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and at the time of the currency catastrophe especially, stock-in-trade and substance were largely used up. It is stated by a large and admirably managed society that at the worst period of the currency inflation the society had 75 persons engaged day and night in counting the paper mark amounts coming in and making them ready for the bank, only to enable the society to buy commodities again immediately; but it was labour in vain notwithstanding, which the society could not avert. The management boards of the societies attribute their losses primarily to the officially prescribed price policy, which made them victims of the inflation, whilst people who supplied them with goods calculated in gold. The society, referred to above, consequently proceeded ultimately to compute in gold marks. Hence, some hundreds of usurious complaints were made against it, but the management board is convinced that the society would have had to close but for having proceeded to reckon its accounts in gold marks. In this way, the societies appear to have entirely used up the gain on shares and savings deposits due to the inflation, and to have retained only the gain on credits resulting from the currency depreciation, but without having systematically utilised this latter source to the full anywhere. At the time of writing these lines (May, 1924), the movement is undergoing the infliction of an excessive shortage of capital, of which there is no prospect of a termination as yet.

About the year 1900 there was an agitation with the object of inducing members individually to take up several shares after the English style, but without any consciousness of the fact that, in England, co-operators had been impelled to have recourse to this practice in consequence of the legal restrictions with regard to savings banking. The English working man who desired to put his savings in a co-operative society had to choose this method, and ultimately became accustomed to it, although the savings deposit arrangement should, of course, have been the normal thing. Consequently, in Germany, this agitation was a complete failure. Nowhere, to any

extent worth mentioning, were several shares taken up by members individually. When this was perceived then the tactics were changed, one share became the limit and savings deposits were sought for, but there was an effort made to abolish the interest on shares. In 1905 about half of the societies paid interest on shares. The model rules, as altered in the year 1912-1913, no longer provided for the payment of interest on shares, because the payment of interest on these comparatively small amounts entailed a good deal of work. To the members individually the interest on 30 marks was of no consequence, whereas to the societies the suppression of interest constituted a very welcome contribution to the formation of capital. This suppression, however, has not become prevalent throughout. The "Konsumgenossenschaftliche Rundschau" (Co-operative Review) of February 24th, 1923, contained a statement showing that nearly half the movement has abolished the payment of interest on shares. In the sub-unions, however, the proportion is very unequal. It is doubtful whether the payment of interest will not have to be re-introduced, with the replenishment of the shares which the currency depreciation made necessary.

Reserves.

The reserves originally constituted solely an assurance against losses, an assurance of the shares and liabilities, apart from any question of constituting capital at command. There was even a certain aversion to this formation of social capital. Even if the warning uttered by Parisius against the arising of a "new dead hand" is to be considered, perhaps, as being beside the mark, yet the practical men in the seventies and eighties, more than once, uttered a warning from the standpoint that, owing to a lack of education, the membership might easily, in case of a greater accumulation of capital, reach the point of deciding on a dissolution of the co-operative societies and a distribution of the assets.

About 1900 a fundamental change began, and the accumulation of strong reserves was systematically called for and promoted.

Savings Deposits.

As regards the third important part of the co-operative society's capital also, that is the savings deposits, a sharp distinction between the old and the new movement must be made as in the other cases. In 1867 the societies, it is true, were dissuaded from combining societies and loan banks one with another, but the placing of dividend and savings deposits to the credit of members, and the utilisation of savings deposits, were frequently recommended, and particularly so in Schneider's "Instructions"; only it was laid down as a principle that the trading requirements should be the determining factor with regard to the acceptance of savings deposits, and that the societies should be on their guard against accepting savings deposits which could not be easily made use of in the business and for which the societies would have to seek an opening for investment in the capital market. Thus, when the Breslau Society had money in abundance, it fixed a limit, like many English societies, and paid back quite in accordance with the suggestions made by Schneider in his "Instructions." As regards this old movement, on the whole, one may venture to say that it had an antipathy to the use of savings deposits in trade, because savings deposits are precarious, but that, on the other hand, it preferred savings deposits to other extraneous monies, so that it frequently preached the acceptance of savings deposits. Thus, at the Conference of the Saxon sub-union in 1900, Professor Crüger recommended the taking of savings deposits as working capital, withdrawable on a suitable length of notice being given.

In this respect the new movement took up a different attitude altogether. For the carrying out of its plans it wanted the capital of the societies to be largely increased, and, on the other hand, in conformity with its whole character, it was bent on a systematic propaganda for

making use of the savings in the interests of the working class. It could not help but feel a repugnance to the investment of the workers' savings in mortgages through the public savings banks. It was bound to aim at making use of these monies for the general benefit of the working class. And so it laid special stress on the necessity for depositing the savings in the co-operative societies, whereas the old movement, on the contrary, then uttered stronger warnings against the dangers of savings deposits than before. In the year 1908 the amount of savings deposits which could be used in trading operations without any danger was estimated by the Central Union at 12 per cent of the turnover. With this limitation the fluidity of the savings deposits could always be maintained by laying claim to the limit each time, and, on the other hand, considerable gains in the matter of discount could be made. The fluidity of the savings deposits could be further maintained by placing part of them with the bank department of the Co-operative Wholesale Society. According as savings deposits poured into the societies, and the latter, besides strengthening their own finances, had deposits to a large amount to administer, certain difficulties arose with regard to finding a suitable way of making use of the surplus deposits, so that another outlet was resorted to, in some degree, later on, and greater stress was laid on the constant necessity of converting saving deposits into bonds at a fixed rate of interest termed "house shares." These house shares also represented an old arrangement which had been frequently adopted as far back as the seventies, and which was also recommended by Schneider in his "Pocket Book." The savings deposits in the societies of the Central Union in 1913, which amounted to 70 million marks, are an inconsiderable amount in comparison with the total of 20 milliard marks in the savings banks.

Emergency Fund.

The Emergency Fund is an institution which raised a very great deal of dust in the struggles which took place

about the year 1900, but which has not become of general importance. The Hamburg "Produktion" Society did not pay out the dividend even if the member's share was paid up, but allocated the dividend to the Emergency Fund up to the amount of 100 marks. The members who were thus unable to draw out any dividend for a number of years then, of course, very easily became accustomed to let their dividend remain as a savings deposit later on. According to this idea the Emergency Fund represented a compulsory savings credit, since, in times of economic distress, it enabled a member to buy at the stores for a couple of weeks without being obliged to get things on trust. Good as this idea is, the general introduction of it is particularly difficult. The Hamburg Society, which was built up on the working-class movement to a particular extent, was able to introduce a thing of that kind, but to introduce such a thing generally would have been detrimental to the societies. Here and there the attempt was made to create an Emergency Fund by the retention of a part of the dividend; but beyond that the Emergency Fund attained to no specific importance.

Depreciation.

Except as regards the older societies, which were focussed on a big dividend, allowance for depreciation has been regarded in the movement since 1900 not only as such but also in great measure as a means of creating latent reserves. Hence, generally speaking, allowance for depreciation has been made on a very ample scale and in excess of what has been strictly necessary.

Balancing of Accounts.

At the outset there was a strong inclination for quarterly balance sheets, which were especially adopted so that the young societies would be bound to see, in good time, how business was going on. Later on, half-yearly balance sheets were recommended; Schultze-Delitzsch was directly opposed to quarterly balance sheets where large societies were

concerned. In the nineties, one may venture to say, the prevalent opinion was in favour of yearly balance sheets ; but half-yearly balance sheets were partially adhered to until within the first decade of the present century.

Dividend and Price Policy.

The distribution of the surplus according to purchases is the specific characteristic of the Rochdale movement, and has, in Germany, been a dominating feature ever since the consumers' co-operative societies were founded. In the sixties a dividend on capital was also paid here and there ; but at the end of the sixties that appears to have been discontinued. But, ingenious as is the method of attaching the member to the society by means of the dividend, yet there are divers scruples over against it. In a movement which is not actuated by great impulses, but which has to do with work-a-day life, there is the great danger of the dividend being made *the* object of the co-operative society's work, and the danger that the larger aims of the society may suffer thereby. As far back as the sixties there were complaints in abundance from Saxony on this score ; but the systematic fight against the high rate of dividend began only about 1900, especially in Saxony, and there more especially in the Erzgebirge region, where, in many cases, the co-operative societies had become merely compulsory savings banks. The new societies which arose after 1900 had not this difficulty to contend with, in general, because they were otherwise situated. In the industrial regions and large towns in which the societies arose the public ran after cheap prices. To these societies, therefore, a low price was of much more importance than dividend, which was kept within moderate limits. In the course of years down to the war the dividend dwindled to a large extent, and in recent years has gone down remarkably. In 1903 the dividend approximated to 10 per cent, and in Rhineland-Westphalia to 5.6 per cent ; whereas, in the Central Union, in 1909, it had then sunk to

8.3 per cent, and in 1913 to 7.4 per cent; in North-west Germany it had fallen to 5.4 per cent. In the sub-unions the dividend ranged between 5 per cent and 9.2 per cent. In 1921 it amounted only to 3.3 per cent, and in the sub-unions it ranged between 1.8 per cent and 4.8 per cent; but the large societies in many cases paid 5 per cent. The recent diminution is due to the currency depreciation, but the diminution before the war was due to work being carried on under very serious and difficult circumstances. This work turned out particularly difficult in the areas where there was a cleavage in the movement, or where the societies competed one with another, as in many districts of Saxony as well as in those localities where the private traders gave dividend, and, indeed, a pretty high one at that.

The Fixed Rebate.

Dividend at a fixed rate constitutes a special form of dividend, which was introduced for reasons of taxation. When, at the beginning of this century, there was a disposition to battle with the co-operative societies by means of special taxes, and by putting on the taxation screw generally, the societies felt it to be particularly unjust that their whole surplus should be liable to be taxed as profit, whilst every business man who participated in a "rebate-saving society" or otherwise gave a rebate was allowed to deduct this rebate from the profit liable to taxation. Therefore the legal adviser of the Central Union of German Consumers' Societies at that time (Dr. Reinhold Riehn) recommended a few societies to have it laid down in the rules and regulations that their members should have a fixed rate of dividend, and, after that, he also obtained a verdict in the Prussian High Court whereby this rebate declared in the rules and regulations, to which the members had a legal claim, could be deducted from the gain liable to be taxed just as in the case of any private trader. The courts of other German States took the same line, so that the co-operative societies were

enabled to escape exorbitant taxation demands to a large extent. The Executive Board of the Central Union, however, put on the brake very strongly against the general hurry to introduce the fixed rebate which then became manifest.

The Board took the view that the fixed rebate ought to be introduced only after careful consideration, and then only to a moderate extent, and this for reasons of policy as regards taxation in the first place and for reasons of co-operative finance in the second. The meeting held by the functionaries of the Central Union in 1900, in connection with the Co-operative Congress at Mayence, expressly declared that the fixed rebate was not generally worth recommending, and further requested that no co-operative society should introduce it without the assent of the executive boards of the sub-unions and of the Central Union. Despite the Central's spirited admonitions a number of societies could not refrain from introducing the fixed rebate at a height which was not compatible with their business position. On the other hand, it must be stated that societies in many cases pursued a far-sighted and temperate policy as regards the taxation question, and positively abstained from spending any money on the struggle concerning taxation, so that a change of public opinion might come about as regards the taxing of consumers' societies. In view of the notorious difficulties which had arisen, the General Board of the Central Union at the end of 1913 took up a position. It recommended, first of all, that the greatest circumspection should be observed with regard to introducing the fixed rebate, and that strict attention should be paid to the suggestions of the Executive Board in accordance with the Mayence resolution.

It declared, furthermore, that "the introduction of a fixed rebate ought only to be undertaken by such societies as have been going for several years and are in a firmly established economic position, that is to say, are possessed of adequate working capital for paying ready money and forming strong reserves." And lastly, the fixed rebate ought to be

2 per cent below the dividend previously paid, and ought not to amount to more than 5 per cent. Societies which had determined on a fixed rebate of over 5 per cent ought to recur to 5 per cent. The whole of the societies should keep up the practice of allocating $\frac{1}{4}$ to 1 per cent of the turnover to the reserve fund—a practice which at times had not been maintained. Nevertheless, the fixed rebate has largely increased. At the end of 1913 15 million marks were distributed in the form of fixed rebate, and 20 million marks in the form of dividend; whereas in 1921 the proportion was 128 million marks in fixed rebate, and 43 million marks in dividend.

Taxation of Societies

In the story of the fixed rebate it has been already indicated how prominently the taxation of consumers' societies figured in co-operative life. As the friends of the societies were not in a majority in any German Parliament, and as, on the other hand, the policy pursued almost by all parties was a middle-class policy more or less, the desire on political grounds (favouring of the class of small private traders) to treat the consumers' societies as badly as possible in the matter of taxation without regard to the general principles thereof, was obviously pretty keen. Saxony, especially, gained a notoriety on account of the municipal taxation of turnover. The Prussian emporium tax obstructed the expansion of the large societies and burdened the small ones (which had to face competition by dealing in all sorts of commodities) with a weight of taxation to an almost insupportable extent. Despite these various unjust burdens the societies, on the whole, kept free from petty tax-shirking, and frequently pursued the far-seeing policy of averting worse things (as in Brunswick for example) by not availing themselves of the gaps in the law. For the rest, this policy was recommended to the societies as far back as 1870 or thereabouts. On the whole, it may be said that down to the war the societies throughout Germany were not only copiously

taxed, but also taxed to a far greater extent than their competitors, although the small private traders constantly made an outcry that the societies were not taxed sufficiently. Recently, a battle was fought with regard to the tax on turnover alone. In this case the societies tried as hard as they could to secure exceptional treatment, but did not succeed, although the favouring of the societies in the matter of taxation as a remedy against the expansion of unnecessary and unproductive undertakings in private trade would be justified. The societies, furthermore, are specially burdened with the tax on turnover as compared with their competitors, for it is a well-known fact that there is a good deal of cheating where the tax on turnover is concerned.

General Estimate.

In sum and substance, it must be said, with reference to the manner in which the societies conducted their financial affairs, that they pursued a very cautious and far-seeing policy considering the rapid development until the outbreak of war. They were thoroughly based on their social capital, and the means derived from their membership, so that the factor of extraneous capital, even in the shape of commodities obtained on credit, formed no feature of the movement. During the war the societies were able to continue this policy on the whole. But after the war their finances finally underwent a catastrophic collapse. The societies were constantly obliged to raise the scale of the shares, perhaps not merely because of the falling off of savings deposits and limit, but chiefly because they did not take the currency depreciation sufficiently into consideration when fixing their prices, and sold too cheap, and at the expense of their working capital.

Delivering the Workers from the Credit System.

Cash payment was always one of the main principles of the movement. In the Central Union the proportion of the outstanding debts to the turnover sank from 0·8 to 0·6 per cent

in the period between its foundation and the war. In individual sub-unions it amounted to no more than 0·2 per cent (Rhine-land-Westphalia); in others to 1·5 per cent. As 2 per cent is equivalent to a week's turnover, and as these figures (derived from autumn and winter balancings) include many supplies to members which are paid for, it may well be said that the movement, as a whole, is free from the credit system.

Burial Funds were instituted by the societies in many cases when the associations of disbanded soldiers systematically proceeded to exclude members of the societies belonging to the Central Union of German Consumers' Societies. Then the co-operative societies in these regions proceeded to institute burial funds themselves in order to compensate the aforesaid members for the loss of what they were entitled to from the disbanded soldiers' burial funds, and in view of the methods of pressure which the members of these funds, in many cases, meant to serve as a positive means of enticement.



CHAPTER III.

Statistical and General Survey.

The statistics of the Central Union for the year 1924 (as given in the *Year Book* for 1925) record 1,163 societies out of which 1,020 sent in returns. The reduction in the number of societies through the difficulties of the inflation period and the stabilisation crisis is not particularly large. The societies have a total membership of $3\frac{1}{2}$ millions. During the year 1924 there were 281,522 new members and 167,588 withdrawals from membership. The $3\frac{1}{2}$ million members are, of course, not all of them purchasing members. The proportion of non-purchasing members to the total of the so-called "paper soldiers" is as yet unknown, but it is probably not inconsiderable. In the annual Report of the Central Union it is already intimated that non-purchasing members will have to be struck off the list within a reasonable space of time. The societies collectively have 8,282 shops and 385 central warehouses.

According to the statistics given by the Co-operative Wholesale Society, which were compiled in December, 1924, 1,127 societies with $3\frac{1}{2}$ million members had 8,622 shops. The employees engaged in retail distribution numbered 32,177, of whom 19,518 were females. In production the societies employed a total of 5,648 persons, of whom 602 were females.

The statistics of the Central Union record a total turnover of 380,700,000 marks for the retail societies. The statistics of the Co-operative Wholesale Society for the calendar year 1924 naturally record a higher figure, inasmuch as the societies in the course of the year again recovered. In the statistics given by the Co-operative Wholesale Society the total turnover of the retail societies is placed at 559 million marks.

(I) GEOGRAPHICAL DISTRIBUTION. PROPORTION TO THE POPULATION.

In Great Britain, the distributive co-operative societies altogether embraced approximately 13 per cent of the population in 1891, 20 per cent in 1901, and 26 per cent in 1911. These figures are inclusive of Ireland, which, with its poorly developed distributive movement, of course, brings down the average considerably; but a separate calculation for Scotland and England respectively gives 40 per cent for Scotland and 30 per cent for England. The cotton manufacturing region of Lancashire would possibly yield even a higher figure. With figures such as these those for Germany cannot compare, but the disparity is not so very great after all. Taking the figures of the Central Union of German Consumers' Societies for 1921 (as recorded in the Year Book for 1922), we find that over 20 per cent of the population of Germany is co-operatively organised. In the agricultural areas the proportion is, of course, very much less, as in East Prussia 5 to 6 per cent, and in Pomerania 9 to 10 per cent, and in Schleswig-Holstein the same. On the other hand, the proportion is about 37 per cent in Saxony, 40 per cent in Thuringia, in Brunswick and Württemberg 30 per cent, and in Hesse and Brandenburg just a fourth of the population. For Rhineland-Westphalia the basic figures indicate only 17 per cent, but this percentage is misleading because Rhineland-Westphalia contains the main part of the membership of the National Union of German Consumers' Societies, and when the figures of this union are taken into consideration as well, it works out that a fourth of the population of Germany is organised co-operatively. A calculation with regard to the individual parts of the country could be made only with difficulty. If the un-affiliated societies were taken into consideration the percentage would be rather higher; but despite the fact of their being consumers' societies in legal form, it is open to doubt whether organisations which are not affiliated to

the auditing unions are to be regarded as perfectly valid co-operative societies.

In the auditing unions, the societies are very dissimilar in character in accordance with the differences in the economic structure of the regions concerned and also in accordance with the age of the movement therein. Rhineland-Westphalia is the industrial region of Germany. As such, it is young, and is characterised by large towns of rapid growth, and a young distributive co-operative movement which has grown with similar rapidity. For years this region has shown by far the largest membership per society on the average. In 1921, for example, the societies in Rhineland-Westphalia had an average membership of over 6,000 each, whereas in the sub-unions with the next highest figures—those of North-West and South-West Germany—the societies had only a little over 3,000 members each on an average. In 1921, over 90 per cent of the total turnover in the Rhineland-Westphalian sub-union was effected in the societies with a turnover of over 10 million marks. Accordingly, the movement in this region possesses large stores and large productive undertakings, but in this regard it has been difficult to make the growth of capital keep pace with development, and most difficult of all during the period of currency depreciation. Nevertheless, at the end of 1921, the financial position was still very propitious. Only one of the large societies had over three weeks' debts owing to it for goods. Considering the relative shortage of capital which the societies in this region have experienced, and the relatively late period of their foundation, the fact that the societies mainly depend on the sale of provisions is quite comprehensible. In their case everything else is still in the embryonic stage, but here, in this region, the German co-operative movement has a great future before it.

Saxony, the land of complete manufactures, was the cradle-land of the old distributive co-operative movement. Of the ten large Saxon societies, only two were established at the end of

the nineties; the others are older. But here large societies are not so conspicuous as in Rhineland-Westphalia; but nevertheless, as shown by the figures for 1921, the societies with a turnover of over 10 million marks sterling effected 60 per cent of the total turnover in the sub-union. The movement in Saxony is distinguished by a great intensity which is not as yet manifested so very much in producing, it is true, but is shown in the sale of textile goods and boots and shoes, which is carried on briskly. Of 143 societies, no fewer than 84 deal in textile goods, and 76 in boots and shoes. Moreover, the average turnover per member is very high; and owing to the age of the Saxon societies, they are in a better position financially than the societies in Rhineland-Westphalia. In the large societies, the amount owing for goods is equivalent to a turnover of two to three weeks.

In Thuringia the characteristics displayed are similar to those in Saxony. Although four of the large societies were established after 1900, yet six were founded before 1890. Beside the large societies the small ones here are again a more conspicuous feature. Nearly half the total turnover is effected by the large societies and the other half by the smaller ones. In 1913 the societies with from 1 million to 5 million marks turnover effected 35 per cent of the total. It is a notable fact that, at that time, the societies with a turnover ranging from 100,000 to 500,000 marks likewise effected 34 per cent of the total Thuringian turnover. Both the average turnover of the small societies and the average membership of the societies, as a whole, are among the lowest, as is shown in the comparative Tables given in the Year Book of the Central Union of German Consumers' Societies every year. On the other hand the movement is exceedingly intensive. Of 184 societies 162 sell textile goods and 51 sell boots and shoes. Thuringia, originally, was characterised by an old and exceedingly scattered movement, corresponding to the earlier conditions. Then, mainly through the influence of Rupprecht, the exceptionally active secretary, who to-day

is at the head of the Rhenish-Berg Co-operative Society "Hoffnung" (Hope), numerous amalgamations took place, though these were made much more difficult by the hilly character of the region, and the excessive variation in transport costs which it involves. The co-operative finances are not so typical considering the age of the movement. In 1921, the amount owing for goods was higher in Thuringia than elsewhere.

Central Germany has also an older movement with small societies, which is tolerably intensive. Of 257 societies, 101 sell textile goods, but boots and shoes are sold by only a few. The position of the movement financially is not particularly auspicious.

Württemberg is the final region with an older movement, with medium-sized societies generally—a movement very intensive and very well endowed financially.

In North-West Germany, Brandenburg and Silesia, the total figures are largely affected by individual societies of large size, so that it would be difficult to give anything in the nature of a summary herewith.

AVERAGE TURNOVER PER MEMBER IN MARKS.

1913.	Average Total	Up to 100,000.	100,000 up to 1 million.	1 million up to 2 million.	2 million up to 5 millions.	5 millions up to 10 millions.	Over 10 millions.
Bavaria.....	239·00	191·12	223·06	291·28	214·96	273·64	...
Brandenburg	212·35	131·89	221·66	241·94	233·89	...	196·58
Central Germany...	315·31	273·62	302·56	329·15	317·68	365·20	...
N.-W. Germany ...	299·18	345·31	249·50	274·14	294·40	368·75	308·19
Rhineland and Westphalia	307·99	161·82	292·65	304·88	320·74	309·42	300·61
Saxony	345·75	204·05	252·33	289·17	356·25	...	448·54
S.-W. Germany ...	249·78	283·83	239·52	237·34	240·91	276·57	...
Thuringia	337·84	290·97	340·16	303·52	379·20	...	...
Württemberg.....	270·40	205·85	251·97	286·21	260·23	299·36	...
The Central Union.	291·15	239·29	262·87	281·50	296·13	305·19	327·97

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SOCIETIES CLASSIFIED ACCORDING TO SIZE.

Members and Turnover in Percentage.

1913.	TURNOVER.					
	Up to 100,000 marks.	100,000 up to 1 million.	1 million up to 5 millions.	5 millions up to 10 millions.	10 millions up to 50 millions.	Over 50 million Mks.
Bavaria.....	10.3	18.9	13.1	24.1	33.6	...
Brandenburg.....	4.1	21.5	17.3	23.4	...	33.7
Central Germany.....	9.3	29.2	13.8	33.4	14.5	...
North-west Germany.....	6.1	10.6	7.6	29.4	6.9	39.4
Rhineland and Westphalia.....	7.1	4.9	3.9	43.0	24.0	23.1
Saxony.....	3.3	18.4	11.7	19.0	...	47.6
South-west Germany.....	7.5	24.8	8.4	38.5	20.8	...
Thuringia.....	13.3	34.2	17.2	35.3	...	...
Württemberg.....	7.3	18.0	21.1	20.2	33.4	...
Central Union.....	6.0	18.5	11.5	28.9	11.1	24.0
				64		

1913.	MEMBERSHIP.					
	Up to 100,000 marks.	100,000 up to 1 million.	1 million up to 5 millions.	5 millions up to 10 millions.	10 millions up to 50 millions.	Over 50 million Mks.
Bavaria.....	12.0	20.2	10.8	27.6	29.4	...
Brandenburg.....	6.5	20.6	15.2	21.2	...	36.5
Central Germany.....	10.7	30.6	13.0	33.2	12.5	...
North-west Germany.....	5.3	12.8	8.2	29.8	5.6	38.3
Rhineland and Westphalia.....	2.1	5.2	3.9	41.3	23.9	23.6
Saxony.....	5.7	25.2	14.0	18.4	...	36.7
South-west Germany.....	6.6	25.8	8.8	39.9	18.9	...
Thuringia.....	15.4	34.0	19.2	31.4	...	...
Württemberg.....	9.6	19.3	19.9	21.0	30.2	...
Central Union.....	7.3	20.4	12.6	28.4	10.6	21.3
				60.3		

SOCIETIES CLASSIFIED ACCORDING TO SIZE.
Members and Turnover in Percentage.

1913.	Societies specifying Membershp.	Societies with more than 250 members.	1 Shop.	Central Warehouse.	Up to 100,000 Mk. Turnover.	100,000 up to 1 million.	1 million up to 5 million.	5 million up to 10 millions.	Over 10 million Mk. Turnover.
Bavaria.....	96	35	55	14	61	26	5	3	1
Brandenburg.....	100	16	36	28	33	45	11	7	1
Central Germany...	130	51	74	22	69	47	8	5	1
N.-W. Germany ...	169	84	87	32	102	43	9	12	2
Rhineland and Westphalia	42	6	13	20	11	15	3	9	2
Saxony	173	12	63	40	56	87	19	9	2
South Germany ...	116	46	57	27	58	45	5	7	1
Thuringia	211	97	134	17	120	74	11	9	1
Württemberg.....	88	36	51	27	51	24	8	4	1
	1125	383	570	227	561	406	79	65	7

In the large towns there are large societies wholly. Formerly many large towns were a source of sorrow to the movement, but since Hamburg and Leipzig provided a standard the German distributive co-operative movement has been victorious in the large towns.

Owing to the currency depreciation every statistical inquiry with regard to the co-operative societies is rendered more difficult for the time being until gold-mark figures* are again available. Hence, in the present book, on the one hand, the tables calculated and based on the final accounts of 1913 are given, which enable a comparison to be made with the figures relating to the English distributive co-operative movement, and, on the other hand, an attempt has been made at the compilation of some figures based on the statistics for 1921. As the enhancement of prices (in this connection) only began in the second half of 1921, and the statistics, on an average, cover the period from the middle of 1920 to the middle of 1921, the compilation of figures for 1921 is thus warranted to a certain extent.

*Translator's Note.—Gold-mark figures were not available till 1925, the year after the German volume was written.

In 1913 the societies with over a million marks turnover effected almost two-thirds of the total turnover of the movement. Nearly half of the societies had only one shop, and a turnover of less than 100,000 marks; and barely a fourth of the societies possessed a warehouse. In the sub-unions or sections there were great dissimilarities in the matter of development. Thus, in North-west Germany, despite the Hamburg "Produktion" Society, the total turnover of the large societies amounted to three-fourths of the whole, whilst in Rhineland-Westphalia it amounted to nine-tenths. As regards average turnover, Saxony and Thuringia head the list, and as regards the classification of societies according to the amount of their turnover the societies with a turnover ranging from a million up to 10 million marks are at the top of the list also.

For the statistics for 1921 the societies with over 10 million marks each of a turnover are compiled as a pendant to the societies with a pre-war turnover of a million marks individually, although that affords no directly comparable illustration; for the average increase in the cost of food at that time was about 11.5 according to the government statistics. Accordingly, there are 93 societies with a turnover of 10 million marks each to be recorded for 1921, as compared with 78 societies in the year 1913. The collective turnover of these 93 societies constituted, approximately, two-thirds of the total turnover. Of these societies, those with more than 50 millions of a turnover effected, collectively, a good third of the total, and a half of the turnover of the large societies; and the societies with a turnover of 100 million marks each, effected a fifth of the total turnover. Hence the proportionate dimensions of the societies must have remained nearly the same as before the war. As regards average turnover, Rhineland-Westphalia now takes the lead, then come Thuringia and Saxony, but, at the same time, it must not be forgotten that in Rhineland-Westphalia there was a special revision of the lists of members after the war, and that all

figures of averages constantly depend on how far the lists of members are kept revised.

An interesting indication of the way in which the retail societies have revived from the effects of the currency crisis is given in the following statistics* compiled by the Central Union for 700 (approximately) of its 1,275 affiliated societies. These figures were compiled quarterly, and relate only to societies with over 400 members. These societies comprised during the year (1924) 3,300,000 members approximately:—

Quarter.	Total Turnover in Gold Marks.	Turnover per Member in Gold Marks.	Amount of Members' Capital in Gold Marks.	Capital per Member in Gold Marks.	Total Savings Deposits in Gold Marks.	Savings Deposits per Member in Gold Marks.
1	107,831,239	32·45	3,746,067	1·15	13,632,000	4·10
2	126,331,253	38·35	6,695,901	2·03	28,653,641	8·70
3	137,786,101	41·20	11,206,755	3·35	42,380,199	12·70
4	166,875,397	49·24	14,940,043	4·41	49,176,864	14·51

Herewith it should be noted that the capital per member in the pre-war period averaged 29·65 marks in the Central Union throughout, and that the average turnover per member throughout the Union was 287 marks. The average turnover per shop is correspondingly low; in 1924 it did not reach half the amount recorded for 1914.

THE LARGE SOCIETIES.

Of the 93 large societies with a turnover exceeding 10 million marks each (equivalent to about a million gold-marks) 16 societies had each a turnover in excess of 50 million marks (5 million gold-marks), and of these, 5 had a turnover of over 100 million marks (10 million gold-marks). Of the total turnover, amounting to 5·2 milliards of marks, the large societies effected 3·5 milliards of marks, of which amount the societies with a turnover of 50 million marks individually

*Translator's Note.—In this case, as in others, the statistics recorded for 1924 constitute an addition to the original text.

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effected 1·8 milliards, and the societies with over 100 million marks turnover each effected 1 milliard marks. The five largest societies attained about a tenth of the total turnover, and the large societies two-thirds.

The societies with over a million marks turnover are as follows:—

Bavaria—		Württemberg—	
Munich	96·5	Stuttgart.....	70
Nuremberg	57		
North-west Germany—		Rhineland-Westphalia—	
Kiel	52	Barmen	60
Bielefeld	56	Bochum.....	65
Hamburg	308	Dortmund.....	72
East Germany—		Düsseldorf.....	99
Berlin	233	Essen	179
Saxony—		Cologne	86
Chemnitz	58		
Dresden	172		
Leipzig	177		

The amounts owing in the large societies for goods obtained was, in 1921, equivalent to the turnover for the times stated herewith:—

REGION.	1 month.	3 weeks.	4 weeks.	1 week.	3 days.	Less than 3 days.
Bavaria	1	...	1	...	1	3
Central Germany .....	...	...	3	2	...	1
North-west Germany.....	...	3	4	5	2	4
East Germany .....	...	1	...	3	...	1
Rhineland and Westphalia	1	2	5	2	...	3
Saxony.....	2	1	4	2	1	...
Silesia .....	...	...	2	3	...	1
South-west Germany	2	1	2	5	...	3
Thuringia	2	1	2	3	1	2
Württemberg.....	...	...	1	1	3	...
	8	9	24	26	8	8

Thus, the societies have worked with a limit of one or two weeks on the average.

The following figures with regard to the expenses in the 93 large societies give only an approximate idea. As the necessary uniformity is lacking in the methods of booking (*e.g.*, productive undertakings), the figures cannot serve as a basis for an investigation of expenses.

Percentage of expenses in the 93 large societies :—

1921.	Up to 6, p.c.	7 p.c.	8 p.c.	9 p.c.	10 p.c.	11 p.c.	12 p.c.	13 p.c.	Over 17 p.c.
Bavaria.....	1	1	1	...	1	...	2	...	...
Central Germany	1	2	...	...	...	1	1	1	...
North-west Germany ...	2	2	3	4	1	3	...	2	1
East Germany .....	...	1	...	...	2	...	...	...	2
Rhineland and Westphalia .....	...	...	2	1	3	2	2	2	1
Saxony .....	...	...	...	2	2	4	1	1	...
Silesia .....	...	2	...	...	...	3	1	...	...
South-west Germany ...	2	1	2	2	2	3	1	...	...
Thuringia	4	1	...	...	2	...	2	2	...
Württemberg .....	...	2	...	1	2	...	...	...	...
Total !.....	9	12	8	11	14	17	8	10	4

Of the 93 societies 29 were founded before the year 1890, and 41 before the year 1895, whilst 48 were established in the typical foundation period between 1895 and 1905, and four not till after 1895. The membership varies from 3,500 to 125,000; 14 societies have a membership of less than 6,000, 33 societies have a membership ranging between 6,000 and 10,000, 27 societies have a membership ranging between 10,000 and 20,000, 13 societies have a membership which ranges from 20,000 to 50,000, and six societies have a membership exceeding 50,000.

The periods in which the large societies were established (societies with a turnover of about one million gold-marks) are shown in the following table :—

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AUDITING UNION.	Number of Societies.	In the Sixties.	In the Seventies.	In the Eighties.	From 1890 to 1894.	From 1895 to 1899.	From 1900 to 1903.	Later.
Bavaria.....	6	...	...	2	1	...	3	...
Central Germany	6	...	...	...	3	...	3	...
North-west Germany	18	1	...	4	2	2	7	2
East Germany	5	1	...	...	1	1	2	...
Rhineland and Westphalia...	13	...	...	...	...	4	9	...
Saxony	10	2	1	3	2	2	...	...
Silesia	6	...	...	1	1	...	3	1
South-west Germany	13	3	2	...	1	1	6	...
Thuringia	11	...	4	2	...	1	3	1
Württemberg	5	3	...	...	1	...	1	...
	93	10	7	12	12	11	37	4
				24		23	48	41

The number of shops varies from seven to 267. Their proportions are exceedingly dissimilar. The following societies have over 50 shops:—

Munich	83	Düsseldorf	72
Nuremberg	58	Essen	141
Kiel.....	60	Cologne	101
Bielefeld	81	Frankfort	82
"Produktion," Hamburg...	267	Erfurt	50
Berlin	152	Chemnitz.....	61
Barmen	57	Dresden.....	136
Bochum	78	Leipzig	101
Dortmund.....	94		

Of these large distributive societies there are only three which do not also carry on productive operations; the Lubeck Society, besides, has no bakery, because a consumers' productive co-operative society in Lubeck has taken baking in hand; otherwise, all large societies at least carry on baking, which represents their typical form of production, and the products of which represent from 10 to 15 per cent

of the total turnover of the large societies individually. The production of lemonade is also an undertaking which is often found, although the turnover, in this respect, is small as compared with that of the bakery turnover. In the statistics for 1921, 14 societies are recorded as having their own coffee roastery, but some have given up coffee roasting, perhaps on account of the falling off in the consumption of coffee and from considerations of space. In this connection, however, the correctness of the statistics is open to doubt on the whole. Twelve of the large societies carry on butchery undertakings (out of a total of 23), the collective turnover of which amounts to 113 million marks out of a total of 117 million marks. In its statistics the Central Union gives rather divergent figures, lemonade turnover having been added as butchery turnover by an oversight. Apart from three butcheries, the turnover of the butchery business of the societies, individually, ranges from 10 to 15 per cent, and also up to 16 and 17 per cent of the total turnover of the societies concerned.

All the societies sell provisions. As regards the sale of textile goods by the large societies, there is a very great difference. In Bavaria, three out of the six sell drapery goods, and three sell boots and shoes; in Central Germany all the six large societies sell textile goods, and one sells boots and shoes; of 18 societies in North-west Germany, nine sell textile goods, and five sell boots and shoes; in East Germany, three out of five large societies sell textile goods, and one sells boots and shoes; in Rhineland-Westphalia, of 13 large societies, five sell textile goods, and five sell boots and shoes; of 10 societies in Saxony, all sell textile goods, and nine boots and shoes; in Silesia, of six societies, three sell textile goods, and two sell boots and shoes; in South-west Germany, of 13 societies, two sell textile goods, and four sell boots and shoes; in Thuringia, of 11 societies, all sell textile goods, and 10 sell boots and shoes; and in Württemberg, of five societies, all sell textile goods, and one sells boots and shoes

DISTRICT SOCIETIES.

In the earlier period societies were founded either in small places or only for a specific quarter in larger towns or were formed from a circle of persons already connected, such as the members of some society, or the workers belonging to a manufactory or a trade. The question was always one of organising a circle of people who knew each other. The idea of a district co-operative society for a larger economic area lay completely outside the range of thought. For all that, the Immenstadt Society already in 1876 established shops in Blaichach and Sonthofen. The Halberstadt Society (1872) was more cautious and enquired from Schultze-Delitzsch whether it should take in small neighbouring societies, but Schultze-Delitzsch decisively advised the society not to take this course, and recommended it to remain independent. In the eighties the whole of the societies worked without theory. The societies which arose at that time in many cases fixed themselves so fast through landed property that this property constituted a considerable obstacle to eventual amalgamations at a later date. It was not till after 1900 that a completely different spirit arose with respect to district societies and the question of the demarcation of boundaries. The cause of this, in large measure, was the ferment for founding societies, which oft-times led to the establishment of societies with inadequate resources, with the result that these societies were then obliged to make an effort to avert the failure which threatened, by getting neighbouring societies to take over the shops. These ailments of childhood manifested themselves throughout the first decade of the present century, and many an infant district society had to be salvaged by fusion, and had to make considerable sacrifices in consequence. This fusion is also frequently faulty when the distances in the district are too great. As regards the formation of district societies, however, the decisive factor was not these amalgamations, but the advantage of extensive operations and the compulsion to utilise these advantages

because of the competition of the large retail traders. The district society possesses the advantages which are typical of concerns with branch establishments. Firstly, it can sell cheaper through being a larger buyer ; secondly, as compared with the small societies, it saves a very great deal of freightage through regular wagon loads of supplies ; in the third place the cost of administration is very much less than the decentralised administration in a number of smaller societies, each with its own Management Board, its own Supervisory Board, its own bookkeeping, &c. ; and, in the fourth place, the assets of the district society are more fluid than the same assets divided among four or five administrations with their business contingencies.

Separatism was very prevalent in all regions with the older movement, but was also frequently manifested by the formation of new societies, especially in industrial villages wherever there was room for a society and wherever local antithetical elements worked one against the other, partly even in such a way that branch shops separated from the central establishment and set up on their own account. Apart from the National Union there was not much cleavage on account of differences of opinion to record. The civil service officials had combined together separately before the war in consequence of the pressure from above, but this cleavage hardly made itself noticeable, still less a certain cleavage due to the feeling of local patriotism which prevailed among the great medley of peoples belonging to the Rhineland and Westphalia. Again, it may be said that old co-operative regions—Saxony in particular—frequently suffered by the competition of a neighbouring sub-union's societies, and finally also from unorganised cheap "dividend crushing," which advertised itself with its high rebate and held anxiously aloof from all contact with the real co-operative movement ; but, on the whole, it can be said that, apart from these circumstances, and apart from certain regions where the feeling of local patriotism

was developed to excess, the co-operative movement did not suffer from cleavage.

After the war, a considerable cleavage appears to have been brought about temporarily through the degree of activity in founding societies, especially among civil service officials; but the separatist societies which were founded in many cases did not last long, and, what is more, attained no great turnover, so that to the movement as a whole they were absolutely of no consequence, even if they were a source of vexation to the possessors individually, by their waste of energy and the discredit to which they gave rise.

In the year 1921, the district co-operative societies effected the following percentage of the total turnover in their own business :—

Bavaria	81·5	Saxony	73·3
Central Germany.....	69·3	Silesia	55·6
North Germany	86·5	South-west Germany	66·5
East Germany	74·1	Thuringia ...	72·9
Rhineland-Westphalia ...	91·1	Württemberg	33·5

Total for the Central Union of German Consumers' Societies, 74·4.

In the literature antagonistic to co-operation there has been a great song made about bankruptcy, but, in actual practice, such a thing has rarely occurred. After the great foundation period of the sixties the German co-operative movement did not witness another foundation period till about the turn of the century, and then, at the beginning of developments, it had the good fortune to find a distinct, systematic lead, whereby the movement was consciously conducted into the right paths. Hence, both the retail societies and the Co-operative Wholesale Society were almost entirely spared the typical co-operative aberrations which result when amateurs in trading affairs happen to be surprised by their own success. The celebrated case of a breakdown was that of the Leipzig-Connewitz Society, which was remembered for years. But, on the whole, the superintendence of the development of the co-operative societies, under the auspices of the Union,

worked quite well. Not everything has gone smoothly, of course. In the directing circles people have shaken their heads very dubiously with regard to many societies and many measures, and Heinrich Kaufmann once estimated that the movement had spent nearly 100,000 marks per year in salvaging societies in the first years of this century. But, that is not a considerable amount if, perchance, the critical periods in the English co-operative movement are contemplated; and on the whole—leaving out of consideration the foundation of small village societies, which obstinately persisted in going their own way—it can be certified on behalf of the German movement that it has known how to lead the societies in a salutary pathway and to keep them therein without a great amount of money having to be paid for instruction.

COMPOSITION OF MEMBERSHIP.

In the individual sub-unions two-thirds to three-fourths of the members are working-class people or salaried employees. The only exception is Württemberg, where the movement always had a large proportion of middle-class members. Civil service functionaries and members of the liberal professions are unfortunately grouped together in the statistics so that the solicitor and the postman are put under the same heading, which makes it more difficult to form an idea of the social stratification. For all that, it is worthy of note that the percentage proportion of this group in the Central Union rose from 4·2 per cent in the year 1908 to 7·8 per cent in the year 1921. This increase prevails in part of the individual sub-unions in a very much larger degree than in the Central Union, inasmuch as in the sub-unions which had formerly a larger proportion of members drawn from civil service circles and the liberal professions, the proportions remained equal, and, in the sub-unions, which were formerly based exclusively on the support of the working-class, the increase was very small. This group is most in evidence in

Württemberg and South-West Germany, where the percentage reaches 15 per cent. The acquisition of members belonging to the agricultural population has made exceedingly great progress in the sub-unions (which in this connection are concerned) of Bavaria, Central Germany, South-West Germany, Thuringia, and Württemberg.

In the year 1924 the working-class members constituted 66·54 per cent of the total membership of consumers' societies, but in Rhineland-Westphalia over 80 per cent. The actual proportion is, of course, higher, as there are many working-class women amongst the female members and many minor officials with a working-class standard of living amongst those members who are employed in the public service. The proportion of the members who belong to the class of public officials and to the liberal professions, figured, in 1924, at 9·91 per cent, or double the pre-war proportion. The proportion is highest in Württemberg, viz., 15 per cent. The proportion of members independently practising some trade has somewhat declined, and amounts only to 6 per cent, the highest proportion being in Württemberg, viz., 10·58 per cent, and the lowest in Rhineland-Westphalia, viz., 3·85 per cent.



CHAPTER IV.

The Co-operative Unions.

(I) THE CENTRAL UNION OF GERMAN CONSUMERS' SOCIETIES AND ITS AUDITING UNIONS.

In Germany the co-operative law and its regulations with regard to auditing have a determining influence, not only on the organisation of the societies individually, but on the organisation of the sub-unions as well. The idea of arrangements for joint auditing arose at an early date (1864); but it appeared to conflict with the idea of co-operative independence and so was rejected. Then, at the close of the sixties, the idea arose once more, and, in the following years, it was carried out. When regulations with regard to auditing were laid down in 1887, in the supplement then appended to the co-operative law, these regulations provided for auditing in two forms, first, by unions to which the right to audit could be granted by the chief administrative authorities, and, second, by auditors appointed by the registrar. As the second form did not appertain to an auditing union and as, by the very nature of co-operative operations, auditing by an expert co-operator was of far more utility than auditing by an auditor from outside, this latter form played no practical part. All societies of any note joined the auditing unions. According to the law, auditing must take place once in two years; but the auditing unions have striven to take a more frequent audit in hand. The federations belonging to the Central Union (that is to say, the sections or sub-unions affiliated thereto) undertake a yearly audit if at all possible. This auditing by the auditor of the sectional union is altogether different from that in the English societies, inasmuch as it is no book-checking, but a fiduciary examination of the business organisation with the express object of disclosing

shortcomings in the conduct of business, before evil consequences ensue (shortcomings, such as allowing members to have goods on credit, having too large stocks on hand, and defects of a similar character), which can only be done by one who is used to the movement and who can be judged by the established guiding principles of the auditing unions. This extension of auditing beyond the verification of the correctness of the balancing of accounts in the books, to the whole range of business conducted, is necessary, above all, for the reason that Manager and Supervisory Board have generally sprung or arisen from the working-class ranks and, at times, are pretty remote from the trains of thought pertaining to the conduct of trading and co-operative affairs, especially in the initial stages. For the large societies with turnovers of millions of marks, the auditing is not of special importance. But here differentiated comparative statistics with regard to operations would be more important for the initial stages, to begin with.

A peculiar supplementation of auditing was originated by the South-West German auditing union in 1922, by the institution of guardianships. A well-managed society undertakes to act as guardian to the newly-established society in its neighbourhood. It gives the society personal advice, both with regard to co-operation and business, and the auditing union bears the cost. Between the audits, furthermore, these guardianships ought to enable things to be properly seen to and faults to be found out before they have done much damage.

THE CENTRAL UNION.

The Central Union of German Consumers' Societies was founded in Dresden in the year 1903, a year after the exclusion of the 100 societies from the General Union. Just as the General Union constituted a federation of sub-unions which had the right of auditing, so the Central Union was likewise founded as a federation of sub-unions. Originally, there were seven of these, part of them old and part of them

newly established, as a result of the cleavage. Later on, the number was increased to nine by the division of the South German sub-union into the Bavarian, Würtembergian, and South-West German sub-unions; at present there are ten. This increase of the number was due to the Central Union taking over the societies belonging to the General Union. As in all these co-operative auditing unions, a business manager of one of the leading societies in the area of the auditing union concerned was at the head of the auditing union's affairs—a post without pay—and this form of organisation was also maintained after the Central Union of German Consumers' Societies had proceeded to appoint secretaries in its auditing unions in the year 1906. Up to then the auditing was done by business managers, who undertook the task in question without pay; but now secretaries, who had previously been business managers as a rule, were appointed, and undertook the work of propaganda and the representation of the societies' interests in relation to the authorities and the public, as well as the work of auditing. Although the title of secretary has been retained up to the present, these secretaries acted throughout as the syndics of the sub-unions; at a later date two secretaries were kept, so that the auditing could be done annually. Here and there business managers of other societies continue to act as auditors along with the secretaries. This auditing system has worked very well on the whole. A gross case of miscarriage was recordable, as a matter of fact, only in 1905, in the case of the Leipzig-Connewitz Society, and a disregard of the auditors' admonitions occurs only now and again in small societies, which are then excluded from the union. But occurrences of this kind are exceptional. The Executive Board of the auditing union has the management of its affairs; in Würtemberg, Feuerstein, the secretary, who was formerly a member of the Reichstag, was appointed not as secretary, but as a member of the Executive Board, but the other secretaries have also a post, as colleagues on their Executive Board.

Along with the Executive Board, there has existed in all auditing unions, for some years, a Supervisory Board which, in general, is based on the purchasing associations. Besides the Executive Board and management, people will have an organ which represents the various interests of the society where local conditions are concerned

The Executive Board.

When the Central Union was founded in 1903, it took over the editorial department of the Co-operative Wholesale Society, that is to say, it appointed the editor of the "Weekly Report" (Wochenbericht) as its general secretary, and therewith took over the whole propaganda apparatus, which Heinrich Kaufmann had created, inasmuch as there had been no encompassing of co-operative interests in the General Union, nor was it possible. Up to the year 1912, an unsalaried Executive Board and the General Secretary, Heinrich Kaufmann, were at the head of the Central Union. But, as a matter of fact, Kaufmann was the leader of the Central Union throughout. In the year 1912, a change was made in the organisation; the Executive Board was composed of three salaried members and of some others unsalaried; the number of salaried members was subsequently increased to four. The Executive Board consists of Heinrich Kaufmann, two ex-directors of sub-unions, and the editor of the publications of the Central Union, who is a professional journalist.

Heinrich Kaufmann, the literary and intellectual leader of the movement about 1900, who took the lead in the Central Union from its very foundation, was originally a teacher, then an editor in Harburg, and, whilst holding this position, also acted as editor of the "Wochenblatt" (Weekly Report) of the Co-operative Wholesale Society, after having, as a teacher in the first half of the nineties, recognised and represented the importance of the societies without having any practical connection with them. The unsalaried members of

the Executive Board are managers of larger societies, and a managing director of the Co-operative Wholesale Society is one of them also.

The Committee.

The committee consists of the directors of the Union and three elected active co-operators in addition. Adolph von Elm was one of these members up to his death, and Professor Staudinger was another. When the Statutes of the Union were framed in the year 1903 the active, intellectual socialists in the movement, at that time, made an attempt to create a place on the committee for theorists who were not delegated by a sub-union. Their motion was rejected, and, in the sequel, these socialists interested in the movement (Katzenstein, the Davids man and wife, &c.) again separated from the movement; for anyone who had no official position in the co-operative movement could not well collaborate.

The General Council.

As in the individual society the Co-operative Council took its place along with the Board of Management and the Supervisory Board, so between the Executive Board and the Committee on the one hand, and the General Meeting on the other, the Central Union created for itself an inner organ of larger compass—the General Council. Already in 1907 it was announced by Heinrich Kaufmann, and then in 1912, when the statutes were largely revised, the General Council was established. The first secretary and elected members from each sub-union's Management Board and Supervisory Board belong to it; so that there are 12 members for each sub-union. This General Council meets twice a year, once immediately before the Co-operative Congress is held, and once in winter, and it provides an opportunity for all important questions of the movement being discussed in the small close circle which endures trifling changes. To-day the General Council is the actual Co-operative Parliament.

If the Co-operative Congress already displays a certain affinity to the Catholic Congress, and if it essentially represents a parade, yet by this General Council being created, the Co-operative Congress became still more of a contrivance purely for demonstration, the sole value of which lies in the fact that co-operators meet each other for several days every year and can indulge in a comprehensive interchange of opinions. The parliamentary exchange of opinions of the movement takes place in the inner circles only. The right to vote at the Co-operative Congress since 1920 is graduated according to the number of members of the co-operative societies.

The Central Union's Tasks.

The Central Union undertakes the intellectual guidance of the movement, and its representation publicly. It publishes the co-operative periodicals, the "Konsumgenossenschaftliche Rundschau" (Co-operative Review) as the special organ for Management and Supervisory Boards and leading members of co-operative staffs, and the "Volksblatt" (People's Journal), with separate contents for the individual sub-unions and societies on behalf of their members. The Union's publishing establishment issues the co-operative, technical, and propaganda literature. In former years it also organised propagandist lecture tours on co-operative affairs. In questions of law and taxation it stands by the societies, and also approaches the authorities as the representative both of the general and special interests of societies, a service which was of special importance at the time of the food control. Furthermore, it gives business and technical advice with regard to constructions and the undertaking of enlargements. The losses which formerly occurred through inconsiderate construction have been avoided for years through this work of the Central Union. Lastly, it acts as the employers' union of the societies, and conducts negotiations with the trade unions.

Educational Arrangements.

In the first years after the foundation of the Central Union the leading personages in the societies grew along with their societies. But soon it was found that the movement could not exist with that alone and that provision must be made for the younger generation and for education. In the year 1911 the educational system of the Central Union was established. It provided, first of all, arrangements of three kinds.

- (1) Extension courses; first of six, then of eight weeks' duration in the individual sub-unions for members of management boards and employees. These courses comprised co-operative theory and practice, and especially bookkeeping and a knowledge of commodities and political economy.
- (2) Courses for members of supervisory boards in connection with other courses on several successive Sundays.
- (3) Lectures within the purchasing associations; special lecture conferences on Sundays as a rule (thus without connection with purchasing gatherings).

The particulars with regard to the courses of instruction given in 1924 are summarised in the following table:—

1924: Courses for.	Number of Courses.	Duration.	Number of Societies.	Number of Students.
Members of Management Boards.....	4	4 weeks	88	94
Supervisory Boards	5	1 day	140	597
Shop Inspectors.....	10	1 ..	172	327
Head Bakers	10	1 ..	212	387
Shop Managers	21	1 ..	513	3,087
Sub-union Auditors.....	1	1 week	—	50
Business Organisation and Book-keeping	1	6 weeks	27	29
	52	—	1,152	4,571

To these must be added the courses of instruction given at the Co-operative School in Hamburg. Up to the present three courses have been given, each for the term of six months, which have been respectively attended by 20, 18, and 25 students, and in which 390 to 400 hours of practical instruction and 263 to 282 hours of theoretic instruction have been given per course

Of the three primary arrangements the most important was the instruction of the members of management boards and employees. The personally conducted tutoring of this circle of persons was very largely promoted in particular through the courses. The war flatly interrupted this development. In the centre now stands the school planned long ago for the new generation in which the students are educated for six months in Hamburg.

An Appraisalment.

If one surveys the whole organisation of the Central Union of German Consumers' Societies and the history of its development then one is bound to say that the Central Union shows no excess of organisational activity. There is here displayed in a much greater degree than in the trade-union movement a confinement of the directing co-operators to the work for their own society, whilst in the whole movement only a few personalities actually collaborate, and the entire Union, with few exceptions, is completely under the direction of its Executive Board in Hamburg. This lack of initiative on the part of the individual in the movement throughout, this intentional holding back in the Central Union, this local limitation, has had no further consequences as yet; but whether it is beneficial in the long run may justly be doubted; above all, it is dubious and worthy of attention from the standpoint that the co-operative societies which are ushering in the free social economic system are bound to awaken certain scruples against socialisation. The only part of the movement which has actually gone its own way in the matter of organisation is the movement in

Württemberg, which established a paper of its own independent of Hamburg. A certain opposition proceeded continuously from Saxony; it was directed against the so-called super-neutrality, and yet at bottom it embodied only the antagonism of Saxon Radical Socialism to the Revisionism embodied by the Hamburg conductorship. Co-operative technical progress has not come from Saxony, and the two regions which this progress produced, viz., North-west Germany and Rhineland-Westphalia, contented themselves with working and saying what had been achieved, but without making any attempt to exercise an influence on the Central Union.

The close connection of the co-operative press with the sub-unions produced various kinds of advantages, both to the organisations and the press; but, on the other hand, in the movement it was always felt to be a defect that the entire press was semi-official and was in the service of the Central Union and the Co-operative Wholesale Society. In the journal entitled "Sozialistische Genossenschaft" (Socialistic Co-operation), now "Die Gemeinwirtschaft" (Social Economy), the Thuringian co-operator, Zschätzsch, has established an independent paper. This does not stand in opposition to the central organisation, and wages no hostilities against Hamburg, but is entirely free from any regard for the policy of the Union.

Printing and Publishing.

When the Central Union was established it took over the editorial department of the Co-operative Wholesale Society, together with the publishing business and the business of supplying the societies with office requisites. When it moved into the new premises of the Co-operative Wholesale in 1907, it there set up a printing press where the printing of roll-checks was carried on especially. Later on, a paper bag manufactory was also established. The Union aimed at supplying the needs of the movement by itself, as regards paper and printed matter, and succeeded in this to a certain

extent. The societies could not always escape the obligation to have their printing done at the place (although the advantage in the matter of carriage was frequently very small), as the printing press at Hamburg was specially established for the work, and executed it, technically and tastefully, in first-rate style.

The Publishing Institution, which was afterwards named the Publishing Society, opened an insurance department in 1909, which acted as an agency for insuring co-operative societies and also organised the insurance of members. For this purpose, it made arrangements with a Fire Insurance Company. The business of Life Insurance for the members of societies has been carried on by the "Volksfürsorge A. G." (Provident Insurance Society) which was founded in 1912, and in which the co-operative societies and trade unions are joint and equal partners. The trade unions have desired a similar joint organisation for Fire Insurance, but the co-operative societies planned to make this new society an arrangement of the societies alone for the time being, but according to the latest phase of proceedings, Fire Insurance will be organised jointly with the trade unions.

The Publishing Society and the Central Union are conjoined; the members of the Central Union's Executive Board are directors of the Publishing Society Ltd., and the committee of the Central Union is, at the same time, the Supervisory Board of the Publishing Society. Thus a part of the tasks of a Co-operative Wholesale Society has been concertedly transferred to the Central Union, whereby the latter has become relatively independent of the contributions and lives fundamentally on its own undertaking, which gives it greater financial freedom of action.

(2) THE NATIONAL UNION OF GERMAN CONSUMERS' SOCIETIES.

Since the General Union handed over its distributive societies to the Central Union, the only other distributive

Union is the National Union of German Consumers' Societies, formerly the Union of West German Consumers' Societies. It is the Co-operative Union related to the "Christian trade unions,"* and in recent years has also become a rallying point of the civil service consumers' societies.

Origin and Growth.

The first purchasing club of the newly originated Christian trade union movement was established in October, 1900 (*vide* Giesberts, *Soziale Praxis* XII, p. 564). The idea was to give more attractive power to the Christian trade union movement just then arising. Purchasing clubs were instituted as an appendage to local trade unionist groups—clubs in which members saved up during the summer for the purpose of buying coals and potatoes in the autumn. Then, by way of making use in the interval of the monies saved up, the practice of buying and distributing by joint arrangement was started. And from this grew regular consumers' societies of the Christian trade unions a little later on. At the Christian Trade Union Congress, in Munich, in 1902, these newly-founded societies were discussed, the societies then numbering 37 with a total membership of 2,470, and a total turnover of 200,000 marks yearly. Notwithstanding the exiguity of these figures it had been decided, a year previously, to establish a Wholesale as well. In the year 1904, Peter Schlack, the founder of the "Eintracht" (Concord) Consumers' Society—who had formerly been chairman of the Mülheim Christian trade union combination—sent out a circular to sixty societies, with the object of convening a conference of delegates of "Christian-national consumers' societies." With reference to this circular Heinrich Kaufmann addressed a protest to Schlack against the term "social-democratic" being applied to the societies belonging to the Central Union; but he could scarcely hope that his view would be coincided with. In June, 1905, the first

* *Translator's Note.*—To the uninitiated it may be explained that the Christian trade unions are virtually Roman Catholic trade unions.

delegate conference was held, at which 42 societies, with 5,400 members, and a total yearly turnover of 3 million marks, were represented. The conference unanimously called on the trade union consumers' societies to re-form themselves into general consumers' societies. These societies could not, as yet, maintain an auditing union of their own, so in order to secure their affiliation to an auditing union, a department for consumers' societies was arranged in the Union of Rhenish-Prussian Agricultural Co-operative Societies the following year. After Schlack had established, in May, 1908, a paper called the "Konsumverein" (Consumers' Society) for the consumers' societies in question, he founded the Union of West German Consumers' Societies at the end of the same year. In the department there were ultimately 42 societies combined with 28,500 members altogether, and a turnover of 9.7 million marks. In 1913 it was decided to extend the Union to the whole of Germany and the name was accordingly changed to the National Union of German Consumers' Societies. On January 1st, 1914, this Union comprised 159 societies, with a total membership of 143,000, and a total yearly turnover of 53 million marks; and on January 1st, 1921, the Union comprised 418 societies with 493,000 members and a yearly turnover of 530 million marks.

Organisation.

In its organisation the Union bears a complete resemblance to the Central Union of German Consumers' Societies. It has established seven district sub-unions, and in 1913 also set up a publishing establishment on the Hamburg model—an establishment which carries on the sale of account-books and other requisites for the office use of the societies as well as conducting an insurance agency. In general principles also, the Union bears a thorough resemblance to the Union at Hamburg; for example, in contrast with the General Union, it propagated district consumers' societies and production by consumers' organisations; only it laboured under the

disadvantage that its societies were small and scattered. Thus in the Yearly Report for 1915-16 (page 84) it was stated that there were societies in which the total turnover of seven to eight shops amounted from 100,000 to 150,000 marks. Of the societies reported in the statistics for 1914, 133 had a turnover of less than 100,000 marks, and 48 had a turnover above that amount. The societies with a turnover of a million marks and upwards were nine in number, one of which had a turnover exceeding 10 million marks.

The present position of the National Union is shown by the following particulars, the corresponding figures for 1913 being recorded in brackets. The Union comprises 390 affiliated societies (159) with a total membership of 765,000 (143,000). The affiliated societies possess altogether 1,797 shops (599) and employ 5,745 persons (1,877). The total turnover of the societies amounts to 100 million marks (38·6); the total share capital is recorded at 2·3 million marks (2·3); the total reserves amount to 2·1 million marks (1·4), and the total savings deposits to 2·6 million marks (0·6).

Attitude towards the Central Union.

The genesis of the National Union of German Consumers' Societies can be traced back entirely to the hostile relations existing between the Free* and the Christian trade unions. So vehement was the struggle in the trade unionist sphere at that time that collaboration in the co-operative sphere was a matter of difficulty. Besides that, there was also the circumstance later on that the Central Union of German Consumers' Societies made its wage agreements with the Free trade unions, and took up no definite position as regards wage agreements with the Christian trade unions. In consideration of the numerous members of Free trade unions who belonged to the Central Union it could not, in Hamburg, declare in principle for wage agreements with the Christian trade unions,

* *Translator's Note.*—The Free trade unions are virtually Social Democratic trade unions.

and, on the other hand, it could not very well refuse to have anything to do with them in the matter of wage agreements. Consequently the co-operative societies declared themselves neutral, and also demanded that the other parties to their wage agreements should be neutral as well, and thus could not enter into a wage agreement with a trade union which then inimically excluded from its membership a body of co-operators, if these excluded co-operators were workpeople belonging to the trade represented by the trade unions (*vide* Year Book of the Central Union, 1908, vol. 2, page 548). This attitude, of course, did not prevent individual wage agreements being made with Christian trade unions in Rhineland-Westphalia; but, on the whole, this attitude constituted an impediment, although there existed an earnest desire for an adjustment on the part of the Central Union. The trade unions were manifestly not sufficiently ready to close with a new adjustment as such, and the Union of West German Consumers' Societies was content to have this foundation for its attitude. It was developing well and at a brisk pace, and, as an independent auditing union, had no intention of becoming absorbed by the great Hamburg organisation, as might have been possible. Accordingly, the Union of West German Consumers' Societies laid great stress on its importance as a single neutral Union of Consumers' Societies, and, in more or less guarded terms, reproached the Central Union for its lack of neutrality. But all this friction—just like the little struggles regarding the setting up of shops in the same street—could not deceive people as to the fact that in Hamburg and in Cologne, or now in Düsseldorf-Reischholz, the same co-operative policy fundamentally was being pursued on a platform of different size.

CHAPTER V.

Wholesale Purchasing.

The individual consumers' society depends on joint purchasing on a large scale. Hence the further application of this principle to joint purchasing with other societies is a task which lies very close at hand. In England timely experiments were made in this direction, and after the purchasing through the medium of large societies had brought no result the movement proceeded, as far back as 1863, to found the English Co-operative Wholesale Society, and the Scottish Co-operative Wholesale Society was founded at a little later date.

Precursors.

The history of wholesale purchasing may not be written here. Heinrich Kaufmann has published two voluminous expositions, passages from which will not be reproduced in this place. Here it must suffice to depict the development in its fundamental features as concisely as possible. Plans for joint purchasing were made as far back as the sixties, as, for example, in Rhineland-Westphalia in 1863, and in the province of Saxony in 1867. Dr. Max Hirsch recommended that joint supplies should be obtained from the new society in Magdeburg. Parisius held out hopes of a Co-operative Wholesale Society being founded on the English model at a later period. In the years immediately following, the question of a Co-operative Wholesale Society attained to a certain degree of importance. The propaganda started with Dr. Eduard Pfeiffer who, in 1867, brought a number of societies together. Then, in 1869, it was decided to establish a Co-operative Wholesale Society in Mannheim; but, in consequence of its position and the opposition of the Schultze-Delitzsch movement to Pfeiffer, it naturally could not attain to a position of general importance. In 1872 the Mannheim

Co-operative Wholesale Society was turned into a joint-stock company, and in 1875 its dissolution was decided on; and after being in liquidation for two years it turned out that there was a loss of 40 per cent of the share capital. This failure was partly traceable to the want of action on the part of the societies, and partly perchance to the lack of appreciation of co-operative organisation as well. At that time people had not yet recognised that the foundation of all activity of the kind referred to must be the absolute restriction to the co-operative movement and the organisation of requirements. The leading co-operators of the General Union had been exceedingly zealous in opposing the South German Wholesale, but without possessing superior theoretical knowledge in any way. Parisius, in particular, had not the slightest conception of what had taken place in England, and "assumed" that the English Co-operative Wholesale Society sold to everybody and was accessible to everybody. In his case the idea of the Central Co-operative Society had not fully matured for a long time.

The following years, during which the co-operative movement was stagnant, naturally witnessed no further development in joint purchasing. At the end of the seventies an unimportant offer to organise a Central Wholesale was once discussed. Not until the second half of the eighties, when the societies in Saxony and Central Germany had grown in strength, was the idea of erecting a Co-operative Wholesale Society revived again in a measure. In 1886 a Thuringian wholesale trader made proposals in this direction at the conference of the Thuringian sub-union, but these proposals were covertly declined. In 1891 he repeated his proposals, and, without getting into further touch with the movement, he established an agency in Hamburg. Almost at the same time a few co-operators in Bremen collaborated in establishing a Co-operative Wholesale which was likewise a private undertaking, but which, at least, was in personal touch with the movement.

THE CO-OPERATIVE WHOLESALE SOCIETY.

The conferences of the sub-unions then adopted a waiting attitude till about the turn of the year 1923-1924 when a Co-operative Wholesale Society with limited liability was established in Hamburg fundamentally by Saxon co-operators. Of the 47 societies which took part in the foundation, 27 belonged to Saxony. This preponderance of the Saxons is easily explained by two reasons. In the first place Saxony had then developed an energetic movement, and, in the second place, by reason of its connection with Hamburg by waterway, it came into question as one of the foremost buyers at a Hamburg establishment. The wholesale dealer already mentioned, who had founded the agency, was engaged as business manager at the outset, but was discharged even before the registration of the Co-operative Wholesale took place, whereon he set up in business again on his own account, and for some years ran an establishment in competition with the one which the co-operative societies had founded.

The Executive of the General Union (and especially Schenk, who was then proctor) completely failed to fulfil its functions at this period. It had, obviously, a most inadequate knowledge of English conditions, it was sceptical with regard to the establishment of a Central Wholesale, and it was inclined for provincial purchasing societies as first steps, and along with this inward vacillating irresolute bearing it had the natural inclination to make collections of statistics, "to gather material," so as to postpone the decision. The establishment of the Co-operative Wholesale Society proceeded from the mass of the movement, but through this inoperativeness on the part of the Executive of the General Union, through the course pursued with regard to the requirements of the mass, there was a great loss of time and energy, and oft-times also a flagging of the first enthusiasm. According to Heinrich Kaufmann (*vide* page 254 of the Jubilee publication) the number of consumers' societies then existing was somewhere about 450, with a total of 300,000 members

and a turnover of nine million marks. The Co-operative Wholesale developed very moderately at first, but the journey of the Supervisory Board to England in the year 1899 proved a revelation, and this, in conjunction with the great development of German co-operation then beginning, gave the impetus to a rapid advance. To this advance there was the contributory factor that the Co-operative Wholesale Society, which in 1895 had already begun to insert articles in its price list and so had created the nucleus of a paper, in 1899, after the journey to England, enlarged the price list into a weekly technical organ of the societies—the “*Wochenbericht*” (Weekly Report)—which, under the excellent editorship of Heinrich Kaufmann, not only took a leading part in the struggle, but helped to strengthen the Co-operative Wholesale Society as well.

Growth and Development of the Co-operative Wholesale.

To the co-operators of to-day, the undertaking which was founded in the year 1893, and which commenced operations in 1894, was only a very small agency. The manager and staff of three persons occupied a small room in Hamburg. The establishment and the early years of the society have been described in detail by Heinrich Kaufmann, in his “*History of Wholesale Purchasing in Germany*,” which was issued when the Congress for the establishment of the Central Union of German Consumers’ Societies was held. The history of the Co-operative Wholesale Society has been further recorded by Kaufmann in a second book, which was written in commemoration of its 25 years’ career. In view of the fact that these books are generally accessible, it does not appear appropriate in this place to delineate the development in detail over again. Here, only a bare outline sketch must be given. In the second business year, 1895, the office was enlarged by the addition of a second room; two office hands were added to the staff, and a small stock of commodities was contrived. By means of consignments through the

instrumentality of some of the larger societies, small quantities of goods were got in stock. In this second year the turnover amounted to 18 million marks. The Co-operative Wholesale Society was thus, on the whole, a modest purchasing agency which also did a little business on its own account. It laboured under the disadvantage of a shortage of capital, and also under the disadvantage that the movement generally was still small, and also under the still greater disadvantage that there was a dearth of ideas and leadership at that period.

The year 1899 witnessed a great change. In this connection it must be borne in mind that in 1897 the great dock strike in Hamburg took place, whereon the Hamburg trade unionists were led to contemplate founding the Distributive, Building, and Thrift Society "Production," and that also in the year 1899, not only were new ideas absorbed in consequence of the entrance of intellectual Socialists, but the great impulse received by the movement from the foundation of the Co-operative Wholesale Society began to have its effect as well. In this year the Supervisory Board made a journey to England for the purpose of studying the arrangements of the English Co-operative Wholesale Society. This journey not only furnished an abundance of individual incentives, but also gave a great stimulus to development in Germany, through the use made of it for propagandist purposes. From the descriptions that were given, people first got to know what was possible and what prospects there were for the future; for the German Co-operative Wholesale at that time was still a very small unpretentious store. In this year the first traveller was appointed, with a monthly salary of 200 marks, and the fact that this first traveller has been the chairman of the Supervisory Committee up to now shows in what stage the Co-operative Wholesale then was, and not only the Co-operative Wholesale, but the whole movement as well. A further important event was the appointment, in 1900, of the Leipzig manager Fell, as second manager of the Co-operative Wholesale. Fell's appointment brought into

the undertaking a man conversant with co-operative practice, and one who combined an exact knowledge of the requirements of the societies with a first-rate capacity for organisation. The new spirit in the management combined with the general co-operative advance led to a great development of the Co-operative Wholesale Society. Whereas, in 1900, the turnover amounted but to 8 million marks, in 1901 it amounted to 15 million, in 1902 to 21 million, and in 1903 to 26 million marks.

After gaining a firm footing, the Co-operative Wholesale Society then entered on a period of construction and extension in every respect. It erected large offices with a superior technical equipment, it constructed a sales organisation by the appointment of travellers and the erection of warehouses in the provinces, and it systematically sought to embrace the requirements of the societies as a whole. To that end it conducted a large business on its own account besides carrying on a commission business by making arrangements with manufacturers for large consignments and without taking the goods into stock, had them dispatched to their destination by wagon. After the Society had surveyed the field through its commission business it extended its own business or productive undertakings. The trade-mark G.E.G. was substituted, as far as possible, for known trade-marks of other kinds by way of preparing for the sale of its own commodities, and for production and elaboration on its own account. The trade-mark, G.E.G., served to give the Society all the advantages of the article with a trade-mark, and, at the same time, strengthened the position of the Wholesale in relation to the societies.

The development of production by the Wholesale was long retarded through a protracted struggle, the history of which is worth reading, in the book on the Wholesale's soap manufactory, written by Dr. August Müller, formerly member of the Executive Board of the Central Union of German Consumers' Societies, and afterwards Minister for Economic Affairs. This retardation was probably an

advantage, as production in consequence was ultimately begun on a very much larger basis than was planned in the first drafted designs. The obstacles which beset the soap-works in Aken and Zerbst serve to indicate how far the struggle against the consumers' movement was carried on by all authorities at that time from motives of middle-class policy and of antagonism to the Socialists. As regards Aken, the decisive reason, perhaps, was the fear of losing a seat in the Reichstag through the reinforcements of new workpeople which the new soap-works of the Co-operative Wholesale would inevitably bring. In the decade immediately preceding the war, during which the co-operative movement arose to a position of independence, the Co-operative Wholesale, like the whole movement, expanded and developed to a very remarkable degree. People who saw the Wholesale only every two years or so during this period, were, on each occasion, astonished at the changes which the enlargement of the business brought in its train.

The Co-operative Wholesale Before the War.

For the year 1913, the last business year before the war, when the Wholesale had been in existence for 20 years, a few figures may be reproduced which will afford an approximate indication of the business carried on at that time.

In the year mentioned, the Co-operative Wholesale had 807 members, and over 1,500 customers, and a turnover of 154 million marks. The societies affiliated to the Central Union procured nearly a third of the commodities they required (reckoning by the sale prices) from the Co-operative Wholesale. Of the 154 million marks turnover, the turnover for its elaborated products (coffee roasting, spice grinding, mustard, &c.) only amounted to 4.2 millions, and the value of the Society's productions to 10 million marks. The classified data with regard to commodities were given just as little as those relating to the commission business and the regular business. In the Co-operative Wholesale's book for

1918, the turnover of the goods departments of the Wholesale is given, from which, however, it can only be gathered that the turnover for textile goods and boots and shoes amounted to 8.3 million marks, and the turnover for coffee to 5.2 million marks. Of the total value of the Wholesale's productions, the soap manufactories realised 6.6 million marks, the cigar manufactories 2.6 million marks, the chewing tobacco manufactory 150,000 marks, and the match manufactory 460,000 marks.

Whereas the Gröba and Düsseldorf soap manufactories were newly erected and on a broad scale, the Co-operative Wholesale took over the undertakings of productive co-operative societies, in the case of the manufactories of cigars and chewing tobacco. This taking over of the undertakings of productive co-operative societies (which had gradually grown into central co-operative societies, more or less, through their production for societies and their sharing of societies' monies) also occurred more than once in later years, and has also (as in England) led to some of the productive undertakings of the Wholesale being, geographically, somewhat scattered. In judging this local distribution of undertakings, one is certainly bound to take into consideration the fact, that in selecting a location for its own productive undertakings, the Co-operative Wholesale must have regard to the matter of carriage, on one hand, and to there being suitable work-people at hand on the other. Through taking over undertakings of productive co-operative societies the Wholesale has at times come to the point of taking over concerns unfavourably located (such as the Rhenish-Westphalian Cabinet Works, at Dortmund) or concerns in premises much too small and inadequate.

Before the war, the Co-operative Wholesale Society employed 500 salesmen and clerks, 200 warehouse hands, 1,000 tobacco workers, and 300 manufactory hands. Its financial position is more difficult to judge than that of a retail society because it carries on a trading business and a banking business,

and only issues a general balance sheet. The following figures afford an approximate idea of the position in 1913 :—

ASSETS.		Millions	LIABILITIES.		Millions
		of marks.			of marks.
Cash, Effects, Credit	balance	10·0	OWN CAPITAL—		
Loans to Societies.....		2·9	Shares		3·1
Mortgages*		14·0	Reserves		6·6
Current Account balance		1·7			9·7
		—	BORROWED CAPITAL—		
		28·6	Bank Deposits		25·2
Stocks of Goods in hand		7·3	Creditors and Current		
Landed Property		7·4	Accounts		8·8
Fixed Stock		0·7	Mortgages		3·3
		—			37·3
		15·4	Owing for Goods.....		6·3
Outstanding Accounts ...		11·9	Security Guarantees, &c.		4·1
Security Guarantees, &c.		3·4	Surplus		1·9
		—			12·3
		15·3			—
Total		59·3	Total		59·3

From the above figures it will be seen that the Co-operative Wholesale Society has paid very great attention to the reserves. It possessed over 6·6 million marks in reserves as compared with 3·1 million marks paid-up share capital. The fluidity of the bank funds is thus preserved independently of the stock of goods in hand. The only item open to criticism is the item of outstanding accounts, which is equivalent to four weeks' credit. The turnover of capital cannot be calculated, as there is no scale of any kind to show how far the commission business figures in the total turnover.

During the war the Co-operative Wholesale had to bear the grave infliction of being left out in the cold under the

* The large figure for mortgages is explained by the fact that the Co-operative Wholesale Society, being the central money institute of the movement, was under the obligation to grant societies loans on mortgage for their centrals.

system of State control of commodities. The society had to carry on furious struggles in order to obtain the share of the goods which was possible conformably with the exceedingly unfavourable arrangements for the distribution of commodities (through district centrals). All these difficulties, which continued to a certain extent for some years after the war (as in the case of sugar for example), the Wholesale gradually overcame, and it was able to extend its trade and production largely.

The Wholesale's Productive Undertakings.

At the present time the Wholesale deals not only in provisions of every kind, but also supplies the societies with household and kitchen utensils—articles which the societies, in great measure, proceeded to sell after the close of the war—and furnishes them also with machines of all kinds required for their own use. For the sale of textiles and footwear the Society has had a warehouse in Saxony for a long time. As regards undertakings for the elaboration of commodities, these include coffee roasteries in Hamburg, Gröba, and Mannheim; spice mills and a wine cellarage in Hamburg; and a mustard manufactory in Gröba. And lastly the Society has also spacious packing arrangements in the three establishments for coffee and tea, and also for cocoa and spices to some extent.

The Co-operative Wholesale Society is also a sleeping partner in a cheese manufactory in Algau (Bavarian Alps) which maintains 25 establishments and supplies 70 per cent of the cheese sold by the Co-operative Wholesale.

Amongst the Society's undertakings the textile and clothing factories are of special interest. At the textile factories bed-ticks, bedding, towels, flannel, fustians, and sheeting are produced as well as shirts and aprons. In the Saxon clothing works, which was formerly a military clothing manufactory, but has been turned into a combined undertaking, the Co-operative Wholesale owns nine-tenths of the shares. The

experience as regards the production of textiles is exceedingly favourable. In this connection it appears that a very brisk development may be anticipated as soon as the purchasing power of the masses increases.

The Co-operative Wholesale Society's productive undertakings as a whole are shown in the following table:—

Manufactories.	Turnover in Renten- marks.	Number of Persons Employed.
Cigar (3)..... } Tobacco (3) } Cigarette (1) } Manufactories	4,363,172	611
Soap Works (Gröba)	5,809,539	190
„ (Düsseldorf)	2,264,102	117
Chemical Factory (Gröba)	705,877	78
Match Manufactories (Lauenburg and Gröba).....	1,176,495	216
Textile and Clothing Factory (Oppach).....	809,035	164
Clothing Manufactory (Seifhennersdorf) and Tailor- ing Factory (Dresden)	1,144,174	181
Textile Factory (Leupoldsgrün)	497,686	49
Box Manufactory and Sawmill (Gröba).....	468,720	66
*Cabinet Works (Dortmund).....	443,520	80
Brush Manufactory (Schönheide).....	567,950	104
Sausage and Bacon Factory (Altona)	1,900,544	50
Pickled Fish and Smoked Herring Factory (Altona)	1,395,987	201
Edible Paste Manufactory (Gröba)	2,254,236	144
Food Stuffs Manufactory (Magdeburg).....	529,280	51
Sweetmeats and Chocolate Manufactory (Altona)	914,138	86
Mustard Manufactory (Chemnitz)	315,357	23
Malt Coffee Manufactory (Chemnitz).....	738,503	35

* Of the production at the Cabinet works, 28 per cent pertained to shop fittings, 30 per cent to office furniture, 32 per cent to woodwork for buildings, and 6 per cent to house furniture; 28 per cent of the production was for retail societies and 20 per cent for the Wholesale's own undertakings.

The sausage and smoked-ham factory established in January, 1923, constituted a new and important undertaking with a capacity for manipulating 400 swine weekly. There is also a suet-packing establishment attached, in which foreign beef suet is put up in pound packets.

The Co-operative Wholesale's total turnover as regards sausages and flesh meats amounted in 1924 to 6·7 million

kilos as compared with 0·8 million in 1913. The total for 1924 includes 3·4 million kilos of frozen meat. Up to the end of the year 19 retail societies have undertaken the sale of frozen meat and with satisfactory results.

The Sales Organisation.

The central establishment of the whole concern is in Hamburg; but for textiles, boots and shoes, and household articles the central establishment is united with the head warehouse in Chemnitz, so that in Hamburg only the director concerned with these branches of business maintains the contact between special and general operations. Provincial warehouses, from which the surrounding societies can be immediately served, are situated in Hamburg, Erfurt, Chemnitz, Berlin, Breslau, Düsseldorf, Mannheim, Nuremberg, Ludwigsburg, Magdeburg, Minden, and Königsberg. The warehouses, in part, have only been established in recent years; thus the Minden warehouse was established in 1924 and the Königsberg warehouse as well, the latter taking the place of the Pillau warehouse, which was established in 1921. Other warehouses such as those in Saxony and Berlin, were in existence long before the war.

Germany is divided into districts pertaining to the warehouses, in each of which there is a warehouse manager and a traveller. Besides these travellers of the geographical sales organisations, the large trading departments employ special travellers. The task of the travellers primarily is to keep in touch with the retail societies of their districts and to attend the purchasing gatherings, at which a considerable part of the business in provisions is transacted. For textile goods, &c., special purchasing gatherings are arranged. The travellers also visit the societies at longer intervals, for the purpose of getting to know the local requirements and to keep a closer connection. With the same object the travellers take part in all co-operative arrangements in the district. The task of the special travellers is, to a much larger extent than in the case of

the general travellers, that of bringing in orders, whereas in normal times the provision trade was carried on only to a small extent through the medium of travellers, and in great measure was conducted automatically, and was greatly facilitated by the price lists of commodities regularly issued in various forms almost from the beginning, and which were sent to all purchasers more than once a week. The retail societies continue, as formerly, to procure about a third of their total turnover of commodities (reckoned at sale price) from the Co-operative Wholesale Society. But in the auditing unions the turnover of commodities derived from the Wholesale varies very much.

In the large retail societies the supplies obtained from the Wholesale range between 9 and 80 per cent of their total turnover; 30 to 40 per cent is very often the case, but the number of societies with a swerving percentage is exceedingly large. The figures vary according to the character of the society concerned (the Hamburg "Produktion" Society, for example, cannot procure the cattle for its slaughteries through the Co-operative Wholesale), but they also vary according to the conditions of carriage, the position of the society, the capacity of the local wholesale dealers, the kind of manager, &c. The business management of societies is in no way dependent on the Co-operative Wholesale except in cases where societies are largely dependent on the Wholesale financially, and are consequently under its influence. The Co-operative Wholesale on the other hand is obliged to compete regularly with the private merchants, and the large retail societies are often critical and embarrassing customers on whom admonitions to observe co-operative loyalty make not the slightest impression.

The Purchasing Associations.

In the history of joint purchasing, two fundamental ideas constantly recur, viz., centralised wholesale purchasing for the whole country, or part, and district joint purchasing through the wholesale department of a large retail society

or other district combination. This district combination led to exchange assemblies which, in the eighties, played a certain rôle; buyers and sellers came together. Here the buyers could opportunely compare offers and interchange experiences and opinions with their colleagues. Purchasing at that time was presumably transacted mostly with provincial wholesale dealers. Only at a much later date was a real joint supply system formed whereby there was a saving made through the combination of orders, and whereby it was also made possible for a number of neighbouring societies to obtain full wagon loads, and thus to avail themselves of the distinction between luggage freightage and wagon freightage to their benefit. These purchasing associations (in which, originally, here and there, the question was still debated as to whether the Co-operative Wholesale might be admitted and given a privileged position) developed by degrees into organs of this Co-operative Wholesale Society. In the year 1900, the Wholesale Society appointed as its first traveller, Max Hoppe, the chairman of the Wholesale's Supervisory Board at that time and also business manager of the Harburg Co-operative Society, a Saxon co-operator of merit and high standing, who had rendered essential services as accoucheur when the Wholesale was founded. Before long it was seen, that if the Co-operative Wholesale was to advance it could not do without travellers, and the cultivation of the retail societies thereby, and more travellers were gradually appointed. Before the war it was the general custom of the purchasing associations to hold their meetings two or three times per quarter. The travellers concerned attended the meetings and often the warehouse manager of the Co-operative Wholesale as well; and also, as a rule, a business manager of the Co-operative Wholesale attended the purchasing gatherings of the Rhenish-Westphalian purchasing association, whose important societies made arrangements for particularly large quantities, but which also required special concessions in the matter of prices on that account. The

traveller gave a report about the state of the market (about which all those present were, moreover, informed through the Wholesale's semi-weekly Report), and took the orders of the managers. Every manager who attended the meeting of the purchasing association knew what he wanted, and already had nearly made up his mind whether to buy from the Wholesale or from some competitor thereof. The object of joint purchasing was, on the one hand, to form a clear idea of the market development to be expected and to determine the quantity, and, on the other hand, to get together the full wagon loads.

Such a purchasing convention is by no means a plain and simple matter of taking orders from the retail societies. Here the individual business managers start criticising at once, and comparisons of prices with those of competitors are made without any consideration, and, if it happens that the Co-operative Wholesale is not quite up to the mark, in a moment reproaches are made to its representative about its lack of capacity. If the time is at their disposal these representatives also visit individual societies, but they are present at every co-operative function in their district above all, and so keep in touch with the movement.

In pre-war years the district warehouses attained 10 to 12 per cent of the turnover, but in 1924 22 per cent, an indication of how the scarcity of capital constrains the retail societies to obtain supplies in smaller quantities.

The Wholesale's Position in 1924.

The management of the Co-operative Wholesale is in the hands of a directorate of five members, all of whom have arisen within the movement. All of them were formerly on the management boards of large societies, and, in some cases, were called from their societies to their present post, and, in other cases, they occupied the posts of manufactory managers and heads of departments of the Co-operative Wholesale.

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The number of persons employed by the Co-operative Wholesale Society in 1924 was 3,598 (1,915 males and 1,683 females). Of this total 1,260 were employed in the commercial departments and 2,338 in production.

The total turnover of the Wholesale in 1924 amounted to nearly 168,500,000 marks, including 26,300,000 marks (approximately), which represented the value of its own productions.

The Co-operative Wholesale's balance sheet for 1924 is interesting to note:—

ASSETS.	Millions of Marks	LIABILITIES.	Millions of Marks
Cash in hand.....	0·2	Own Capital—	
Securities	0·16	Share Capital.....	5·7
Bills of Exchange	2·3	Reserves	4·0
Bank balance.....	2·8		9·7
Mortgages	0·1		
Current accounts of		Extraneous Monies—	
Societies	0·2	Bank Deposits	9·0
Investments	1·0	Current Accounts ...	6·2
	6·6	Loans.....	8·8
		Mortgages	2·1
Goods in stock	11·9	Bills of Exchange to	
Fixed Stock	2·8	be met	1·3
Land and Buildings	8·8		27·4
	23·5		
Outstanding Accounts ...	13·6	Owing for Goods ...	4·8
		Surplus	1·8
			6·6
Total	43·7	Total	43·7

A comparison of this balance sheet with that for 1913 shows that the Co-operative Wholesale Society has been able to maintain its own capital at about the old level. The extraneous capital has diminished to a very large extent in consequence of the scarcity of capital of the retail societies; but its importance for business has largely increased. In the

pre-war period the funds on the assets side amounted to 28·6 million marks as against 37·3 million marks of extraneous capital on the liabilities side, so that 8·7 million marks of extraneous monies (an amount equal to the Society's own capital) were applied in the business, whereas now the funds on the assets side figure only at 6·6 million marks as against 27·4 million marks of extraneous monies on the liabilities side, so that there are 20·8 million marks of extraneous money to the Society's own capital of 9·7 million marks. The amount owing for goods, viz., 4·8 million marks, is less than it was in 1913, whereas the figure for the stock in hand has increased in consequence of the depreciation of gold and the extension of business operations.

The Co-operative Wholesale Society very timely opened a Bank Department, with the object of providing a central place of accommodation for the capital of the retail societies, on the one hand, and with the object of strengthening its own resources with the aid of the surplus capital of the societies on the other. This Bank Department was also the given central for effecting the fluidity of the co-operative savings funds. Misgivings were openly expressed in the movement with regard to this combination of banking and trade; hence, before long people looked steadily towards making the Bank Department into an independent banking institution alongside the Co-operative Wholesale. War and post-war effects have retarded this consummation, but it appears certain that the separation of the banking business from the goods business will be brought about as soon as the finances of the co-operative movement are in tolerable order once more.

THE WHOLESALE OF THE NATIONAL UNION.

After the purchasing central of the Christian trade union consumers' societies (which was established at the beginning of the present century and which was devoid of vitality from the very commencement) had ceased to exist, the movement,

then actually arising, had to make shift at first without centralised purchasing. Then, in the year 1906, a provision department was established in the Committee of Supply of the Rhenish-Westphalian Agricultural Co-operative Societies (which was formed in 1897), which had to do the purchasing for about two dozen consumers' societies. Its turnover in the year 1906 amounted to no more than 87,000 marks. Then, in 1912, the joint purchasing by the Committee of Supply was given up, and the Wholesale Central in Mülheim was founded, which took over the stock and staff of the provision department. Its turnover amounted to 9·7 million marks in 1913, and to 106 million marks in 1920; it also represented a small facsimile of the Co-operative Wholesale Society in Hamburg. After the revolution it established for itself a sales organisation, appointed travellers, founded purchasing associations like the Co-operative Wholesale Society at Hamburg, erected provincial branch warehouses, and, in 1919, also organised a textile goods department in its branch warehouse at Nuremberg, and, in 1920, a department for household articles as well. In 1923, it was turned into a joint stock concern. The turnover in 1924 amounted to 24·1 million gold marks.



CHAPTER VI.

Trade Unions and Co-operative Societies.

Before the year 1900 the relations between the trade unions and the consumers' societies were of no importance. The societies most mentally akin to the directorate of the General Union maintained no relations of any kind with the trade unions, and, in general, declined them, and endeavoured, as far as they could, to avert the possibility of their staffs becoming organised in trade unions. In Saxony—the region in which co-operation was most developed at that time—there frequently existed a pretty far-reaching personal union between co-operative societies, trade unions, and party. In smaller places, especially, the protection of the society's shop manager against penalisation was a matter of some consequence to the movement, for the reason that the trade unions and the Socialist Party could not afford to pay a full-time secretary; but no clarification, in principle, of the relations between the co-operative and labour movements took place. In the new foundation period about the turn of the century, however, there was a considerable change in this respect. The new co-operators who were, in general, organised trade unionist workers, adopted a different attitude towards the trade unions, and the trade unions themselves, in part, took up a different attitude towards the societies from that which they had maintained hitherto. True it is that no such large-spirited undertaking as that of the Hamburg "Produktion" Society was established in any other town, but still, in a number of cases, the trade union combination took part in the foundation of co-operative societies. Moreover, it must be said for this period generally, that these founders were not only organised trade unionists, but also active members of trade unions, but that most of the leading local

trade unionists scarcely took any part in the foundation of co-operative societies, and that the trade union organisation, as such, likewise displayed little interest, in fact regarded the co-operative societies with a certain amount of distrust, so that the case with regard to the general relations between the co-operative societies and trade unions in the localities individually may be summed up thus : the strong co-operative movement after the year 1900 was thoroughly based on the organisational training of the working class by the trade unions without there being any strong connection between the co-operative societies and the trade union movement locally.

Despite the fact that the executive bodies of the two movements came into touch with each other in due course, definite relations were but established comparatively late, and there is, perhaps, reason to doubt whether the relations have become finally definite even to-day. The proceedings in connection with the establishment of the trade union bank, and in connection with the discussions concerning the fire insurance for the working class, show a certain critical circumspection brought to bear in this respect. At the foundation of the Central Union of German Consumers' Societies it was clear to every unbiassed observer that the consumers' co-operative movement was fundamentally sustained by the same class as the trade union movement, although the co-operative movement included also a very considerable number of purchasing members belonging to other circles of the population and, out of consideration for embracing as large a circle of persons as possible, was exceedingly careful in stating their position in relation to the working-class movement. People were led to expect that an understanding would very speedily take place with regard to the support of the co-operative societies by the trade unions in the Hamburg style and with regard to the mutual approachment of the societies and the trade unions, but developments took a different course. The Central Union of German

Consumers' Societies was founded in the year 1903, and a general agreement with the trade unions did not take place until 1911.

THE HISTORY OF THE AGREEMENT BETWEEN THE GENERAL COMMITTEE OF TRADE UNIONS AND THE CENTRAL UNION OF GERMAN CONSUMERS' SOCIETIES.

At the Trade Union Congress in 1899, the motion of a trade union meeting to deal with the power of the workers as consumers was passed over, and the Congress passed on to the next item on the agenda, although the foundation of the Hamburg "Produktion" Society had already raised enough dust, and constituted a sufficient motive for dealing with the position of the trade unions in relation to the co-operative societies. At the foundation meeting of the Central Union of German Consumers' Societies, a representative of the Transport Workers' Union was the only trade unionist representative present. In the following year (1904), however, all the trade unions concerned were represented, and in the year 1905 the relations between trade unions and co-operative societies formed the sixth item on the agenda of the Trade Union Congress at Cologne. The task of introducing the subject was assigned to Adolf von Elm. A representative of the Central Union and a representative of the Co-operative Wholesale Society attended the Congress. The way to joint work had been found. The technique of this joint work, however, was as yet extremely undeveloped. Adolf von Elm's address was very brief in its fundamental parts, inasmuch as he referred to statements in the "Socialist Monthly" (*Sozialistische Monatshefte*), and, in the discussion, the general relations between the trade unions and co-operative societies were much less debated than the regulation of the wage and labour conditions in the co-operative societies and their central organisations. The parties interested dominated the field, and the representative of the Shop Assistants' Union even said, very explicitly, that the question

of trade union interests was the only one they were concerned about. As the relations between the co-operative societies and the trade unions, which embraced wage-earners and salaried employees of the societies, had not become completely harmonious in the few preceding years after having been for years neglected, the discussion betokened a certain amount of irritation on the part of the trade unionists, whereas Heinrich Kaufmann, as representative of the Co-operative Societies, spoke very courteously. The resolution introduced by Adolf von Elm, in its fundamental part, emphasised the point that in the interests of the proletariat the co-operative societies deserved to be promoted by the trade unions, and stated that it was desirable, in the first place, that production in the co-operative societies should be strengthened and that there should be friendly mutual relations between the two sides. In the original resolution the desire was also expressed that the co-operative societies should have regard to the labour register first and foremost. In the second place it was recommended that standard wage agreements should be made. Adolf von Elm, who was both a trade unionist and co-operative practitioner, had, by reason of his own experiences, cautiously expressed this formula in the following terms :—

The Congress, therefore, in the interests of the co-operative societies, regards it as a mandate to recognise, without more ado, trade union rates and demands of a general character which are addressed not to co-operative societies alone—demands which the trade union concerned undertakes the responsibility also of carrying through in the shortest time possible for a great part of the trade unionist members working in the same trade in other than co-operative concerns.

At the instigation of the Transport Workers' Union this cautious formula was replaced by the crude and simple sentence "to recognise trade union rates and demands of a general character."

This style was very primitive, but it is comprehensible when one bears in mind that the Transport Workers' organisation at that time was still comparatively young; but to a co-operator who had occupied a responsible position in a

co-operative society and knew how the co-operative societies were frequently dealt with by the trade unions in the matter of wage demands this diction was entirely unacceptable.

In the third place, the co-operative societies were requested not to sell manufactures produced by prison labour and at starvation wages, but to support productive co-operative societies founded in agreement with the corresponding trade union organisation to guard trade union interests.

Fourthly, in those places where there were standard agreements, societies were requested to deal only with firms which observed standard conditions; and, fifthly, societies were requested to take heed of boycotts instituted by trade unions. And finally, trade unions and co-operative societies were recommended to set up arbitration tribunals for the settlement of local disputes.

No essential alteration in the resolution was made apart from the paragraph concerning the trade union demands designated above; but this alteration was so great, that Adolf von Elm voted against his own resolution as thus altered.

At the Co-operative Congress at Stuttgart, held in the same year (1905), the General Committee of the Trade Unions and also the trade unions concerned, except that of the Transport Workers, were represented. Umbreit* made an exceedingly intelligent speech in which he softened, as far as possible, the bad impression made by the quarrel of interested parties at the Trade Union Congress at Cologne. The Cologne resolutions were taken cognizance of, but these resolutions as passed in Cologne were explained as expressing the desires of the trade unions, which might be accepted in the main, but which did not bind the co-operative societies. This standpoint was perfectly correct, and it would, perhaps, have been the proper thing to come to such understandings before the Cologne Congress, and not to make a display of the vexation

*Editor of the weekly organ of the Committee of the General Federation of Trade Unions.

in public. But now the Central Union of German Consumers' Societies refused to come to a general agreement with the trade unions; an action not altogether unnotable in view of the relations between the trade unions and the political party, and one not altogether unimportant in regard to the relations to the Christian trade unions which had to be taken particular note of in the Rhenish-Westphalian co-operative movement which at that time was just beginning to flourish exceedingly. Hence, in the following period, the initiative lay with the General Committee of the Trade Unions, which desired to enter into negotiations; but the correspondence showed that the Central Union of German Consumers' Societies regarded the making of standard agreements with the particular trade unions concerned as being more important to begin with.

The question of standard agreements now dominated the co-operative stage to such an extent that at the Co-operative Congress at Düsseldorf in 1907, the following resolution against the "immoderate demands" of the trade unions was adopted, although Umbreit spoke against it:—

Co-operative wage and labour agreements cannot be established on such principles as yet lie in the remote distance so far as regards their being carried out among the competing private concerns.

The co-operative societies must, in their own interest, and as far as possible, support the efforts of their wage-earning and salaried employees to attain such social-economic aims as lie in their power, and the societies must, of their own free decision, endeavour more and more to realise the fundamental demands made in the co-operative concerns.

The Co-operative Congress, however, must decline to realise such demands as those now made at present which are far in excess of what the trade unions demand from the private enterprisers and are able to carry through—demands whereby a large number of co-operative concerns would, under the said conditions, be rendered incapable of competition and whereby the persons they employ would then also be deprived of the means of subsistence.

This discussion, which raised just as much dust in public as did the other discussion at the Cologne Congress at the time it occurred, constituted also a pendant to the Cologne discussion in so far as the dispute between separate interests stood here also in the foreground, and Umbreit's declarations

against the resolution were of no avail. Broadly speaking, it may also be added that the resolution was a tactical mistake, because it emphasised the negative part, and every positive part was wanting. The Düsseldorf Congress and the adoption of the resolution resulted in a lively feud in the "Korrespondenzblatt" (Correspondence Paper). The trade unionists regarded the resolution as an expression of the typical standpoint of the employing class; the co-operators were emphatic in declaring that it was only a means of self-defence against exaggerated demands, that demands were made from them which were not thought of in regard to their competitors, and that to the co-operative societies this was economically insupportable. So again, at the general Co-operative Congress of 1908, no general agreement between the two organisations was made, but only a declaration supplementary to the Düsseldorf resolution and giving corresponding prominence to the positive part.

Again, also, this declaration was made on the initiative of the General Committee of the trade unions. As to how it arose, Legien* reported very calmly and pertinently how the central bodies had continually endeavoured throughout the whole affair to avoid all causticity. But episodes as yet were bound to occur. The co-operative societies supplemented the resolution with an "unimportant appendix" as Elm described it (*vide* Year Book for 1908, Vol. I, page 376), but which drew forth most vehement protests from the Trade Union Congress. The resolution emphasised the fact that the co-operative societies took the standpoint that they were bound to be exemplary as regards the wage and labour conditions of their employees, and that they were ready to enter into general standard agreements, but that the Düsseldorf resolution was not to be construed in that sense, and that only those conditions could be introduced into the co-operative societies which were introduced in most of the

* Legien was the chief official of the General Federation of Trade Unions.

private concerns. Finally, the resolution recommended local agreements, in so far as general agreements were not yet possible, but with the qualification: "if the local standard agreements do not essentially go beyond what is concluded for the co-operative societies by the general standard agreements." As regards the contingent refusal to accede to farther-reaching demands, no reproach can be made against the societies. The qualification was understandable from their point of view. The trade unions concerned, however, were full of indignation, at the last minute, at this arbitrary addition, but were not able to influence the Trade Union Congress; for Legien, Umbreit, and Sachse* judged the whole affair very broad-mindedly, and gave prominence to the conviction that co-operative societies had to be promoted in the general interests of the working class. In the face of motions from the ranks of the parties concerned the energetic support of the co-operative societies was resolved on, whilst further negotiations were to take place with regard to the qualifying paragraph.

Two years afterwards, at the Co-operative Congress at Munich, in 1910, it was, at length, possible to bring forward the terms of a general agreement, which were unanimously accepted. In the year 1911 the Trade Union Congress also signified its assent. This agreement comprised six points:—

- (1) Home labour, as regards necessaries and luxuries, is fundamentally excluded. For the rest, in case of critical conditions, the co-operative societies will consider the remedying of each case as it occurs.
- (2) As regards prison labour, a joint boycott is proclaimed by trade unions and co-operative societies because such labour is founded on underpaid work.
- (3) The co-operative societies are recommended to have regard to the firms which recognise the trade unions and the standard agreements between trade unions and employers of labour.

* The Miners' leader.

- (4) The trade unions pledge themselves to propaganda on behalf of the co-operative societies.
- (5) All production over and above the local requirement is the Co-operative Wholesale Society's affair and that of other central co-operative societies. Retail co-operative societies may only work with productive co-operative societies if these have been established with the assent of the Central Union of German Consumers' Societies, the Co-operative Wholesale Society, and the Executive Board of the trade union concerned.
- (6) In case of trade union boycotts of private purveyors to co-operative societies the trade unions must previously confer with the Co-operative Wholesale Society and the Central Union. A boycott must only be proceeded with in case an attempt at mediation by the Central Union proves fruitless.

In this agreement the last two points alone require elucidation. The passage concerning the productive co-operative societies was necessary precisely for the reason that for decades, when conditions were most unfavourable, productive co-operative societies were founded by people out of work—societies which endeavoured to make up for their incapacity for achievement due to shortage of capital, ignorance, and so forth, by appealing to the class-consciousness of the consumers' societies. These productive co-operative societies, on account of their inadequate capital and means of production, as a rule were detrimental to the movement in general, and through their inadequacy discredited the trade union movement as well. Hence it was to the interest of both movements to restrict the establishment of such societies as far as possible.

The boycott regulation was necessary just because the boycotts had given rise to excessive friction. The consumers' societies were attacked innumerable times because they obtained a small and dwindling part of their supplies from a

private producer, and one on whom they had consequently not the slightest influence, but who could not be mastered by trade union methods. Then the boycott was decreed, and the societies had to see what they could do with the goods they then had in stock. At all events, the societies were injured in such cases without the trade unions deriving any benefit.

In concluding this history of the agreement of 1911 it can be said, on the whole, that the General Committee of the Trade Unions handled the affair intelligently and broad-mindedly, whereas the trade unions concerned regarded the matter rather too closely from their own standpoint. The Central Union of German Consumers' Societies exercised rather more reserve than was compatible with a speedy and generally satisfactory settlement of the affair.

THE STANDARD AGREEMENTS.

Of more importance than the general arrangement were the agreements made between the Central Union of German Consumers' Societies and the trade unions in which the employees of the co-operative societies were organised. The Central Union was founded in the year 1903 and, therefore, at the beginning of the great standard-agreement development in Germany. As regards general agreements only three groups of trade unionists were concerned, viz., the bakers, the transport workers, and the mercantile assistants (clerks, salesmen, and shop assistants), along with the sub-group of shop managers. These three groups were organised under very different conditions, and consequently regarded the idea of standard agreements very differently. The bakers suffered by the training of apprentices, and by the departure of the elder workmen, and by the circumstance that the organisation could only get a poor footing in the small bakeries. To the bakers the consumers' societies were *the* up-to-date large concerns, and their staffs were of importance as the core of the trade union. The Transport

Workers' Union, it is true, consists almost exclusively of untrained or self-trained persons, but their places cannot be filled without some to-do. On the other hand, the firms which contract with the Union are often the larger trading and dispatching concerns—not gigantic concerns with their lordly standpoint—but, yet, concerns large enough to pay a suitable wage; and so this Union did not depend on the co-operative societies to the same extent by far as the Bakers' Union, and by virtue of partial successes in large towns could already make quite different demands. The Mercantile Assistants' Union was an exceedingly weak one before the war. (Here only the Central Union of Mercantile Assistants affiliated to the General Committee of Trade Unions comes in question.) The shop managers, who had an organisation of their own until 1912 and then amalgamated with the Central Union of Mercantile Assistants, constituted an organisation of co-operative societies' employees. Both signalled themselves by their particularly energetic mode of action against the Management Boards of the co-operative societies and the Central Union of German Consumers' Societies.

THE WAGES BOARD.

Although, logically, the Wages Board (Tarifamt) is an outcome of the wage agreements, it may be dealt with here. At the second Congress of the Central Union of German Consumers' Societies, held in 1904, it was unanimously resolved that arbitration boards should be established for the settlement of disputes with the shop managers. Then, in the year 1906, the Wages Board was unanimously instituted for the task of superintending wage rates, fixing local increases of wages, interpreting wage-schedules, and to act as a court of appeal for local arbitration boards, and to furnish the parties with advice when new wage agreements were made. In 1909 the wage-board arrangement was fundamentally separated from the wage agreements. These were made for a term of five years; but it was not desired that the Wages Board should

be confirmed in its organisation for that length of time, and consequently it was based on a separate agreement henceforth. Then, in 1913, it became possible to place other agreements under the administration of the Wages Board besides the general agreements with the bakers and transport workers. The composition of the Board remained the same, on the whole, although the number of members was gradually increased, the Board being composed of an equal number of representatives of the trade unions concerned (bakers and transport workers) and of the co-operative societies, together with a representative of the Central Union of German Consumers' Societies and a representative of the General Committee of the Trade Unions, both of whom, at first, had a voice in the proceedings, but afterwards a vote as well. The desire for a disinterested chairman was expressed merely once in the first year of the Board, and after that the parties concerned were quite satisfied with the arrangement.

VARIOUS WAGE AGREEMENTS.

The task of describing, in detail, the development of standard agreements in the German co-operative societies, and the development of wage and labour conditions therein, is outside the scope of this work, and particularly so as the course of wages in Germany of late years has been turned into quite different directions than formerly, and, on the other hand, judgment of the wage development which took place ten years ago is largely obscured by the recent currency depreciation. Here, the development in its main features alone may be traced. The constituent Co-operative Congress in the year 1903 already dealt with the wish of the Transport Workers' Union for a wage agreement, and authorised the Executive Board to arrange the preliminaries. In 1904 Heinrich Kaufmann gave a voluminous report concerning co-operative labour relations—a report which started from the principle that the consumers' co-operative society is a

continuation of the capitalistic economic system, and therefore co-operative labour relations cannot be anything more than a continuation of the highest form of private labour relations, namely, the collective labour agreement. For these collective labour agreements he put forward the following guiding principles :—

- (1) The collective labour agreements must be made according to uniform viewpoints.
- (2) They must not weaken the working capacity of the co-operative societies. In this connection it must be noted that the intensiveness of labour only increases gradually with the improvement of labour conditions. Therefore, the co-operative societies cannot specially go beyond what is done by private concerns.
- (3) In return, therefore, the trade unions must, on their part, rid the consumers' societies of sordid competition.

Matters were simplest for the bakers, rather less simple for the transport workers, and most difficult for the shop managers and the sales and office staffs.

The Agreement with the Bakers' Union.

As regards the bakers a general agreement was concluded at this second Congress of the Central Union in the course of a special conference which lasted two days and at which various trifling matters were brought forward on behalf of the co-operative societies. The general agreement was for three years, and was worked by central wage regulation, and provided for local wage increases corresponding to the classification of places according to the printers' scale. The Bakers' Union acknowledged, during the negotiations, that the labour conditions in the co-operative societies were, "in general, exemplary," and was satisfied with the agreement which, in the main, fixed the existing conditions in a firm frame and gave no considerable increase of wages.

Agreement with the Transport Workers' Union.

The negotiations with the Transport Workers were attended with more difficulty. Their demands, generally, were not conceded, and it was decided to instruct the Central Union's Executive Board to prepare a new agreement on the same basis as that for the Bakers' Union. This decision did not lead to new negotiations, but, perchance, to excessive local friction, so that in the following year it was rescinded, and in the year after that, namely, 1906, by reason of a general inquiry with regard to the wage and labour conditions in the co-operative societies, it became possible to bring forward a new draft agreement, which found unanimous acceptance. But, as the Bakers had fallen somewhat into the rear through the conclusion of this agreement with the Transport Workers, they (the Bakers) gave notice of termination of their wage agreement. The acceptance of the new agreement did not pass off smoothly, as the regulations concerning bakers-in-chief and the using of the labour register by the co-operative societies were altered, so that the representatives of the Bakers' Union, for their part, refused to enter into the agreement. Then an understanding was subsequently arrived at whereby there was a temporary arrangement for a year—an arrangement which, in 1908, was prolonged for another year by the Co-operative Congress. In 1909 both agreements were entered into again for a term of five years, the regulations concerning hours of labour and wages being then also adapted to the changed conditions. The debate hinged mainly on two things ; first, on the working capacity of the individual societies, and, second, on the labour register. Whilst diversities of opinion with regard to the scale of wages and the wage possibilities in co-operative societies are bound to arise again and again between the trade unions and the co-operative practitioners, yet in the dispute concerning the labour register fundamental differences were concerned, in which the co-operators were not at all of one mind. The trade unions concerned took the standpoint

collectively that workpeople in the co-operative societies should be engaged through their (the trade unions') labour register, and that their labour register must have the direction in this matter; and they would only concede that in exceptional cases penalised persons who had been employed in other avocations, and old members of co-operative societies might be provided with a situation with their (the trade unions') consent. Part of the co-operators demanded freedom as regards engaging workpeople for situations, and the possibility, in principle, of appointing members of their own co-operative societies.

On the other hand, many co-operators urged the point that the distribution of minor posts in a co-operative society only leads to friction, and that it is to the interest of the societies themselves to apply to an outside impartial labour registry office, which sends them efficient workers. These co-operators, of course, based their points on the presupposition that only good human material is in actual fact sent to the co-operative society which pays good wages. The two agreements were ultimately adopted; only eight votes being recorded against them.

Developments in the Period 1914-22.

In the year 1914 the wage agreements were again concluded for another five years with an increase of the wage scale by 11 to 13 per cent. The coming into force of these new agreements coincided with the outbreak of war, whereby various difficulties arose, so that at first, for a transition period, the old scale of wages in many cases continued to be paid; but it soon became necessary to grant extra pay on account of the cost of living, but for which there was no general regulation made until the autumn of 1916, and only in 1918 was the task of fixing the scale of these wage additions assigned to the Wages Board. When, in 1919, these agreements again expired there was no inclination whatever to renew them on the part of the co-operative societies. On

the one hand, it was declared that these national agreements were always regarded as a transitional stage so far as the co-operative societies were concerned, and that the aim had always been that the bakers and transport workers should join in the general wage agreement system, in national wage agreements especially, which embraced the entire trade, as the printers employed by the Central Union always came under the national wage agreement for the printing trade; on the other hand, the co-operative societies had to suffer very greatly through the turbulent wage movements which began after the revolution, so that there was no longer any inclination for a central wage movement, as it was continually traversed by local wage regulation. Consequently, in the years 1919 and 1920 resolutions were passed by the Co-operative Congress signifying that the national wage agreements were at an end. The result, of course, was that the workers proceeded locally and in their various districts, and, finally, district wage agreements were made, for which the Wages Board was again established as the supreme tribunal; and then, in 1921, the Co-operative Congress unanimously instructed the Wages Board to frame a new agreement embracing the district agreements which had been made in the meantime. After very great difficulties these new national agreements were ultimately concluded at the end of 1922 after the proposals of the co-operative societies had been once declined at the outset.

A Retrospective Survey.

Of the wage-agreement development in the co-operative societies it can be said, on the whole, that it was very timely introduced, and that the negotiations were conducted by mutual advances. A certain amount of friction proceeded from three causes:—

- (1) On the one hand the workers, in general, made large demands, and, on the other hand, the older co-operative societies had a very bad tradition as regards social policy,

- (2) The decade of 1900-1910, in which the development of wage agreements took place, was the decade of growth and development for the greater part of the German co-operative societies. But few of them had an old established position. For the co-operative movement, therefore, it was not quite easy to do justice to all demands.
- (3) The labour register question led to the dispute between the Co-operative Executive and the competent Trade Union Executive, and also to the dispute between trade unions themselves. The question as to who was to have the right to appoint persons to the—in many respects—better and assured posts in the co-operative societies was not always easy to solve to the general satisfaction.

THE NEGOTIATIONS WITH THE MERCANTILE EMPLOYEES.

Of the three groups of co-operative employees it was the shop managers with whom the most friction and the least agreement occurred, although they were actually the oldest organisation, and the earliest to work for a regulation. The causes thereof may be taken to be as follows :—

- (1) The specific enrolment of the shop managers' movement. It arose in Saxony on the soil of Saxon political Radicalism, and from that there proceeded a constant opposition to Hamburg.
- (2) Besides the question of wage regulation, which, as in the case of the agreements with the other groups, depends on the effective capacity of the co-operative societies and affects this capacity, the dispute about the leakage question played a special part, and this was, to some extent, a more important matter to the societies than the wage question.

The wage conditions of the shop managers obtained public notice, especially about 1900. Yet these were essentially due to the backward conditions of the smaller Saxon societies, which were afflicted with dividend-seeking and splitting.

The Shop Managers' Union was established in 1893-1894 by Saxon shop managers. In the year 1898, in the so-called Auer resolution, a species of wage agreement was, for the first time, arranged by the shop managers and a committee of the co-operative societies, which included all the leading co-operators of the "Forward" Union.* Minimum demands as regards working hours, salaries, leakage, and other labour conditions were agreed on, and boards of arbitration were recommended for the settlement of disputes. In 1905 the second Co-operative Congress entered into this development, and, in a resolution which had been agreed on beforehand with the shop managers, recommended boards of arbitration. Afterwards, in Rhineland-Westphalia in 1910, and in Saxony in 1911, the establishment of special boards of arbitration for the districts of co-operative sub-unions was decided on between the shop managers and the co-operative sub-unions. Besides these boards of arbitration, which became tolerably effective, a normal service agreement was then to be arranged. The negotiations in this connection took place in the years 1905 and 1906. The Shop Managers' Union broke off negotiations because the other side declined a general regulation of various points (evening, midday, and Sunday closing, grading of salaries, and amount of turnover). The Shop Managers' Union had always wanted the number of the shop manager's assistants to be made proportionate to the amount of the turnover, and this the co-operative societies had agreed to, but fundamentally and on the whole had declined to carry out, because, according to their ideas, a general regulation was impossible on account of the dissimilarity of operations as regards central sorting and weighing out of commodities and those operations as performed in the shops. In the following year new conferences took place between the Shop Managers and the Central Union—conferences at which a normal service agreement was made between both sides, but which was rejected by the General Meeting of the

*A Union of modern Societies in Saxony.

Shop Managers. In this case the agreement foundered on the question of the carrying forward of the leakage item. The co-operative societies would only agree to the carrying over of a leakage of $\frac{1}{4}$ per cent of the turnover to the next business period, whereas the Shop Managers, in principle, demanded the carrying over of the full leakage item, or at least to the extent of $\frac{1}{2}$ per cent of the turnover. As the two sides remained at a deadlock, no general regulation was made, despite later attempts to renew negotiations. Consequently, the Shop Managers tried to secure district agreements, and in a number of cases succeeded. But, on the whole, their labour conditions have remained unregulated generally. The regulated conditions of the shop employees which exist to-day remain as a token of district and local agreements. These agreements, of course, like those of other groups which have only local agreements, are, in many cases, administered by the Wages Board.

THE BENEVOLENT FUND.

The Benevolent Fund of the Central Union was established in 1907 as the joint Pension Fund of the whole movement. Founded originally as a free fund without legal title it was placed, in 1913, under the State Supervisory Office for Private Insurance after the necessary reorganisation had taken place.

THE WORKS COUNCILS.

Works councils began in the co-operative movement most vehemently at first with a dethronement of the trade unions, and with a local wage policy which, in this case, certainly coincided with a trade-wage policy. This stage, however, was soon passed; to the movement it was not of importance apart from the attempt of the Works Councils to become a statutory organ of the co-operative societies—an attempt which was strongly supported by those members who were Communists. Some attempts made to alter the statutes accordingly were frustrated by the resistance of the registrar,

who adhered to the co-operative law. The Central Union's authorities took the standpoint that no special rights could be accorded to the works councils in the co-operative societies beyond those guaranteed by the Works Councils Act. On the whole, the Works Councils movement may be said to have effected but little change; the workers have always had a recognised representation in the co-operative societies. The management boards, on the whole, have got on well with the Works Councils since the clashing of the revolutionary period have been got over. In some societies the Works Councils play a more prominent part, but perchance without the importance of the joint influence of the wage earners and salaried employees going much beyond that which had formerly prevailed in these societies in which the shop manager and the staff dominated the general meetings. Adjuncts to new specific co-operative labour relations, which are so extremely necessary, this movement has not brought to the co-operative societies.

In April, 1922, the General Council of the Central Union agreed to the following resolution :—

The Executive Board, Committee, and General Council of the Central Union of German Consumers' Societies recommends the societies, in respect to the putting of members of Works Councils on the Supervisory Boards, to take their stand solely on the law, according to which two members of the Works Council are to be put on the Supervisory Board to perform the duties assigned to them in §70 of the Works Councils Act. Any participation of other members of the Works Council in the meetings and the work of the Administration is illegal and would lead to serious complications in the administration of the societies.

All agreements concerning more extended functions of members of Works Councils in the administrative bodies of consumers' societies—agreements made at any time before the Act came into force—could (according to the state of affairs) only be of a provisional character and are devoid of all foundation in law since the Act came in force.

CHAPTER VII.

The Social Democracy and the Co-operative Societies.

FROM THE FOUNDATION TO 1895.

In the sixties of last century the socialistic labour movement then arising was absolutely opposed to the consumers' societies. In this connection Lassalle relied on the iron law of wages. The members of the Eisenach party were, in theory, not quite so reserved; the Geneva resolution of the International of 1866 recognised the consumers' societies, although it embodied the idea that the societies only touched the surface of the capitalistic mode of production, and therefore it attached a far greater importance to the productive co-operative societies. On the whole, the sharp political contrast between the Liberal friends of the consumers' societies and the Socialists sufficed to induce the German Labour movement to reject the consumers' societies. There was a lack of any theoretical bridge and of all practical understanding, and, strange to say, a lack of knowledge of the development outside Germany as well. This, perhaps, is explained by the fact that the German political fugitives lived in London whereas the stronghold of the co-operative movement in England was in the north.

The seventies also brought forth no relations between the two movements, although individual social democrats then worked in co-operative societies. In the eighties the workers' co-operative movement certainly arose in Saxony and Central Germany, and the increasing importance of the social democratic workers in co-operative societies, here and there, also led to discussions in the General Union; but although, during this decade, the collaboration of social democrats in the General Union must have acquired a certain amount of importance, considering the expressions of recognition they

oft-times received, yet this practical work brought forth no new spirit whatever. The proceedings at the Congress of the Social Democratic Party in 1892 showed this most distinctly. At these proceedings the consumers' co-operative societies were hardly mentioned at all; productive co-operative societies alone were referred to, and even Auer was of opinion that the consumers' societies were theoretically dispatched by Lassalle.

Only in the years immediately following did those in the Social Democratic Party begin slowly to pay attention to the co-operative consumers' movement. They did no propaganda work for it as yet; and, as yet, made no attempt to take up a position with regard to it theoretically; but now they made mention of it, and off and on reported upon facts such as the support of the trade unions by the co-operative societies during the miners' strike in England for example. When Adele Gerhard published her pamphlet on the consumers' societies in 1895 she found that it was vehemently rejected within the party. The political class-war (they said) requires the whole human being, the consumers' societies can do no good, order in the worker's household is impossible, the worker needs credit, and that excludes paying ready money at the stores. Lassalle also was quoted again. The importance of the societies as regards the developing of leaders for economic life was absolutely denied. Eduard Bernstein reviewed the pamphlet in the "New Time" (Neue Zeit) appreciatively, but although he acknowledged the economic importance of the consumers' societies and the importance of the economic support they gave the working class and their importance for the education of democracy, still he was of opinion that it would perhaps be better that the party should maintain its old reserve to this movement. In the following years the general attitude of the Social Democratic Party to the consumers' societies was determined by two specific occurrences in Saxony. One was the battle of the Saxon middle-class against the consumers' societies, in which great stress was laid on the alleged social democratic character

of the co-operative societies, and the other was the use made of the not-always-pleasant episodes of the struggle between Saxon co-operative shop managers and their administrative boards in the political battle against the social democrats. As the attitude of this party was largely due to tactical considerations it can be understood that, although the Social Democratic Party, of course, had to declare itself for the workers' organisations which were wronged, also declared, now that it had most energetically just brought them into prominence again, that here it was only a question of private arrangements for which they were not responsible. As regards the general attitude of the social democrats to the consumers' societies at this period, it can be said that the party, without any wide range of vision, only from small tactical considerations, declined to promote or to recognise the consumers' societies beyond regarding them as being on a par with the free provident funds.

This position of the social democrats with regard to the consumers' co-operative societies was first placed on a different level by Kautsky's pamphlet on "Consumers' Societies and the Labour Movement," which appeared in April, 1897. In this pamphlet Kautsky denounced the unqualified glorification of the consumers' societies as well as their absolute rejection. He declared that they did not do away with surplus value and production for the market, and that they were aimed against the middle class rather than against the capitalists. He also proclaimed them to be the school of the shopkeeping spirit and denied their importance for democratic self-government. And, in conclusion, he said: "In every country, sooner or later, next to the struggle of the trade unions for control of the conditions of production, next to the struggle of the proletariat for power in municipality and State, next to the efforts of municipality and State for the expansion and increase of the branches of production they command and administer, the co-operative movement is called to play a not unimportant part in the working-class struggle for

emancipation." But the pamphlet could not be meant to promote the consumers' movement at that time arising in Germany, for Kautsky, like all his friends, had the Belgian movement at heart (a movement whose weaknesses he did not perceive) much more than the neutral English movement, which constituted the model for the innovators in Germany.

THE INFLUENCE OF THE HAMBURG CO-OPERATIVE SOCIETY.

As the attitude of the social democrats to the consumers' societies up to then had been essentially adopted in defence of some warmer friends of co-operation who largely belonged to the intellectual ranks, so the battle front assumed quite another aspect after the organised trade unionist working class of Hamburg took in hand the foundation of a co-operative society in the year 1899. First of all, this Society came on the scene with quite a number of new ideas. The name of the Society, to begin with, indicated that something quite different from previous co-operative societies was intended. "Consumers' Building and Thrift Society" sounded very different from the appellations extant up to then, and through the addition of "Building and Thrift" Society signified a new programme. But the new programme stood out in clearer relief in the name the Society gave itself, viz., "Production." As societies formerly, when adopting a name, had called themselves "Self-help" or "Concord," so the choosing of the word "Production" as a name of the Hamburg Society showed that it was intended that the Society would not be a mere shopkeeper, but regarded production for co-operative requirements as its aim. Accordingly, at the outset, no promise was made of high dividends, but, on the contrary, stress was laid on the point that there was no intention of paying high dividends, but that the intention was to create a social capital. Besides that, an Emergency Fund and a Loan Fund for indigent members were planned—things which constituted something quite new

for the movement. These plans roused the social democratic public more than the harmless attempts of the friends of co-operation to win over the working class. No doubt the rules and regulations and the commentaries thereon were rather lofty and couched in inspired terms and promised absolutely too much in many a way, but, all the same, it was the first great attempt consciously to establish a society extending beyond the usual limits. The efforts of the Revisionists* to create an appreciation for the daily task in the economic domain were strengthened exceedingly thereby; with the foundation of this society, and from the strivings of the mass, the Revisionists gained a particularly effective sounding-board. These occurrences had but little effect, however, on the attitude of the Social Democratic party.

THE SOCIAL DEMOCRATIC PARTY CONGRESS AT HANOVER.

At the Congress of the party at Hanover in 1898, in the course of the first revisionist debate, the consumers' societies also came to be discussed. This discussion was doubtless detrimentally affected by the fact that large circles of the party were made nervous by Revisionism, and defended the "old tried tactics" rather blindly, without adequately dealing with the arguments of the other side. The Revisionists, with wise reserve, pointed to the fact that the working class in their daily struggles derived advantages from the economic support afforded by the consumers' societies, and that these were a good school for Socialism, as Katzenstein put it. The opposite side did not exactly distinguish itself by special knowledge of the subject. When David referred to the Rochdale principle, Bebel, for example, called out: "Those are joint-stock companies," and Rosa Luxemburg, in the usual way, became enthusiastic for the Belgian societies. The only essential feature in the speeches on this side was the complete abandonment of the Lassallean standpoint and

**Translator's Note.*—The Revisionists constituted the Reformist wing of the Social Democratic Party.

the acknowledgment, at the close of Bebel's speech, that the experiences of the working class and their training in the consumers' societies constituted an advantage for the future. This acknowledgment was of undoubted importance, inasmuch as Molkenbuhr had directly denied that the co-operative societies were an appropriate means for the education of the working class and for the management of their own affairs. The resolution proclaimed neutrality, looked on the co-operative societies, as on every organisation of the working class for the safeguarding and promotion of their interests, as an appropriate means for educating the working class to manage their own affairs, but it attached "no decisive importance" to these economic societies as regards "the liberation of the working class from the fetters of wage-slavery," and thus limited neutrality somewhat. In practice the party defended the co-operative societies, afterwards as before, against all chicanery on the part of the authorities, but the Revisionists alone showed an interest in the movement, whereas the catastrophic politicians, afterwards as before, rejected the societies more or less, and when these politicians had a mind to promote them they did them more harm than good by battling for the celebrated Belgian precedent.

In the following years the Revisionists fought with great perseverance and much dexterity for a better appreciation of the co-operative movement. How far this fight was successful, and how far the striking growth displayed by the co-operative movement in the following years was traceable to the fact that the mass of workers won over by the trade union movement—who were certainly not pledged to a catastrophic policy but fought entirely on actual grounds for a better standard of life—instinctively strove for this reinforcement in their struggle for the nominal wage through an improvement of their real wage, is difficult to decide. But I believe that it can be said, without hesitation, that the vigorous growth of the trade union movement at that time was the essential impulse to

the co-operative movement. The cautious attitude of the Social Democratic Party authorities and the social democratic circles closely connected with them was perhaps as well, in so far as the course was left free for a really neutral movement thereby.

THE DISPUTE CONCERNING NEUTRALITY.

The dispute concerning neutrality began at the commencement of the present century and lasted till the war. The advocates of neutrality certainly thoroughly recognised the socialistic element in the co-operative movement, but on the other hand, they also saw that the success of the movement depended on the influx of the masses, and therefore desired to avoid everything which might prevent non-socialists and non-social democrats from joining. The opponents of "Hamburg," on the ground of conditions formerly existing in Saxony, talked rather of the importance of providing places in the co-operative societies for penalised individuals, showed some enthusiasm for the Belgian exemplar (internal connection of social democracy and co-operative societies and the societies giving financial support to the party), but without demanding that this example should be copied, and this out of consideration for the co-operative law. This struggle concerning neutrality was fundamentally not a struggle about neutrality at all, but about the ways and means of maintaining it. The neutrality of the co-operative societies remained firm and steadfast all the time. It was not always emphasised tactfully and courteously, a circumstance which made the opponents of the Hamburg trend nervous—opponents consisting of a small group of Saxon co-operators who desired rather more courtesy to be shown to the party. Allied with this there was doubtless also the apprehension of the Saxon—ever radical—social democrats that the political orthodoxy of the party might be impaired by the way in which the neutrality of the co-operative societies was stressed. From a practical point of view this entire contest was devoid of importance. It led to

nothing but a good deal of unfriendliness between some of the Social Democratic Party organs and the journals of the Central Union of German Consumers' Societies.

AT MAGDEBURG AND COPENHAGEN, 1910.

An attempt at a theoretic estimate by the Social Democratic Party was first made in the year 1910. Both at the International Congress in Copenhagen and at the Party Congress at Magdeburg a resolution concerning the relations of the co-operative movement was brought forward for debate. At Copenhagen the International Congress acknowledged the immediate material advantages and the possibility of bettering the mode of life of the working class through the co-operative societies, and, moreover, "that the consumers' co-operative societies educate the workers to manage their own affairs and thereby help to prepare the way for the democratisation and socialisation of production and exchange." Consequently the Congress viewed them as "an effective weapon of the class war." At Magdeburg more reserve was displayed; the co-operative societies were valued only as an effective means of support in the class war. On examining these resolutions impartially it can be said that they wrought neither harm nor benefit. The co-operative movement had become so strong in the meantime that the attitude of the official element of the Social Democratic Party—an attitude which at that time was more or less largely determined by obeisance to old and intrinsically obsolete forms—was a matter of indifference to it, whereas a friendly attitude in the years round about 1900, though it would not have been of decisive importance even then, might have removed various difficulties out of the way.

The Görlitz programme (1921), in making reference to the co-operative societies, merely says: "Promotion of those co-operative societies which are not bent on making a profit." A notice of the co-operative societies in a new party programme for a new period really could not be more meagrely expressed.

CHAPTER VIII.

The Consumers' Societies and Public Opinion.

This chapter, originally, was to have borne the heading : "Combat against the consumers' societies." Although the Revolution has by no means led to the justified claims of the societies being satisfied, yet conditions have been changed so largely that it appears unnecessary to reproduce the matter collected for this chapter, and a short historical retrospect may here suffice.

Public opinion has an exceedingly short memory, and, therefore, it seems to me that a sketch of the stages of development which have been passed, but which have had an effect on the conditions as a whole, will be of service.

ATTITUDE OF THE SMALL TRADERS.

First of all, the retail trade—which was in a bad way through being overcrowded—began to scent the competition of the co-operative societies. Here the typical phenomenon made its appearance: a not very vital class of society fails to see the deeper connections, but seeks for the culpable one, and finds him in the fellow-creature who does not act in the usual way. So, in the seventies, the harassing of the co-operative societies already began. In 1876, for example, no society could be established in Ingolstadt, for the reason that no one ventured to come forth as founder for fear of receiving notice to quit his dwelling. In Munich, for two years, an attempt was made to prohibit Pröbst, the well-known co-operator, who was in the service of the municipality, from carrying on his co-operative work; but the motion failed to carry in the city council. The year after, the "Journal for Co-operative Affairs" expressed indignation at the attacks on the co-operative societies, and especially at the

attacks directed against the participation of civil service officials in co-operative work. At the beginning of the nineties there was another hailstorm of attacks, and this time from the co-operative side itself, inasmuch as sundry credit co-operative societies turned on the consumers' societies and violently attacked them. In the whole later period the battle against the consumers' societies, along with that against the huge private retail stores, was the central feature of all middle-class policy. The group of persons who conducted this attack was not large, but it was very active and well organised, so that a number of organisations always made demands at one and the same time. In this connection only a couple of instances can here be given. It was demanded that consumers' societies should be prohibited from producing for themselves, or at least should be prohibited from selling their productions to non-members, or otherwise should be prohibited from selling their productions in shops; and then, beyond that, it was demanded that consumers' societies should pay a concession tax, and that the question as to whether the concession was requisite should be decided by the authorities. Dr. Höfle,* of München-Gladbach, the specialist in consumers' societies, rather more modestly demanded that the municipal administrations should appeal to the social sense of the officials, because, if they were forbidden to be members of consumers' societies, it was doubtful what the result of the prohibition would be. The chambers of commerce were constantly incited by general inquiries and opinions, and some chambers of commerce syndics who took a very special interest in questions pertaining to private retailers used up more paper and printers' ink in petitions and inquiries all round than was at all justifiable. It seems superfluous to examine more minutely how far this campaign extended, for, generally speaking, it resulted in very little.

* Dr. Höfle died in 1925 after having been Postmaster-General.

THE ATTITUDE OF MUNICIPAL AUTHORITIES.

The municipal authorities, especially in Saxony, showed the greatest predilection for a systematic middle-class policy, and the city council of Dresden got itself a bad name all over Germany by prohibiting its employees from belonging to a consumers' society. The affair turned out a complete fiasco. In other words, when the term fixed by the city council had elapsed the authorities did not know how they were to enforce their decree, and the next thing decided to let the matter rest; but after two more years had expired (1907) the decree was formally rescinded. It was an unheard-of infringement of the personal liberty of the functionaries and workers employed by the municipality, but the practical importance of it was by no means great, and the event eventually served only to strengthen the political propaganda against the Saxon middle-class circles. The same kind of thing was also attempted in various other Saxon towns, but nowhere did anything come of it. In some other towns more success was attained by odd attacks. Thus, in Stettin, 2,000 middle-class families with effective purchasing power were driven out of the co-operative society in a short time through the list of the Society's members being published by sections in the newspapers. The boycotting of commodities was tried off and on, and though it was perhaps a matter of some consequence for some years at first, yet for a long time now it has sunk to the level of a children's bogey. Beyond a municipality or so hardly any success was achieved in this respect. Co-operation, especially for craftsmen and farmers, was officially promoted in nearly all the separate States of Germany. Hence a systematic official attack on the consumers' societies was not to be thought of; the authorities would have made themselves ridiculous. Here and there societies found the actions of the higher officials to be a drawback, but this scarcely affected the movement.

RAILWAYMEN DEBARRED FROM JOINING THE SOCIETIES.

But if the middle-class people had little success in their main combat against the consumers' societies, yet there was another method which worked better. Wherever public service officials were members of the supervisory board of a consumers' society, complaint was first of all raised that these public service officials sat along with social democrats, and then, if these complaints were effective in causing the said officials to leave the supervisory board at the instigation of their official superiors, it was next demanded that officials and workers employed by the State should not by any means remain members of "this purely social democratic institution." This method was particularly successful with regard to the Board of the Prussian State Railways, which before the war was possessed by the fear of a general strike and by concern for the maintenance of discipline in the railway service. It was easy, therefore, with a little zeal, to induce the railway authorities to interpose against State railway officials and railway workers who were members of one of the societies affiliated to the Central Union. The post office authorities did the same thing, though, in general, not quite so energetically. On the whole, the subordinate railway authorities who were enlisted in the battle against the social democracy appear to have reacted promptly to every denunciation of the gallant middle-class partisans. The higher administrative officials protected the local administrative officials, on principle, when complaints were made against the latter. Just at present the answers of the railway managers to complaints and allusions that the Central Union had constantly interceded for the neutrality of the consumers' co-operative movement are well worth re-reading in the Year Book of the Central Union. Either "a statement must be declined for fundamental reasons" or "according to the information of the local police authorities the social democratic character of the Society is

well established." A railway authority once even substantiated the "social character" of a society. As soon as a social democrat sat on a supervisory board every grievance was hopeless. Attempts of the Central Union to induce the Ministry of Railways to clear up the situation came to nothing. Professor Ernst Francke, who was requested to mediate in this connection declared that such an undertaking was entirely hopeless in view of the mentality of the Ministry. In this way, in many places, hundreds of members were driven out of the consumers' societies, but just in those cases where the clearance was most effectual there was a speedy turn round in the opposite direction. The civil service officials who were deprived of the chance of buying at the co-operative stores in many cases established civil service co-operative societies on their own account, as in Eisenach, where the middle-class partisans then again made unavailing attempts to induce the Ministry of Railways to attack these civil service co-operative societies.

THE ATTITUDE OF ADMINISTRATIVE AUTHORITIES IN GENERAL.

Except in Thuringia and South Germany, where things befell otherwise, the administrative authorities, in general, displayed no friendship for the consumers' co-operative movement, but neither did they display any definite hostility. They sympathised a little with the middle-class movement, took the Conservative parliamentarians and their influence into consideration, but carried on no systematic battle against the consumers' societies. In the administrative offices the knowledge of actual conditions was perhaps too slight for the adoption of a positive attitude towards any trend. Consumers' societies were a remarkable thing of which one had heard nothing at college and about which the usual manuals gave little information. The press notices concerning the societies which one read were unfriendly, to be sure, but then they were not written by specialists. Consequently one

mostly avoided making decisions. One chairman of a government board expressed his thanks for being invited to the conference of a provincial co-operative union, another returned no answer, and the third sent an assessor or a member of a government board, who, under certain circumstances, uttered a few friendly words about the important tasks, or appeared with the request that he might remain ungreeted. Energetic proceedings were taken only when the battle against the social democracy began. The prevention of the construction of the soap works of the Co-operative Wholesale Society in Aken constitutes, perhaps, the classic example in this respect. In order, perchance, to keep the social structure of the constituency unchanged, and thereby to make the constituency safe for the election, the authorities combined in a body and fought tooth and nail against the soap works being erected. The arguments reached their climax in the utterances of the postmaster, who was afraid that the erection of the soap works would endanger the telephone service. Of course, if a "Socialist-killer" took the lead then the case became pretty hopeless, and every complaint became fruitless. The German State authorities had little inducement to occupy themselves with the consumers' societies, and so held back. They did not join in the fight. The story of the People's Provident Insurance Society (Volksfürsorge) is perhaps typical. When the trade unions and co-operative societies had definitely decided on founding this Insurance Society the State Supervisory Board for Private Insurance was sounded by a well-known social reformer, who acted as intermediary, as to whether a private conversation concerning the principles of the Insurance Society could not take place for once. No result. But after a few weeks a conversation was suggested by the other side through the same channel. Then the foundation went on very smoothly, and the Management Board of the Insurance Society also publicly thanked the Supervisory Department for furthering the undertaking. Then the wind veered round again, and by order of the

Home Office the chairman of the Insurance Supervisory Department undertook the establishment of the organisation which was to compete against the People's Provident Insurance Society.

THE EFFECTS OF THE WAR AND THE REVOLUTION.

The war made a great change. The barriers to co-operative membership fell altogether, whereby the consumers' societies had a very large increase of membership. In many large towns the managers were called to assist in the work of the municipal Food Boards. On the other hand, the old state of things was not done away with, for if a fault was committed there was no one to be found who would make amends for it. In so far as the co-operative society managers, with the support of the social democratic group of town councillors, took part in the distribution of food supplies, everything went on all right; but as soon as a communal union (magistrate or prefect) did something prejudicial to a consumers' society, in accordance with the good old custom, it took at least half a year to get the injustice redressed, and then it must have been a very gross case indeed. Here, again, the reader may be referred to the Year Books of the Central Union of German Consumers' Societies to glean all that took place in this respect. After the Revolution struggles were still carried on and although the official documents were much more courteous in form than was the case before the war, yet, in substance, iniquities were perpetrated just in the same way as was done 10 or 15 years before. These grievances were partly done away with by the abolition of the State Food Control, yet, on the whole, it can be said that the consumers' societies, despite a very great improvement of their position so far as regards their dealings with the authorities as compared with former times, have still very many difficulties to contend with; even the fact of the Minister of State concerned being a member of a co-operative society has not brought about much protection against these difficulties.

ATTITUDE OF POLITICAL PARTIES.

The political parties were similarly undecided. The social Democratic Party alone, and the small group round Theodor Barth, a liberal Radical, absolutely took the societies' part. For the others it is perhaps significant that Eugen Richter's ABC book in seven editions performs an egg dance only in one of them: "Government seeks to limit consumers' societies, but it is not its task to interfere in the competitive struggle"; and in the other editions the consumers' societies are completely ignored. Out of consideration for middle-class voters there had to be a little unfriendliness, and out of consideration for the voters with fixed salaries this unfriendliness had not to be carried too far, so long as it was not a question of a social democrat—this particularly applies to the Centre Party, which had always to endeavour to keep the balance between the interests of the Christian workpeople on the one hand and those of the craftsmen and retail traders on the other. Besides that, the consumers' societies and the exploitation in consumers' societies were a favourite argument against the social democracy for a number of years.

ATTITUDE OF THE PRESS.

This development becomes intelligible only when it is noted how little public opinion understood the consumers' co-operative movement. The circles connected with Francke and Theodor Barth alone had clear and decided views in this matter. Otherwise the middle-class newspapers contained something about the consumers' societies when conflicts with regard to taxation occurred, reproduced a couple of attacks from middle-class correspondents, and in times of political quietude also found words to recognise the societies to a considerable extent, as on the occasion of the exhibition of the consumers' societies which took place in Berlin in 1912, and looked on them as social democratic organisations, the societies of the General Union not being taken into account.

True it is that the Society for Social Reform in the year 1903, and the Evangelical Social Congress in the year 1913, discussed the consumers' societies, but the after-effects in the press did not last long. The social democratic press printed the correspondence of the Central Union in different compass, but hardly ever made mention of the societies on its own account, a few occasions excepted. And finally, the commercial press took almost no notice of them whatever. In later years, however, reports of balance sheets were given, but the whole movement, with the Co-operative Wholesale Society included, stood absolutely outside the sphere which criticism took into account.



CONCLUSION.

Generally speaking the consumers' co-operative societies stand outside public criticism. That part of public opinion which is favourably disposed is prone to admire them as being a commercial institution of the workers, and this to a much greater extent than is good for the movement. The attacks of opponents, on the other hand are, almost without exception, devoid of expert knowledge and of the will to reality, and therefore are worthless as a criticism of the movement. The societies, however, stand in need of criticism for the sake of their sound development. They must win recognition irrespective of the critic's attitude to their world of ideas and to the representations of the movement. Only by this can they fulfil their task of preparing the social economic system and of gaining adherents therefor; for they are the experiment in social economy as a practical system. It is thus a matter of importance to examine, coolly and objectively, how far the German consumers' societies as these organs of practical social economy have achieved something, and how far they have displayed the defects which the advocates of the free economic system call special attention to as being characteristic of the public administration of economic affairs.

First of all, let us take the manager in the consumers' society. The pith of the argument against social economy is generally as follows: with the manager of an undertaking of this kind the motive of self-interest is lacking; hence he develops the characteristic qualities of the official—the conduct of affairs in the traditional style without initiative and without pleasure in responsibility. This criticism of social economy has not only been made by its opponents, but even by its adherents as well; and only through being impressed by this argument could Professor Wilbrandt have

come to advocate paying managers a percentage on results. A contemplation of the consumers' societies, however, shows that this argument against their capabilities is entirely beside the mark. As in numerous organisations established for purposes other than those of gain (societies, parties, and all movements with an idealistic aim for which the material work of organisation is requisite) we see in the consumers' co-operative movement plenty of initiative and a great need of extension. In this criticism of social economy two motives of action are entirely overlooked, viz., the sustaining idea and the functional interest. The manager of a consumers' society who makes it his sole endeavour to attain a good balance sheet will adopt an attitude to all experiments and all new plans quite different from that of the manager of a society who takes an active part in the movement because of his whole socialistic outlook, and regards it as his task to promote the movement rather than to attain a good balance sheet. The expression of the managing director of Lloyds, that "Lloyds are not out for dividends, but for navigation," shows that this kind of motive can also play a great part in a private concern. How much more so in a movement which feels itself to be a participator in the struggle for the emancipation of the working class.

Besides these trains of thought which proceed from the general intellectual life of the movement and of its officialdom the functional interest plays an exceedingly important part. In this volume,* Chapters VI and VII show very distinctly how the consumers' societies, although they are essentially based on the same human material as the other two movements and on their organisational encompassment and development of the working class, yet, by reason of their functional interest, have not infrequently come into conflict with these movements just as the social democratic and trade union movements have come into conflict with each other. This functional interest constitutes an exceedingly strong motive for the movement. It is certainly not always safe;

it is possible for functional interest and members' interest to clash, just as in the period of inflation individual departments in large concerns speculated against the central at times for the purpose of effecting a more favourable balancement of the books.

On the other hand a contemplation of co-operative development just shows that in many cases it is not particularly well endowed with such initiative as is possessed by the independent business proprietor. We saw that the competition of the large private concern arose in Westphalia and South-west Germany, whilst other typical industrial regions were free from it. Many co-operators who knew the conditions exactly wondered how it was that regions specifically suited for the extension of multiple-shop concerns just because the consumers' societies in those regions were so weak in the matter of organisation, yet remained quite free from them, the only competitors of the societies essentially being the small traders, who could not in any way be called representatives of private economic energy. Thus we see that the business management of the consumers' societies receives sufficient stimulus for business alertness from two sides, even without the private striving for gain and without paying a percentage on results, and it is perhaps well for the movement that the impulse for its leading personalities proceeds thus and not from payment; for business managers whose alertness has to be stimulated by a percentage on results are generally unsuited for a co-operative society, and are prone to conduct it after the manner of private capitalism. The manufactory managers, and the departmental managers also in part, of the individual societies in England, with their intentness on business more than on co-operation, are no advantage to the English movement. Nevertheless, the percentage on results is not a thing to be absolutely rejected; under certain circumstances it may be a means of assuring a proper salary which would not otherwise be fixed at that amount by the bodies responsible.

How these bodies fulfil their task is another question. In private concerns it is only in the case of joint stock companies that enterprisers and business managers are separate persons, but in the co-operative movement this is invariably the case. Although the business manager is positively the actual conductor of the society in all its affairs, and, otherwise than in England, combines the business technician and the co-operator in one person, and so performs the enterpriser's functions to a large extent, yet, as regards all decisions, he has always to face the Supervisory Board, which is the actual representative of the enterpriser; that is, of the members. The essential function of this Supervisory Board is to choose the business manager; and in large measure it is incumbent on the Board to make the selection within the movement. And here there is a fundamental difference as compared with the joint stock company. The Supervisory Board members of the joint stock company, and the shareholders who have the decisive voice at the general meetings (namely, those who command the largest blocks of shares) belong to the same class as the directors, and, as a rule, occupy similar posts in other concerns or, at least, may at any time come into request for such posts. The Supervisory Board of the co-operative society consists, on the contrary, of working men, small salaried employees, and trade union officials. Its members are engaged in very various avocations, and, although a number of particularly able business managers have issued from the Supervisory Boards, yet, on the whole, the members of the latter are not at all equal in calibre to the business managers, and, in the event of their receiving an appointment in the society, in many cases come into request only for the post of shop manager or for similar subordinate posts.

How does this difference affect the societies? Rathenau, in the Nationalisation Committee, gave utterance to a warning against the two projects for coal nationalisation with the remark that they were handing over the German coal industry

to a great town council meeting ; that in a joint stock company the Supervisory Board, despite all ties of kinship and personal ties, absolutely dismisses an incompetent manager, whereas, in his (Rathenau's) experience of municipal electricity works, the town councillors declared every failure to be harmless if the works manager concerned only knew how to deal with the councillors.

If we look at the co-operative organisation from this point of view, what follows? The Supervisory Board of the diminutive society is outside this examination. It consists at times of plain working men who are not able to form a proper judgment of their society and who have to depend to a large extent on the judgment of the auditor and of the union's officials. In the larger society, on the other hand, a certain tradition prevails. The members of the Supervisory Board retain their position for many years ; and the election of a new member is only necessary from time to time, whilst, in general, the old members easily secure re-election when their term of office expires. The members of the Board become acquainted with all that takes place in the business, and also become intimately acquainted with their society. Although they have not the capacity for business management they have a good insight. Generally speaking, it must be said that they have hardly kept on incompetent people for personal reasons. Here and there it has happened that an old business manager has remained at his post even when he could no longer perform the duties attached to it ; and now and again a business manager in a growing society has retained his managership without having kept pace with his society's growth ; but where it has been necessary to interpose, the necessary energy has been forthcoming, and the knowledge that was lacking has generally been made up for by the Board members getting the necessary information from the business managers of neighbouring societies and the board of the sub-union. The interchange of experiences within the movement gives the business managers a very

great advantage over the private trader, and of this the Supervisory Board also gets the benefit. As regards the selecting of the business manager the question has to be judged rather differently. In this case one is guided by a personal impression of a person, by what he has performed hitherto, and by the judgment of other business managers; but whether the Supervisory Board members in the majority of cases have actually discovered the most suitable person may perhaps be doubted. This defect they have in common with all democratic organisations of the working class. A fit selection of the members of representative bodies of the minor kind takes place at best, but where the work of management is concerned it is lacking. The mass does not elect the best economic politician, but the one who can make his politico-economic system most intelligible. And, in like manner, the Supervisory Board of a consumers' society has to choose the individual whose personality is most to its liking and of whom it hears the most favourable account, since it is not in a position to form an independent judgment of its own.

The English co-operative movement has, in this respect, developed fewer new methods than the German. Undoubtedly in England the members' meeting, under certain circumstances, plays a more important part than in Germany, especially when the Women's Guild or some other organisation, such as the co-operative employees' trade union, stirs up the mass. Undoubtedly the English management committee occupies the position of an executive board and supervisory board combined, and so occupies a more important position than the German supervisory board; but, at the same time, it completely represents the amateur element, a fact which is also recognised. It occupies a stronger position than the German supervisory board, but no greater results can be put to its credit. The English movement has rightly made the division of labour between the head business man and the co-operative enterpriser (otherwise the manager and the

management committee) more distinct* ; but, at the same time, the co-operative function of the enterpriser has not been given a better status essentially. I am, therefore, not able to concur in the statements made by Hans Müller in his "Cooperative Derailments."

In consequence of this weakness of the co-operative supervisory board in Germany the business manager by vocation has to be both business man and co-operator. Thus, in the institution of salaried chairman and other committee members in England, I perceive no real development. The pith of the question is not whether the committee members have adequate time, but whether, at the right time, they have had the training requisite for the transition from workman to co-operative enterpriser. So the characteristic of the co-operative supervisory board renders the combination of co-operative and business functions in the vocational manager of the co-operative society absolutely necessary ; and so this strengthening of his position, just like the strengthening of the position of the trade union leader, requires a counterpoise in the membership. In both cases the manager from the mass has raised himself above it by reason of his special qualities. In both cases he has special functional interests which are bound to run not always parallel with the interests of the members. In both cases, therefore, a more vigorous intellectual life in the organisations has to be brought about. A body of working-men intellectuals has to arise, who will make up for their lack of specific practice by education in theory and by being capable of sustaining comparison with other spheres of work and other

* *Translator's Note.*—To an Englishman the division of labour between the Supervisory Board and Management Board in Germany appears more sharply defined than the division of labour between the Management Board and Manager in Great Britain. In Germany each of the two bodies has a specific status and clearly defined functions, whereas in Great Britain the technical manager takes his ultimate orders from the Management Board and both participate in the management.

organisations. This would be easier for the consumers' co-operative movement than it was for the trade unions, for it numbers many intellectuals among its members. To get these also to take part in practical work is an urgent necessity, but it requires a reorganisation of the minor work, so as to secure the utmost saving of labour. In the "Socialist Monthly" (Sozialistische Monatshefte) in 1922 Dr. Hans Müller, the meritorious former secretary of the International Co-operative Alliance, suggested that the trade unions should be made the sub-structure of the co-operative societies, and be made their electoral bodies. Although Müller is an author who is always deserving of consideration, and the unsolvedness of the problem of how new labour relations can be established adjoins such solutions, yet it seems to me that these are contradictory to the nature of the co-operative society.

The co-operative societies must, for the sake of their business development, try to counterbalance the ineffectiveness of their supervisory boards as enterprisers' representatives. But if the élite of the working class and the socialistic intellectuals are to be won over for constant collaboration in the movement then they must be shown an aim which attracts them. The Central Union, like the National Union, is completely sustained by the business managers; and among these there are personalities who, by initiative, talent for organisation, and business management, have a thorough claim to general consideration; but amongst them there are but few who keep pace with the literature of commercial and political economy in any way, and those who take an active part in writing are still fewer. Despite its interchange of experience within the movement—an interchange which, though unorganised, is extensive—the Central Union has not yet known how to create an intellectual life in relation to the technical questions of trade and organisation of the movement, entirely apart from systematic connection with investigation as regards the science of trade. The movement,

furthermore, displays a certain narrowness in conception and in its field of vision. In the world of ideas and mode of life the circles with which it competes and with which it has business connections have, however, lost a little of their colour. Add to this, that the dividend is a thoroughly individualistic mode of attaching the member to his co-operative society. In Germany it has had a pernicious effect (the dividend epidemic) only in certain parts and where the older movement is concerned; but it could not effect the great impetus of which the movement stood in need. How important this impetus is, a comparison of the co-operative development in Hamburg with that in Leipzig suffices to show. In Hamburg, the will to the social economic system throughout the whole membership, and therewith the unexampled advance; in Leipzig, a brilliant foundation constructed by a specially gifted trade organiser, but in which the associated activity of the members is lacking, and so a continuation of development at a very slow pace. The English co-operative movement derived the idea of the productive co-operative society from the Christian Socialists (the Owenite plans of the Rochdale Pioneers did not operate long). After the ideas of the Christian Socialists were discredited by their failure in practice, the English movement never knew how to construct a theory. It sought to imbue the members with an indistinct co-operative idealism, and naturally therewith could only get complete hold of a small section, just as occurred in the temperance movement in a similar way. The German movement always wisely avoided these faults, but after the great impetus at the beginning of this century had lost its force, the movement, being intent on the preservation of neutrality, was strongly negative on the one hand, but, on the other, sought its positive theories in ideas with regard to the abolition of profit, and laid great stress on the point that it was not engaged in trading but in the distribution of commodities purchased for the joint requirements, and so concentrated on trains of thought which

could not awaken any enthusiasm among the masses. It justly made efforts to get hold of the middle ranks of the salaried and official classes, but it did not know how to imbue these ranks with the ideal of the social economic system. That could not be attained with the Rochdale principles, however right and beneficial they were. The great moral impulse could only be found when men felt themselves to be a channel for the tutoring of the masses for the control of economic life. The propagation of such trains of thought ceased, and so the movement was wanting in the great intellectual life of the membership. Moreover, it lacked even a stirring life among the sustainers of the Central Union, that is to say, the business managers who limited themselves to looking after the interests of their own societies. This lack of impetus in the movement was probably perceived, and the movement was thereby weakened in its energy for enterprise, and so the endeavour was made to compensate for this weakening by propaganda on behalf of co-operative loyalty. Again and again it was preached to the masses that they must be loyal to their society and must not let themselves be bribed by a temporary advantage to buy from competitors. In this close connection of the members with their own business the societies had, in fact, a considerable asset as compared with their competitors, but an asset, however, which the dispassionate critic will not set down with unalloyed pleasure; for it detracts from the educative effect of competition, and is a means of defence, but not an enhancement of activity.

This lack of a strong independent life of the mass of members, this limitation of the intellectual life of the movement to a small number of professional sustainers, which, as it appears, is observable throughout the European co-operative world, had the further result that the organs of publicity took little interest in the consumers' societies and hardly took any notice of them. Here, again, there was a distinct defect of the enterpriser "mass," which did not know how to throw

its strongest attribute, namely number, into the scales. This lack of interest of the organs of publicity has been practically of great moment to the movement as regards questions of taxation and law, and especially during the régime of State control during the war.

On the whole, it appears that, despite the distinct effects of mass teaching, the movement depends far too much on chance to find men endowed with special commercial talent and initiative for the important posts; and, also, that where the movement is concerned the will as enterpriser-stimulus to build up a great undertaking is too significant as compared with the will of the movement.

What has been achieved in the way of business? Here there is no intention of ascertaining the boundaries of the consumers' co-operative movement; in this sphere many a thing has taken place which gave wrong results and annoyed the practicians to no purpose, but what has actually been attained shall alone be dealt with. The requirements of the masses, and partly also those of a great part of the middle class, have been embraced to a considerable extent; substantially the daily requirements, and the periodical requirements to a rather less extent. But for somewhat larger regions, provinces for example, percentages ranging from a third to a half of the organised consumers represent exceedingly favourable conditions still. Co-operative production has made very great progress in the fabrication of foodstuffs. Its development has been greatest, perhaps, in the matter of bakery products; nevertheless, competition in this case is shown by an abundance of diminutive concerns. In the production of clothing no great progress has been made; and in many other things production generally is still in the initial stage. The co-operative society is the consumers' combine. No other combination of consumers can ever attain such importance as the co-operative combination embracing all requirements. How far does this consumers' combine affect the producers' combines? So far, very little.

The successful battles (e.g., the battle with regard to trademark commodities in Germany, and the battle with the soap combine in England) are not very numerous; and so in recent years all the more numerous have been the complaints of co-operative societies concerning the way they are treated by private combines and compacts.

And now what of the aspect of things in the actual sphere of operations of the co-operative societies? So far as they have been large concerns they have excelled competitors, but not in everything (butchering, and the baking of small rolls, for example). They have been, on the whole, perhaps equal to the large private concerns in business matters and organisation; and as compared with the large private concerns they have had, at the most, to sustain the burden of their stronger social policy. In general, however, they have depended little on the systematic, scientific development of their organisation, but, on the contrary, pretty largely on the individual personality whom the chapter of events has placed in an important post.

The enhancement of the productivity of industry has led to an increase of consumption and of the possibilities of trade to an exceedingly great extent. This was shown most distinctly where rapid industrialisation brought about agglomerations of human beings. The concentration of the new purchasing power in these regions positively demanded the capitalistic organisation of the retail trade forthwith. The consumers' co-operative societies shared in it along with the large private retailers, but without knowing the clear ground lines for the development of this competition and its faults in many regions. The development hitherto appears frequently to have been subject to chance. A systematic reinforcement and a systematic setting in of the competition of large multiple-shop concerns against the consumers' societies has to be reckoned with. The struggle as regards their capacity for achievement confronts them still, and therein the character of the people will count largely; but

the question as to whether the consumers' society is a casual product of the coincidence of industrial development and the allied growth of the trade and organisational requirements of the masses, or, beyond that, is actually the beginning of a fundamental transformation of economic life will here be decided. This decisive struggle cannot be successfully conducted with "co-operative loyalty," "abolition of profit," and business interest, but only with the will to direct economic affairs by those who have hitherto been directed.

For the workers, salaried employees, and similar ranks of society with a non-capitalist outlook, the consumers' co-operative societies are the most important organisation for the educational development of these ranks for an earnest collaboration in the regulation of economic affairs and for the intervention of all, collectively, in economic life. The societies show how unjustifiable are the usual charges brought against social economy and against their managers that the latter are wanting in initiative because the motive of self-interest is absent. The competition which proceeds from interest in operations is, however, a complete equivalent. Where the conducting of business on a tolerably large scale is concerned, what is wanting in relation to the business managers is the regulating activity pertaining to the undertaker of the capitalistic company. As the business managers are the expert representatives of the consumers' interests, any predomination of the business interests over the task of the society might be especially dangerous. The remedy is only to be found in the creation of a body of working-class intellectuals which would be in a much stronger position than the present Supervisory Board members to compass the collective interests (where they conflict with the interests of the managers) as against the prominent capacities of the professional managers. This working-class "intelligentsia," which must collaborate with the intellectual middle ranks, will, just like the latter, only be able to take a constant interest in the co-operative societies if it is imbued with the

consciousness that the societies are the touchstone for testing the capacity of the working classes for the conducting of economic affairs.

The way is marked out. Whether it will be followed the next ten years of German development, after the restoration of normal economic life, will show. Despite its youth the German movement is called to take the lead in the international struggle for the future of the consumers' co-operative movement.



APPENDIX.

I.

ADVANCE ON A MEMBER'S CHECKS (PAGE 50).

The shop manager is controlled through the checks he gives out ; and for every check he gives out he must be able to produce cash. Now when a member was in need and wanted dividend at once, instead of waiting till the year end, the member would go to the shop manager, who would advance the 7 to 10 per cent dividend out of his own pocket, and received therefor the checks (which were re-usable). These checks the shop manager could again give out to another purchasing member ; the result of this process being that the cash control was put out of equilibrium to the extent of the difference between the sum of the checks and the amount of the dividend advanced by the shop manager.

II.

BAKERY TURNOVER IN 1924.

During the years 1922 and 1923 serviceable statistics could not be compiled in consequence of the fluctuating currency value (inflation). The first year of stabilisation was 1924, but as the business year of the societies, in most cases, is reckoned from July to the end of the following June the statistics for 1924 are based on figures which partly belong to the period of inflation ; and, consequently, the statistics of the Central Union are here reproduced with all due reserve. These statistics show an average bakery turnover amounting to 17 per cent of the total turnover of the societies as a whole. The bakery turnover ranges between 8 per cent and 21 per cent. In five sub-unions it ranges between 19 and 21 per cent, and in four others between 11 and 15 per cent.

For the year 1924 the sales statistics of the Co-operative Wholesale Society are more serviceable, inasmuch as they embrace the whole of the societies belonging to the sphere of the Wholesale's operations (that is, on the whole, the same sphere embraced by the Central Union), and relate to the calendar year, and also record the figures showing the extension of the productive operations of the retail societies as well. According to these figures there were 326 bakeries among the 1,127 societies embraced in the statistics ; and the turnover of the bakeries figured at 16 to 17 per cent of the total turnover. Data relating to the bakery turnover of the whole of the societies are not available, but this circumstance cannot essentially affect the percentage recorded. All the large societies carry on baking, the turnover of which amounts on an average to 19 per cent of their total turnover. Specifically speaking, the proportion of the bakery turnover

to the total turnover goes as low as 5 per cent, but that is an exception; and a proportion of 10 to 11 per cent occurs but seldom. With most of the large societies the proportion revolves round 20 per cent. The normal minimum is about 15 to 17 per cent, and the normal maximum 24 to 25 per cent; while 30 and 32 per cent is the highest extreme. These figures signify a very large increase in the proportion of the bakery turnover to the total turnover as compared with the pre-war period. This is doubtless attributable, on the whole, to the circumstance that the large bakeries with their output capacity have suffered less from a setback in turnover than the grocery departments. It is a notable circumstance that the baking of small bread rolls has everywhere increased at the expense of the bread turnover, and that no fewer than 14 societies have even proceeded to set up confectionery establishments.

III.

CORN MILLS.

According to the statistics of the Co-operative Wholesale Society 29 societies have corn mills, 18 of which, however, are purely barley-crushing mills which are in operation for the production of cattle food. Three mills are flour and crushing mills, and only seven mills are actually large mills with an output capacity of 50,000 double zentner* per year. The largest has an output capacity of 300,000 double zentner, and four other mills have an output capacity of 100,000 double zentner. Moreover, 10 societies have shares in corn mills, but these are generally small undertakings, with the exception of the corn mill of the Munich Society, which figures in the statistics as a participation concern.

It may also be stated that 13 societies carry on the production of edible paste (macaroni), and amongst these societies are five of the seven largest.

IV.

SOCIETIES WHICH CARRY ON BUTCHERING.

According to the statistics of the Co-operative Wholesale Society there are 48 societies which carry on butchering. Five of these societies belong to the group of seven with a turnover of over 10 million marks per society. Here the proportion of the butchering turnover to the total turnover amounts to 3 per cent, in two societies to 16 per cent, and in one society to 25 per cent, or to 28 per cent if the wholesale sales are not included. In the group of 15 societies with a turnover ranging from 5 to 10 million marks each, seven carry on butchering, and the butchering turnover ranges from 6 to 30 per cent of the total turnover, the proportion being pretty equally distributed

* A double zentner = 220 lbs. avoirdupois, or roughly 2 cwt.

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over this scale. In the next group, in which the turnover of the societies ranges from 2 to 5 million marks only six societies out of the 34 carry on butchering, and the butchering turnover of these six societies respectively amounts to 2 per cent, 8 per cent, 10 per cent (in two cases), 17 per cent, and 20 per cent of the total turnover. Of the 42 societies which have a turnover ranging from 1 to 2 million marks each, four have butcheries. With regard to the smallest societies with a butchering business one or two figures may be reproduced in conclusion. There is one society with 1,400 members and a turnover of 111,000 marks, and another with 1,100 members and a turnover of 150,000 marks, and, finally, there is one with 343 members and a turnover of 63,000 marks, and another with a membership of 391 and a turnover of 53,000 marks.

V.

SOCIETIES DEALING IN TEXTILE GOODS AND FOOTWEAR.

Of the seven large societies with a turnover exceeding 10 million marks the Saxon societies of Leipzig and Dresden were the only two which sold textile goods and footwear before the war; to-day all the societies belonging to the group sell textile goods except one, and all but two sell footwear. Of the 15 societies with a turnover of 5 to 10 million marks only five before the war dealt in textile goods, to-day there are eight; and the number of societies with boot and shoe shops has increased from four to six. Of the group of 34 societies with a turnover of 2 to 5 million marks one half sold textile goods, and nearly as many, namely 15, sold boots and shoes. In this case comparative figures are not available, but the survey as a whole shows distinctly the great expansion of trade.

VI.

SOCIETIES WITH DAIRIES.

According to the statistics of the Co-operative Wholesale Society for 1924, the following retail societies possess dairies:—

- The Hamburg "Produktion" Society with 115,000 members.
- The Essen "Eintracht" (Concord) Society with 99,000 members.
- The Frankfort-on-the-Main Society with 47,000 members.
- The Oldenburg Society with 150,000 members.
- The Rütstringen Society with 14,000 members.

VII.

THE FISH TRADE OF SOCIETIES.

Among the retail societies there are two which smoke herrings. One of these two societies is situated on the North Sea coast.

VIII.

THE RENTENMARK (PAGE 83).

"The Rentenmark was introduced in November, 1923, as an intermediate means of stabilising the internal value of the German currency; and later a gold discount bank was created with a capital of £10,000,000 to carry out the financing of foreign trade. As a result, calculations on a gold-mark basis became general, and thus furnished a fixed basis for the purchase and sale of goods. The stabilisation of the currency while allaying to some extent the industrial unrest resulted in an increase of prices and general shortage of working capital, and consequently rendered sales more difficult, especially in overseas markets.

"The new currency—the Reichsmark—was introduced on October 11th, 1924. The old paper-mark currency is to remain legal tender until June, 1925, it being laid down that one billion paper marks are equal to one Rentenmark. The Rentenmark is to be abolished, but pending its total withdrawal it has been fixed that one Rentenmark is equivalent to one Reichsmark."—Extract from *The Survey of British Overseas Markets*, 1925, issued by the Committee on Industry and Trade.

IX.

Particulars with regard to the turnover of the German consumers' societies according to the statistical survey of the German Co-operative Wholesale Society for the calendar year 1924:—

REGION.	Societies with a turnover up to 1 million marks.	Percentage of total turnover in the region.	Societies with a turnover from 1 to 2 million marks.	Percentage of total turnover in the region.	Societies with a turnover from 2 to 5 million marks.	Percentage of total turnover in the region.	Societies with a turnover from 5 to 10 million marks.	Percentage of total turnover in the region.	Societies with a turnover above 10 million marks.	Percentage of total turnover in the region.
Bavaria	80	44·7	3	10·8	...	...	2	44·5	...	...
Central Germany ...	166	51·9	...	...	...	5	32·1	1	16·0	...
N.-W. Germany ...	143	9·2	8	11·3	5	15·4	5	36·0	1	35·1
East Germany	109	30·3	3	8·7	2	10·4	...	...	1	50·6
Rhineland- Westphalia	38	10·5	2	3·6	1	3·7	3	27·0	3	55·2
Saxony.....	117	27·7	9	14·1	3	8·7	1	8·0	2	41·5
Silesia.....	62	39·8	1	4·0	3	25·4	1	30·8	...	...
S.-W. Germany ...	82	32·0	6	17·6	6	37·1	1	13·3	...	...
Thuringia	155	52·6	3	9·4	6	38·0
Württemberg.....	77	36·8	7	26·1	3	22·0	1	15·1
TOTAL.....	1019	29·6	42	10·4	34	17	15	18·7	7	24·3

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X.

THE HAMBURG CO-OPERATIVE SOCIETY.

The statistics of the Hamburg Co-operative Society recorded here-with afford an illustration of an up-to-date German distributive society with a large membership and conducting operations on an extensive scale.

Membership at the end of 1924, 132,129.

Share capital, 1913, 1,192,884 Marks; 1924, 597,062 Marks, 550,000 Marks of which constituted the re-estimated value of the old shares.

Emergency Fund, 1913, 1,100,683 Marks; 1924, 800,247 Marks.

Amount of Savings Deposits as revalued on January	Marks
1st, 1924	4,440,000
Amount of Savings Deposits in 1924	4,375,554
Amount of Withdrawals.....	2,951,554
Increase	1,424,000
Total Amount of Deposits at the end of 1924	5,824,000
Plus Interest	64,259
	<hr/> 5,888,259

Turnover in 1913, 23,556,908 Marks; 1924, 35,406,859 Marks.

In the course of the year 1924 prices somewhat increased. It may be calculated that the average scale of prices was from a fourth to a third above the pre-war scale.

The differentiated turnover in the Society's shops in 1924 was as follows: General stores, 16,301,028 Marks; Bread shops, 4,334,553 Marks; Butchers' shops, 9,176,585 Marks; Special shops, 902,859 Marks; Coal depôt, 79,465 Marks; Furniture shop, 1,578,343 Marks.

In the bakery 373 persons were employed, and the turnover was as follows: Bread, 2,033,392 Marks; White Rolls, 2,360,533 Marks; Confectionery, 1,129,323 Marks; Biscuit manufactory, 226,784 Marks.

In the flour mill 4,69½ tons of corn were ground, including 3811·4 tons of rye corn.

The purchases for the slaughter-house were as follows:—

Live Stock—	Marks.
3,542 head of Cattle.....	959,838
29,031 Swine	3,748,889
1,604 Calves	148,268
1,596 Sheep	114,402
Total	<hr/> 4,971,397

The purchases of dead meat were as follows :—

Flesh Meat.....	209,149
Frozen Meat	2,870,592
• (Including Frozen Beef, 2,605,514 Marks.)	
Bacon, &c.....	388,020
Lard	456,726
	<hr/>
Total	3,924,487
	<hr/>

At the end of 1924 there were 428 persons employed in the butchery department, viz., 223 in connection with the slaughter and 205 in the shops, the products being sold in the 63 butchers' shops of the Society and in its general stores. The turnover in this connection amounted to 12,463,992 Marks in 1924, as compared with 7,519,472 Marks in 1913.

The sales of milk in 1924 amounted to 3 million litres. The furniture manufactory had a turnover of 423,056 Marks.

The total number of persons employed by the Society at the end of 1924 was 2,087, and 991 of them were engaged in production.

The retail stores' expenses averaged 7·7 per cent, in the bread shops 5·2 per cent, and in the butchers' shops 7 per cent, but in the warehouse 21·7 per cent.



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